



MAY 11, 2010

Financial Results of the year ended March 31, 2010**Company name: NIKON CORPORATION**

Code number: 7731; Stock listings: Tokyo Stock Exchange

URL <http://www.nikon.co.jp/>

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Date for the annual shareholders' meeting: June 29, 2010

Date for the filing of the consolidated financial statements : June 29, 2010

Date of year-end dividend payout : June 30, 2010

Note: Amounts less than 1 million yen are omitted.

1. Consolidated Results of the year ended March 31, 2010 (From April 1, 2009 to March 31, 2010)**(1) Financial Results**

(%: change from the previous year)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended March 31, 2010	785,498	(10.7)	(13,854)	-	(15,334)	-	(12,615)	-
Year ended March 31, 2009	879,719	(8.0)	48,184	(64.4)	47,689	(60.3)	28,055	(62.8)

	Net income per share of common stock	Net income per share of common stock after dilution	Ratio of Net Income to Shareholders' Equity	Ratio of Ordinary Income to Total Assets	Ratio of Operating Income to Net Sales
	Yen	Yen	%	%	%
Year ended March 31, 2010	(31.82)	-	(3.4)	(2.1)	(1.8)
Year ended March 31, 2009	70.76	67.91	7.3	6.1	5.5

(Reference) Equity in Earning of non-consolidated subsidiaries and affiliates: Year ended March, 2010; 992 million yen

Year ended March, 2009; 1,022 million yen

(2) Financial Position

	Total assets	Net assets	Equity Ratio	Net assets per share of common stock
	Million yen	Million yen	%	Yen
Year ended March 31, 2010	740,632	372,069	50.2	937.75
Year ended March 31, 2009	749,805	379,086	50.5	955.72

(Reference) Equity: Year ended March 31, 2010: 371,743 million yen

Year ended March 31, 2009: 378,853 million yen

(3) Cash Flows

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at end of year
	Million yen	Million yen	Million yen	Million yen
Year ended March 31, 2010	103,497	(47,107)	(31,476)	104,669
Year ended March 31, 2009	10,112	(44,518)	5,774	79,806

2. Dividends

	Dividend per share				
	First Quarter ended	Second Quarter ended	Third Quarter ended	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2009	-	12.50	-	5.50	18.00
Year ended March 31, 2010	-	4.00	-	4.00	8.00
Year ending March 31, 2011 (Planned)	-	5.00	-	14.00	19.00

	Total annual Cash dividend paid	Dividend payout ratio (consolidated)	Dividend payout to net assets ratio (consolidated)
	Million yen	%	%
Year ended March 31, 2009	7,135	25.4	1.9
Year ended March 31, 2010	3,171	-	0.8
Year ending March 31, 2011 (Planned)	-	25.1	-

3. Forecasts for Year Ending March 31, 2011 (From April 1, 2010 to March 31, 2011)

(%: change from the previous year)

	Net sales		Operating income		Ordinary income		Net income		Net income per share of common stock
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Second quarter ending September 30, 2010	395,000	7.3	7,500	-	7,000	-	4,000	-	10.09
Full year	880,000	12.0	52,000	-	50,000	-	30,000	-	75.68

4. Other

(1) Changes of significant subsidiaries during the current fiscal year (change of specified subsidiaries that affected the scope of consolidated reporting): None

(2) Changes of accounting policies applied, procedures and methods of presentation for preparing consolidated financial statements

1. Changes by revision of accounting standards: Yes

2. Changes other than the above: None

Note: Please see “(7)Changes in Basis of Presenting Consolidated Financial Statement” on page 18 for further details.

(3) Number of shares issued (common stock)

1. Number of shares issued as of the term end (including treasury stocks):

Year ended March 31, 2010 400,878,921 shares

Year ended March 31, 2009 400,878,921 shares

2. Number of treasury stock as of the term end:

Year ended March 31, 2010 4,458,536 shares

Year ended March 31, 2009 4,472,250 shares

Note: Please see “Per-Share Data” on page 22 for further details.

[Reference]

1. Non-consolidated Results of Year ended March 31, 2010(From April 1, 2009 to March 31, 2010)

(1) Financial Results

(%: change from the previous year)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended March 31, 2010	572,972	(13.7)	(42,435)	-	(35,360)	-	(19,367)	-
Year ended March 31, 2009	663,945	(9.4)	10,903	(87.5)	28,478	(66.3)	16,364	(69.5)

	Net income per share of common stock	Net income per share of common stock after dilution
	Yen	Yen
Year ended March 31, 2010	(48.86)	-
Year ended March 31, 2009	41.27	39.61

(2) Financial Position

	Total assets	Net assets	Equity Ratio	Net assets per share of common stock
	Million yen	Million yen	%	Yen
Year ended March 31, 2010	590,166	283,802	48.0	715.09
Year ended March 31, 2009	609,819	297,425	48.7	749.72

(Reference) Equity: Year ended March 31, 2010: 283,475 million yen
Year ended March 31, 2009: 297,192 million yen

(Note)

These forecasts are based on the Company's current assumptions and beliefs in light of the information currently available to it, and involve known and unknown risks and uncertainties. The company's actual results may differ materially from those discussed in these forecasts as a result of numerous factors of the Company's control.

1. Operating Results

1. Analysis of operating results

(1) Overview of the fiscal year ended March 31, 2010

During the consolidated fiscal year ended March 31, 2010, conditions remained difficult for the Precision Equipment Business and the Instruments Business, due to the strong impact of cutbacks in capital investments by clients, in spite of signs of recovery in some markets. Although the Imaging Products Business suffered the effect of stagnant personal consumption and the strong yen, it saw gradual recovery in the digital camera market from the second half of the fiscal year.

Under the Management Reform Committee established to deal with rapid changes in the business climate, the Group made efforts amid this situation to reform business and earning structures, which included reorganizing and consolidating Japanese and overseas production, sales and service sites, optimizing inventories, and promoting the establishment of a production system capable of withstanding further appreciation of the yen, as well as a thorough cost reduction. In spite of the difficult business climate, the Group endeavored to promote new businesses, search for new business domains, and develop and cultivate markets in developing countries, while making focused efforts to develop new products that "exceed (customer) expectations" in the Group's core businesses, such as cutting-edge steppers and scanners and new-generation digital cameras.

As a result of the foregoing, it was possible to achieve profitability during the second half of the fiscal year. However, due to the significant impact of the Group's weak performance during the first half, net sales for the consolidated fiscal year decreased by 94,220 million yen (10.7%) from the previous consolidated fiscal year to 785,498 million yen, operating loss was 13,854 million yen (compared with operating income of 48,184 million yen in the previous consolidated fiscal year), ordinary loss of 15,334 million yen (compared with ordinary income of 47,689 million yen in the previous consolidated fiscal year), and net loss of 12,615 million yen (compared with net income of 28,055 million yen in the previous consolidated fiscal year).

Performance by business segment is as follows:

1) Precision Equipment Business

Of the markets related to the business, the semiconductor-related market suffered effect of a global decline in demand for semiconductor devices and the liquid crystal-related market was impacted by the cutback in capital expenditure by liquid crystal panel manufacturers in spite of signs of recovery beginning in the second half of the fiscal year.

Amid this situation, efforts were made in the area of IC steppers and scanners to promote the sales of such cutting-edge models as the NSR-S610C ArF immersion scanner and NSR-S620D ArF immersion scanner that meets more stringent miniaturization requirements for line widths of 32 nm or less in double patterning.

In the area of LCD steppers and scanners, efforts were made to promote the sales of FX101S lithography equipment, which are compatible with 10th-generation large liquid crystal plates, and devices that are optimal for the production of small to medium high-precision liquid crystal displays used in cell phones and automotive devices. Furthermore, The Group successfully advanced into the Chinese market, where rapid expansion is expected.

In addition to making continued efforts to reinforce cost competitiveness overall by shortening manufacturing periods and adopting common platforms, the Group endeavored to strengthen business and earning structures mainly by implementing measures to reduce fixed costs, such as the reorganization and consolidation of domestic manufacturing subsidiaries, and the optimization of inventories.

As a result of the foregoing, the business saw its net sales drop by 31.7% from the previous fiscal year to 150,100 million yen and incurred operating loss of 58,557 million yen (compared with operating income of 8,041 million yen in the previous fiscal year).

2) Imaging Products Business

Of the market conditions related to this business, the digital camera market took a turn toward expansion in the sale of digital SLR cameras that had been lingering at about the same level as the corresponding period of the previous year, as the sale of compact cameras, which had been on the decline, also began to show signs of recovery during the second half of the fiscal year.

Under these circumstances, with respect to digital SLR cameras, there was a steady growth in the number of units sold due to solid performance by D3S, a flagship model offering ISO 12800 sensitivity, and new popular model products such as D3000 and D5000.

Compact digital cameras registered an increase in the number of units sold, mainly of COOLPIX S220. In addition, products that provide new ways of enjoying images were launched, including COOLPIX

S1000pj, the world's first camera with an ultra-small built-in projector that was released in October 2009.

As regards interchangeable lenses, both camera kits and high-priced lenses performed strongly, and the cumulative production of NIKKOR lens for SLR cameras reached 50 million units in August 2009.

Focused efforts were made to develop new markets where future growth can be expected, as exemplified by the operation of the sales subsidiary Nikon Mexico S.A. de C.V. in Mexico beginning in September 2009. Furthermore, the establishment of a production system capable of withstanding further appreciation of the yen was promoted through the expansion of overseas production and foreign currency procurement of component parts, including equity participation as of January 2010 in Notion VTec Berhad, a Malaysian precision component manufacturer. Following the previous fiscal year, further reduction of costs and improvement of asset efficiency were promoted by bolstering Monozukuri (manufacturing).

As a result, net sales decreased by 4.5 % from the previous fiscal year to 569,464 million yen, while operating income increased by 30.2% to 52,116 million yen.

3) Instruments Business

Of the market conditions related to this business, the bioscience-related market remained solid, mainly in the fields working with live cells, while the industrial instruments-related markets continued to suffer from difficult conditions, due to the significant impact from cut-backs in capital expenditure.

In this situation, the bioscience business focused its efforts on promoting the sale of system products for the field of live cells, including the inverted research microscope ECLIPSE Ti, to achieve higher net sales than the previous fiscal year.

Meanwhile, the industrial instruments business saw a drastic decrease in sales due to cutbacks in capital expenditure in related markets, despite efforts to promote sales by launching new CNC image measuring systems and other products to add to the existing products.

In order to expand the Group's business domains and revenue base, wholly owned subsidiary was made by buying out Metris NV (current Nikon Metrology NV) in Belgian manufacturer of precision measuring equipment in October 2009 through a tender offer, which has proprietary technology on non-contact three-dimensional measuring systems, can be expected to have synergistic effects on Nikon's product families.

As a result, although net sales increased by 0.9% from the previous fiscal year to 45,051 million yen, operating loss of 9,330 million yen (compared with operating loss of 2,723 million yen in the previous fiscal year) was incurred, due in part to the impact of temporary expenses relating to the addition of Nikon Metrology NV as a consolidated subsidiary.

4) Other Businesses

The customized products business enjoyed an increase in the sales of space-related products, although the sales of optical components and other products fell, due in part to the deterioration of market conditions. The glass-related business increased sales owing to the healthy sales of LCD photomask substrates. The sport optics products business suffered a decline in sales, impacted significantly by stagnant personal consumption overseas.

As a result, net sales increased by 11.7% from the previous fiscal year to 20,881 million yen, while operating income decreased by 41.4% to 1,685 million yen.

(2) Forecast for the fiscal year ending March 31, 2011

As regards the business segments of the Nikon Group, both semiconductor-related and liquid crystal panel-related clients of the Precision Equipment Business are expected to resume active capital expenditure as the market conditions improve. While further intensification of competition is anticipated in the digital camera market, moderate growth is expected overall as the markets of emerging countries continue to expand. In the Instruments Business, the bioscience-related business is expected to remain solid, as market conditions for the industrial equipment-related business begin on course for recovery, mainly in Asia.

Under these conditions, the Nikon Group will continue to develop and launch new products that "exceed (customer) expectations," promote the establishment of production and sales systems capable of withstanding further appreciation of the yen, and endeavor to lower the break-even point and expand cash flows through such means as the shortening of production lead time and reduction of inventories. In addition, the Group will continue to promote new businesses, search for new business domains, and develop and cultivate markets in emerging countries.

In the Precision Equipment Business, the development of cutting edge IC steppers and scanners compatible with double patterning will be carried out as planned, while ensuring that the Group fully capitalizes on the expansion of the LCD stepper and scanner market in China. In the Imaging Products Business, Monozukuri (manufacturing) capabilities will be enhanced and focused efforts will be made to

develop new-generation digital cameras. In the Instruments Business, business expansion will be pushed forward partly by maximizing the effect of integrating Nikon Metrology NV into the Group.

Through these measures, the Group will seek to become a company trusted by all stakeholders by achieving the ability to generate profit even in adverse climate and promptly resuming sustainable growth, and further by realizing business management that emphasizes CSR through focused efforts on environmental conservation and compliance.

Current forecast for Year Ending March 31, 2011 is as below.

(From April 1, 2010 to March 31, 2011)

	Net sales		Operating income		Ordinary income		Net income	
Full year	Million yen	%	Million yen	%	Million yen	%	Million yen	%
	880,000	12.0	52,000	-	50,000	-	30,000	-

The above forecast is based on the following foreign currency exchange rate:

1 US dollar = 90 yen, 1 Euro = 120 yen

*Forecasts in this disclosure are made by management in light of information currency available.

A number of factors could cause actual results to differ materially from disclosed as above.

2. Analysis of financial position

Financial position as of March 31, 2010 as compared with the end of the previous fiscal year is as follows.

The balance of current assets as of March 31, 2010 decreased by 34,311 million yen to 484,624 million yen (518,935 million yen at the end of the previous fiscal year). This is due mainly to the decrease in inventories, in spite of the increase in cash and deposits.

The balance of noncurrent assets as of March 31, 2010 increased by 25,138 million yen to 256,007 million yen (230,869 million yen at the end of the previous fiscal year). This is attributable mainly to the increase in goodwill and investment securities.

The balance of current liabilities as of March 31, 2010 increased by 10,491 million yen to 299,827 million yen (289,335 million yen at the end of the previous fiscal year). This is largely due to the increase in Notes and accounts payable-trade and accrued expenses.

The balance of noncurrent liabilities as of March 31, 2010 decreased by 12,647 million yen to 68,735 million yen (81,382 million yen at the end of the previous fiscal year). The decrease is due mainly to the decrease in long-term bonds owing to the transfer to current liabilities of the bonds to be redeemed within one year.

The balance of net assets as of March 31, 2010 decreased by 7,017 million yen to 372,069 million yen (379,086 million yen at the end of the previous fiscal year). This is attributable mainly to the decrease in retained earnings, due to the posting of 12,615 million yen in net loss.

During the year ended March 31, 2010, cash flows from operating activities amounted to 103,497 million yen as a result mainly of 35,170 million yen in depreciation and amortization and the decrease by 57,390 million yen in inventories, in spite of the posting of 17,671 million yen in loss before income taxes. Cash flows from investing activities resulted in an expenditure of 47,107 million yen mainly as a result of an expenditure of 33,635 million yen for the purchase of property, plant and equipment; an expenditure of 9,428 million yen for the purchase of shares of a subsidiary in relation to the acquisition of Nikon Metrology NV by TOB; and income of 8,212 million yen in sales proceeds and guarantee deposits pertaining to expropriation requests regarding current assets. Cash flows from financing activities resulted in an expenditure of 31,476 million yen due mainly to an income of 19,894 million yen from the issuance of bonds, an expenditure of 10,000 million yen for the redemption of bonds, a decrease in commercial papers by 20,000 million yen, and an expenditure of 10,199 million yen in repayment of long-term loans payable.

(Reference) Changes in Cash Flow-Related Indices

	March 31, 2006	March 31, 2007	March 31, 2008	March 31, 2009	March 31, 2010
Equity ratio (%)	35.2	46.5	47.9	50.5	50.2
Equity ratio based on market value (%)	112.8	132.5	129.2	58.5	109.2
Cash flow to interest-bearing debt ratio (years)	2.8	1.3	0.6	11.4	1.0
Interest coverage ratio (times)	43.0	46.8	80.7	8.3	89.5

(Notes) Equity ratio: Equity/Total assets

Equity ratio based on market value: Total market value of shares/Total assets

Cash flow to interest-bearing debt ratio: Interest-bearing debt/Operating cash flows

Interest coverage ratio: Operating cash flows/Interest payments

*All indices are calculated based on consolidated financial data.

*The total market value of shares is calculated in accordance with the formula: final share price as of the end of the fiscal year x numbers of shares issued (after deducting treasury stock).

*Operating cash flows are the cash flows from operating activities as indicated in the consolidated cash flow statement. Interest-bearing debts include the short-term and long-term loans payable as posted in the consolidated balance sheet. As regards interest payments, the amount of interest paid as shown in the consolidated cash flow statement is used.

3. Shareholder returns policy and dividends

Nikon's basic dividend policy is to improve the reflection of business performance based on paying a steady, continuous dividend, as well as expanding the investment for the future growth and strengthening of competitiveness. More specifically, its present goal is to provide a total return ratio of 25% or more.

Nikon set the year-end dividends at 4 yen per share, a decrease of 1.5 yen from previous fiscal year, due to the decrease in both revenue and profit. As a result, cash dividends for the fiscal year ended March 31, 2010 will be 8 yen per share including 4 yen of interim dividend.

As for the dividends of the fiscal year ending March 31, 2011, Nikon plans to pay total dividends of 19 yen per share (including interim dividend of 5 yen).

4. Business and Other Risks

There is a possibility that the business performance of the Nikon Group will be impacted significantly by various factors that may arise in the future. Following are principal matters that are believed to be likely risk factors in the promotion of business operations by the Group.

Matters concerning the future as stated herein are based on the Nikon Group's beliefs as of the date of the preparation hereof.

(1) Unique business environment and circumstances

1) Dependence on particular products

The Nikon Group is highly dependent on the Precision Equipment Business and the Imaging Products Business, which jointly account for 91.6% of total net sales. Hence, the business performance of the Group as a whole is greatly affected by the performance of the two businesses.

Further, the Group relies heavily on IC and LCD steppers and scanners in the Precision Equipment Business, and on digital cameras and interchangeable camera lenses in the Imaging Products Business.

2) Unique environment of main businesses

The semiconductor industry, which is the main target market for the IC steppers and scanners handled by the Precision Equipment Business, is characterized as an industry with drastic changes in the business cycle, although this inclination has been waning in recent years, due to the diversification of end products. As a result, an over-supply of semiconductor devices in the market poses the risk of a decrease in the demand for steppers, due to a cutback in capital investment by semiconductor manufacturers and an accompanying increase in inventories. However, it is difficult to predict the timing or the duration of such a situation or the degree of fluctuation. As an additional characteristic of customer behavior in the same industry, orders are subject to postponement or cancellation even after

they have been placed, resulting in a structure that is prone to increases in inventory during periods of slow demand. The demand for LCD steppers and scanners, which is dependent on the climate of the LCD panel market, may experience a rapid decline, should LCD panel prices drop as a result of an over-supply.

Although the market for digital cameras, which are the leading products of the Imaging Products Business, will continue to expand despite the temporary contraction in 2009, there is a possibility of the market undergoing changes, due to such factors as a further increase in the penetration rate of digital cameras, fluctuation of the economy of the respective region and the emergence of strong competition, such as new digital equipment. The conditions of the digital camera market are expected to remain tough, with some companies withdrawing from the market or downsizing their operation.

In the Instruments Business, the microscope market is becoming saturated, leading to the possibility of a change in competition structure, as a result of an industry restructuring or the like. Further, the Industrial Instruments Business is susceptible to the effect of the economic and facility trends of various industries, including semiconductors, power generation, electronic components, automobiles and machine tools.

Such changes in the business environment are likely to have a considerable impact on the business performance and the financial position of the Nikon Group.

(2) Dependence on specific suppliers

In each business that it is engaged in, the Nikon Group is sometimes dependent on specific suppliers for such things as raw materials, key components, and finished products that have been outsourced. Although the Group is making efforts to ensure stable procurement while maintaining a close relationship with specific suppliers, there is a possibility that the Group's profit and financial position will be adversely affected in the event of a steep increase in purchase price or a material problem with procurement due to a sudden surge in demand, natural disasters, quality issues, as well as policy changes or bankruptcy on the part of a specific supplier.

(3) Dependence on specific customers

Such moves as mergers and partnerships are progressing in the semiconductor industry, which is a customer of the Precision Equipment Business, in order to cope with the expanding capital expenditure and the increasingly more sophisticated technology development. Further, selective elimination is proceeding as the competitive superiority or inferiority of various companies becomes more defined, based on the technologies owned and the characteristics of the devices manufactured. Competition among companies is intensifying also in the LCD panel industry as capital expenditures expand, resulting in some moves for industry restructuring. Capital investment plans of the Nikon Group's major customers are volatile owing to the foregoing circumstances. Hence, there is a possibility that the Group's profit and financial position will be adversely affected should; for example, a customer drastically reduce order volumes or take its business to a competitor, or should problems arise for any reason with respect to debt payment by a customer.

(4) Ability to develop new products and investment in development

Being subject to intense competition, the Nikon Group's core businesses are constantly required to develop new products by continuing to engage in highly advanced research and development. Therefore, it is necessary to continue to invest in product development, regardless of the fluctuations in the Group's profit.

In the Precision Equipment Business, there is a possibility of a decrease in profit in the event of failure to develop new products and/or next-generation technology in a timely manner, or of rejection by the market of a technology developed by the Nikon Group. Further, should a competitor acquire a patent on a new technology, there is a danger that the production and/or sale of a product will be suspended or of a decrease in profit margin due to the payment of royalty, as well as the possibility that the adoption of a new technology by a competitor's device will cause the price of Nikon's devices to deteriorate. Further intensification of price competition is expected with respect to LCD steppers and scanners in the event of market entries by newcomers or introduction of a new technology, which may impact profit.

In the Imaging Products Business, given the rapid technological advances in and increasing sophistication and diversification of digital cameras, continual investment is required for the development of new technologies and new products. However, there is a conceivable possibility that a technology or a product that was developed will not lead to an increase in profit should the investment fail to produce adequate results or should there be an abrupt shift in demand to higher functioning digital equipment. As with the Precision Equipment Business, should a competitor acquire a patent on a new technology, there is a danger that the production and/or sale of a product will be suspended or of a decrease in profit margin due to the payment of royalty, which may impact profit.

(5) Intensification of price competition

Competition is intensifying with respect to digital cameras, which are the leading products of the Imaging Products Business, with both Japanese and overseas electrical equipment manufacturers entering the market in addition to the traditional camera manufacturers. As the product life cycle is short, particularly in the case of compact digital cameras, all companies have the tendency to try to sell mass-produced products within a short period, with the slowing market growth further spurring price competition.

As for IC steppers and scanners, while the development of cutting-edge technologies is progressing, there is a possibility that competitors will launch an offensive with low-priced steppers and scanners employing i beams or KrF as the light source.

In the Instruments business, the maturing of the microscope market is further promoting the competition to differentiate products, while fanning price competition in the mid- and low-range markets. There is a possibility that the Nikon Group's profit and financial position will be affected adversely, should there be a sharp and sudden decrease in prices.

(6) Overseas business operations

The Nikon Group is dependent on foreign countries for a significant portion of its production and sales activities. Hence, it is affected by changes in various import and export laws, tax systems, and regulation in Japan and other countries in which the Group operates. Further, in conducting business operations overseas, there is a possibility that major problems will be encountered and/or losses will be incurred in conducting business activities, due to such risks as changes in political regimes or economic climate; social chaos caused by riots, terrorism, wars, infectious diseases, etc.; problems with such infrastructures or logistics-related functions as water, electricity, and communications network due to natural disaster; and difficulty hiring human resources or loss thereof. There is a possibility that the Nikon Group's profit and financial status will be affected adversely as a result of production and sales being limited by the foregoing.

(7) Risk of fluctuations in exchange rate

The Nikon Group is highly dependent on overseas market, with overseas sales accounting for as much as 82.3% of net sales. While the Group is appropriately hedging foreign exchange risks in accordance with sales volumes and the sales region, the net sale of and profit from products and services subject to foreign currency transactions, or the yen values of the income, losses, assets and liabilities of overseas consolidated subsidiaries will be affected should there be a sharp fluctuation in foreign exchange rates.

(8) Fund procurement risk

While the Nikon Group is procuring funds as the need arises with due consideration for the balance between long-term and short-term funds, as well as between direct and indirect financing, there is a possibility that such effects as an increase in interest rates on the fund procured or limitation of the means for procuring fund may arise should the financial market climate deteriorate further. There is a possibility that fund procurement by the Group will also be impacted should the rating of the Company's bond be revised downward due to a decline in business performance.

(9) Risk relating to the protection of and litigations on intellectual property rights

The Nikon Group acquires and holds numerous intellectual property rights as it develops products. In some cases, the Group licenses such intellectual property rights to other companies. Although utmost efforts are being made for the maintenance and protection of these intellectual property rights, there is a possibility that considerable litigation expenses will be incurred should a lawsuit be filed in connection with an unlicensed use of the Group's intellectual property rights by another company.

Further, there is a possibility that other companies, individuals, or entities will file a complaint against the Nikon Group for an alleged infringement on their intellectual property rights, although the Group is paying adequate attention to avoiding infringing third-party intellectual property rights in conducting product development. Should such a situation occur, there is a possibility that the Group's profit and financial position will be affected significantly.

(10) Securing key personnel and outflow of human resources and know-how

The Nikon Group is supported by its employees, who possess advanced technical and other expertise and abilities, and securing such human resources is becoming increasingly more important in order to win through intense competitions in the market. However, should labor fluidity increase further for some reason, there is a possibility that such key personnel will resign, taking their expertise and know-how with them. In order to minimize such outflow of expertise and know-how, the internal transmission, standardization and sharing of proprietary technologies and skills are being promoted. While it is important to secure competent human resources locally overseas, it is believed that the possibility of an outflow of human resources is particularly high in regions with high labor fluidity.

Since long-term education and training are essential in order to foster human resources given the rapid technological renovations in the business that the Group is engaged in, replacing key personnel that depart may be difficult at times and may thus adversely affect the Group's future growth, profit and financial position.

(11) Information Leaks

The Nikon Group retains such important information as technical information, corporate information, and the personal information of its customers and other persons concerned. Among other things, the Group is enhancing its internal regulations on the handling of information and educating its employees, while thoroughly controlling external access to such information and improving the level of storage security. However, in the rare event of leakage of the Company's confidential information, including technical information, there is a possibility that the corporate value of the Nikon Group will be damaged. Further, should corporate or personal information leak out, the Group would not only suffer damages to its credibility, but would also be subject to claims for compensation from such entities as business partners, customers, employees or other entities suffering the effect of the leak. Should this occur, there is a possibility that the Group's profit and financial position will be affected adversely as tremendous costs will be necessary for various activities related to the recovery of trust, compensation to subject companies and individuals, implementation of measures to prevent recurrence, and other necessities.

(12) Defects in products and services

As concerns the Nikon Group's products and services, advanced quality assurance systems are in place within Japanese and overseas Group companies, as well as production contractors, in order to provide customers with highly trustable and sophisticated products. However, in the rare event that a customer suffers a loss due to a defect in a product or service, there is a possibility that profit and financial position will be adversely affected, there being the risk that large amounts will be incurred in repair expenses and costs related to liability, recall, disposal of products and the like, in addition to the decreased desire of customers to purchase the Group's products and services due to a decrease in customer trust in the Nikon brand.

(13) Occurrence of natural disasters, etc.

Due attention is being paid to measures relating to such natural disasters as earthquakes, fires and flood, and measures to counter the expansion of such infectious diseases as new strains of influenza, giving priority in particular to the promotion of the business continuity plan (BCP), which was formulated as a part of earthquake countermeasures. However, there is the risk that operations will be suspended and production and shipment will be delayed, should the Group's development or production sites, suppliers or other relevant parties suffer critical damage. There is a possibility that the Group's profit and financial position will be adversely affected, should net sales decrease and considerable expenses be incurred for business recovery as a result thereof.

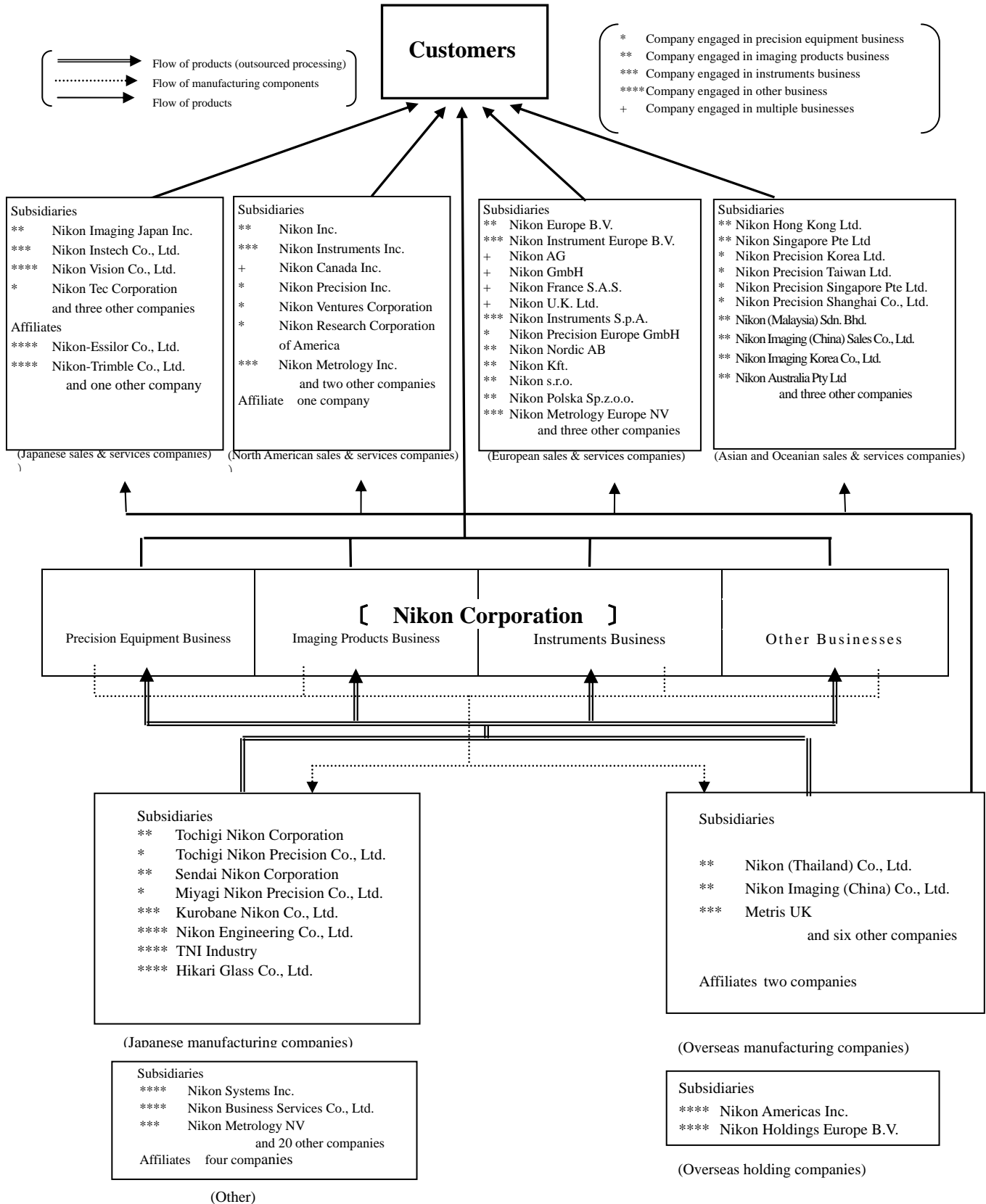
(14) Damages to brand value

The Nikon Group is making utmost efforts to protect and enhance the 'Nikon Brand,' which was fostered over years of corporate management marked with integrity and provision of products and services that are worthy of customer trust. However, there is a possibility that the Group's profit and financial position will be adversely affected should trust in the brand decline and the value of the Nikon brand be damaged, as a result of the circulation of negative reputation or evaluation of the Group's technologies, products or services.

2. Status of Nikon Group

The Nikon Group is comprised of Nikon Corporation (the Company), its 87 subsidiaries, and 10 affiliates. While the principal operations of the Group are manufacturing and sales relating to the precision equipment, imaging product, instruments, and other businesses, it is also engaged in other operations and activities incidental thereto, such as services.

The business system diagram is as follows:



3. Management Policies

(1) Company's Basic Management Policies

The Company's management vision, under the business philosophy of "Trustworthiness and Creativity," is "Our Aspirations."

Our Philosophy

"Trustworthiness and Creativity"

Our Aspirations

"Meeting needs. Exceeding expectations."

- Providing customers with new value that exceeds their expectations.
- Sustaining growth through a break with the past and a passionate commitment by one and all.
- Maximizing our understanding of light to lead the way towards transformation and a new future.
- Maintaining integrity in order to contribute to social prosperity

(2) Targeted management indices

While the economic climate still varies depending on the industry and/or region and the yen is expected to remain high in the foreseeable future, it is believed that the economy overall is on the path to recovery. Taking these circumstances into consideration, the Nikon Group will work as one for the "prompt resumption of growth by strengthening the foundation of the Group's core businesses, as well as by recovering and enhancing its ability to generate profit."

Further, the Group is on track to meeting the goals of the current medium-term business plan, which are to achieve 800 billion yen in net sales and 72 billion yen in operating income in the year ending March 31, 2012. A new medium-term business plan for achievement in the year ending March 31, 2013 is scheduled for announcement in June.

(3) Medium and long-term management strategies and issues to be addressed

The group will promote medium- and long-term management with mobilize all employees available resources, adopting the following matters as priority measures, in order to resume sustainable growth, even in the current adverse business climate, by creating value that exceeds customer expectations.

- Further strengthen the competitiveness of existing businesses, and enhance the Group's ability to generate profit by further reinforcing the nature of the Group that was achieved through the structural reform.
- Clarify the new direction of business domains in preparation for the maturing of core businesses.
- Place importance on cash flows, make spending decisions carefully and accurately, and focus on optimizing capital investments and reducing inventories.
- Enhance the Group's development, Monozukuri (manufacturing), sales & marketing, and IT capabilities by taking advantage of the Group's core competence and proactively introducing elements that are lacking from external sources
- Promote CSR management with emphasis on compliance and environment in order to enhance stakeholders' trust and ensure corporate sustainability.

4. Consolidated Financial Statements
(1) Consolidated Balance Sheets

(Million yen)

	As of March 31, 2009	As of March 31, 2010
Assets		
Current assets		
Cash and deposits	80,350	107,680
Notes and accounts receivable-trade	121,155	113,773
Inventories	265,214	206,995
Deferred tax assets	33,298	47,788
Other	25,920	16,713
Allowance for doubtful accounts	(7,005)	(8,328)
Total current assets	518,935	484,624
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	43,054	42,278
Machinery, equipment and vehicles, net	38,930	34,774
Land	14,970	15,033
Lease Assets, net	8,762	7,304
Construction in progress	6,860	11,838
Other, net	13,494	13,815
Total property, plant and equipment	126,072	125,045
Intangible assets	25,379	42,803
Investments and other assets		
Investment securities	50,176	63,150
Deferred tax assets	22,852	18,874
Other	6,448	6,934
Allowance for doubtful accounts	(60)	(800)
Total investments and other assets	79,417	88,159
Total noncurrent assets	230,869	256,007
Total assets	749,805	740,632

(Million yen)

	As of March 31, 2009	As of March 31, 2010
Liabilities		
Current liabilities		
Notes and accounts payable-trade	119,469	125,687
Short-term loans payable	16,373	25,441
Commercial papers	20,000	—
Current portion of bonds	10,000	32,900
Lease obligations	3,003	2,939
Accrued expenses	37,732	42,177
Income taxes payable	2,947	3,503
Advances received	46,125	36,411
Provision for product warranties	6,685	6,448
Other	26,997	24,319
Total current liabilities	289,335	299,827
Noncurrent liabilities		
Bonds payable	32,900	20,000
Long-term loans payable	26,756	16,460
Lease obligations	5,906	4,646
Provision for retirement benefits	14,022	17,207
Provision for directors' retirement benefits	469	602
Other	1,328	9,817
Total noncurrent liabilities	81,382	68,735
Total liabilities	370,718	368,562
Net assets		
Shareholders' equity		
Capital stock	65,475	65,475
Capital surplus	80,711	80,711
Retained earnings	264,827	248,368
Treasury stock	(13,439)	(13,353)
Total shareholders' equity	397,576	381,202
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(2,429)	6,060
Deferred gains or losses on hedges	(915)	(30)
Foreign currency translation adjustments	(15,377)	(15,489)
Total valuation and translation adjustments	(18,722)	(9,459)
Subscription rights to shares	233	326
Total net assets	379,086	372,069
Total liabilities and net assets	749,805	740,632

(2) Consolidated Statements of Operations

(Million yen)

	Year ended March 31, 2009	Year ended March 31, 2010
Net sales	879,719	785,498
Cost of sales	561,642	552,408
Gross profit	318,076	233,090
Selling, general and administrative expenses	269,891	246,944
Operating income (loss)	48,184	(13,854)
Non-operating income		
Interest income	1,024	380
Dividends income	1,182	870
Foreign exchange gains	1,070	-
Equity in earnings of affiliates	1,022	992
Other	3,673	4,149
Total non-operating income	7,972	6,393
Non-operating expenses		
Interest expenses	1,090	1,225
Cash discount	4,409	3,957
Other	2,966	2,689
Total non-operating expenses	8,467	7,873
Ordinary income (loss)	47,689	(15,334)
Extraordinary income		
Gain on sales of noncurrent assets	69	82
Gain on sale of investment securities	-	97
Total extraordinary income	69	180
Extraordinary loss		
Loss on retirement of noncurrent assets	1,891	450
Loss on sales of noncurrent assets	37	4
Non-recurring depreciation on noncurrent assets	-	86
Impairment loss	720	115
Loss on sales of investment securities	-	13
Loss on valuation of investment securities	5,930	220
Loss on restructuring of business	-	1,421
Environmental expenses	-	206
Total extraordinary loss	8,579	2,517
Income (loss) before income taxes	39,180	(17,671)
Income taxes	11,124	(5,056)
Net income (loss)	28,055	(12,615)

(3) Consolidated Statements of Changes in Net Assets Year ended March 31, 2009

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance of March 31, 2008	64,675	79,911	245,255	(1,357)	388,485
Effect of changes in accounting policies applied to foreign subsidiaries			2,007		2,007
Changes of items during the period					
Issuance of new shares	799	799			1,599
Dividends from surplus			(5,391)		(5,391)
Dividends from surplus (interim dividends)			(4,955)		(4,955)
Net income			28,055		28,055
Purchase of treasury stock				(12,337)	(12,337)
Disposal of treasury stock			(144)	256	112
Net change of items other than shareholders' equity					
Total changes of items during the period	799	799	17,564	(12,081)	7,083
Balance of March 31, 2009	65,475	80,711	264,827	(13,439)	397,576

	Valuation and translation adjustments				Subscription rights to shares	Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Total valuation and translation adjustments			
Balance of March 31, 2008	10,388	(11)	(5,884)	4,492	146		393,125
Effect of changes in accounting policies applied to foreign subsidiaries							2,007
Changes of items during the period							
Issuance of new shares							1,599
Dividends from surplus							(5,391)
Dividends from surplus (interim dividends)							(4,955)
Net income							28,055
Purchase of treasury stock							(12,337)
Disposal of treasury stock							112
Net change of items other than shareholders' equity	(12,817)	(904)	(9,493)	(23,215)	86		(23,129)
Total changes of items during the period	(12,817)	(904)	(9,493)	(23,215)	86		(16,045)
Balance of March 31, 2009	(2,429)	(915)	(15,377)	(18,722)	233		379,086

Consolidated Statements of Changes in Net Assets Year ended March 31, 2010

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance of March 31, 2009	65,475	80,711	264,827	(13,439)	397,576
Effect of changes in accounting policies applied to foreign subsidiaries					
Changes of items during the period					
Issuance of new shares					
Dividends from surplus			(2,180)		(2,180)
Dividends from surplus (interim dividends)			(1,585)		(1,585)
Net loss			(12,615)		(12,615)
Purchase of treasury stock				(45)	(45)
Disposal of treasury stock			(77)	131	53
Net change of items other than shareholders' equity					
Total changes of items during the period	-	-	(16,458)	85	(16,373)
Balance of March 31, 2010	65,475	80,711	248,368	(13,353)	381,202

	Valuation and translation adjustments				Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Total valuation and translation adjustments		
Balance of March 31, 2009	(2,429)	(915)	(15,377)	(18,722)	233	379,086
Effect of changes in accounting policies applied to foreign subsidiaries						
Changes of items during the period						
Issuance of new shares						
Dividends from surplus						(2,180)
Dividends from surplus (interim dividends)						(1,585)
Net loss						(12,615)
Purchase of treasury stock						(45)
Disposal of treasury stock						53
Net change of items other than shareholders' equity	8,489	885	(112)	9,262	93	9,356
Total changes of items during the period	8,489	885	(112)	9,262	93	(7,017)
Balance of March 31, 2010	6,060	(30)	(15,489)	(9,459)	326	372,069

(4) Consolidated Statements of Cash Flows

(Million yen)

	Year ended March 31, 2009	Year ended March 31, 2010
Cash flows from operating activities		
Income (loss) before income taxes	39,180	(17,671)
Depreciation and amortization	32,892	35,170
Impairment loss	720	545
Increase in allowance for doubtful accounts	4,306	447
Decrease in provision for product warranties	(1,712)	(226)
Increase in provision for retirement benefits	1,021	3,257
Increase(decrease) in provision for directors' retirement benefits	(62)	132
Interest and dividends income	(2,206)	(1,251)
Equity in earnings of affiliates	(1,022)	(992)
Interest expenses	1,090	1,225
Gain on sales of noncurrent assets	(32)	(68)
Loss on retirement of noncurrent assets	1,891	563
Gain on sales of investment securities	-	(84)
Loss on valuation of investment securities	5,930	220
Decrease in notes and accounts receivable-trade	26,694	9,134
Decrease (increase) in inventories	(7,849)	57,390
Increase(decrease) in notes and accounts payable-trade	(56,884)	5,218
Other, net	18,381	6,112
Subtotal	62,338	99,126
Interest and dividends income received	2,274	2,836
Interest expenses paid	(1,214)	(1,155)
Income taxes refund (paid)	(53,286)	2,690
Net cash provided by operating activities	10,112	103,497
Cash flows from investing activities		
Purchase of property, plant and equipment	(31,034)	(33,635)
Proceeds from sales of property, plant and equipment	586	621
Purchase of investment securities	(3,440)	(1,150)
Proceeds from sale of investment securities	-	771
Net decrease(increase) in loans receivable	(324)	359
Purchase of investmants in subsidiaries resulting in change in scope of consolidation	-	(9,428)
Compensation income for expropriation	-	8,212
Other, net	(10,304)	(12,856)
Net cash used in investing activities	(44,518)	(47,107)
Cash flows from financing activities		
Net increase(decrease) in short-term loans payable	7,432	(5,335)
Net increase (decrease) in commercial papers	20,000	(20,000)
Proceeds from long-term loans payable	11,700	1,229
Repayments of long-term loans payable	(2,819)	(10,199)
Issue of Bond	-	19,894
Redemption of bonds	(5,000)	(10,000)
Cash dividends paid	(10,338)	(3,771)
Purchase of treasury stock	(12,337)	(45)
Other, net	(2,862)	(3,247)
Net cash used in financial activities	5,774	(31,476)
Effect of exchange rate change on cash and cash equivalents	(4,518)	(49)
Net increase (decrease) in cash and cash equivalents	(33,151)	24,863
Cash and cash equivalents at beginning of period	112,957	79,806
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(0)	-
Cash and cash equivalents at end of period	79,806	104,669

(5) Note on assumptions for going concern

Not applicable

(6) Basis of Presenting Consolidated Financial Statements

1. Scope of Consolidation

(1) Number of Consolidated subsidiaries : 69 companies

Principal subsidiaries :

Tochigi Nikon Corporation , Tochigi Nikon Precision Co., Ltd., Sendai Nikon Corporation , Miyagi Nikon Precision Co., Ltd., Nikon Imaging Japan Inc., Nikon Instech Co., Ltd., Nikon (Thailand) Co., Ltd., Nikon Imaging (China) Co., Ltd., Nikon Hong Kong Ltd., Nikon Inc., Nikon Precision Inc., Nikon Europe B.V. and others.

[Additions: 23 companies]

Nikon Metrology NV and others

[Exclusions: 2 companies]

Sendai Nikon Precision Corporation , Mito Nikon Precision Corporation

(2) Non-consolidated subsidiaries : 18 companies

Major company name : Nanjing Nikon Jiangnan Optical Instrument Co., Ltd.

Since these companies are small in scale, their combined assets, net sales, net income (the company's interest share) and retained earnings (the company's interest share) have a minimal effect on the company's consolidated financial statements, and they are insignificant in general, they are not included in the scope of consolidation.

2. Scope of Equity Method

(1) Number of Associated company accounted for by Equity Method : 2 companies

Company name : Nikon-Essilor Co., Ltd. , Nikon-Trimble Co., Ltd.

(2) Number of Associated company not accounted for by Equity Method : 18 companies

Major company name : Nanjing Nikon Jiangnan Optical Instrument Co., Ltd.

(3) Number of Associated company not accounted for by Equity Method : 8 companies

Major company name : Nihon System Seigyo K.K.

Since these companies are small in scale, net income (the company's interest share) and retained earnings (the company's interest share) have a minimal effect on the company's consolidated financial statements, and they are insignificant in general.

(7) Changes in Basis of Presenting Consolidated Financial Statements

1 Changes in Accounting Policies

Effective from April 1, 2009, the Group has adopted the "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)" (ASBJ Statement No. 19; July 31, 2008).

There is no effect from this change on the unrecognized actual difference in projected benefit obligation or profit or loss for fiscal periods beginning on or after April 1, 2010.

2 Changes of Presentation

(Consolidated Statements of Income)

"Foreign exchange gains" (126 million yen for the fiscal year ended March 31, 2010), which had been separated out until the fiscal year ended March 31, 2009, is included in "Other" under non-operating income beginning from the fiscal year ended March 31, 2010, since the amount thereof has fallen to no more than ten hundredths (10/100) of total non-operating income.

3 Additional Information

(Application of Consolidated Tax System)

Effective from April 1, 2009, Nikon Corporation and its domestic wholly-owned subsidiaries have applied the consolidated tax system.

(Application of Accounting Standard for Financial Instruments)
 Effective from April 1, 2009, the Group has adopted the “Accounting Standard for Financial Instruments” (ASBJ Statement No.10; March 10, 2008) and the “Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No.19; March 10, 2008).

(Application of Accounting Standard for Disclosures about Fair Value of Investment and Rental Property)
 Effective from April 1, 2009, the Group has adopted the “Accounting Standard for Disclosures about Fair Value of Investment and Rental Property” (ASBJ Statement No. 20; November 28, 2008) and the “Guidance on Accounting Standard for Disclosures about Fair Value of Investment and Rental Property” (ASBJ Guidance No.23; November 28, 2008).

(8) Notes to Consolidated Financial Statements

1) Consolidated Statements of Income

1. Principal Items and Amounts under Selling, General and Administrative Expenses

	Fiscal year ended March 31, 2009	Fiscal year ended March 31, 2010
	(From April 1 2008 to March 31, 2009)	(From April 1 2009 to March 31, 2010)
Advertising expenses	74,891 million yen	63,067 million yen
Provision for product warranties	5,833 million yen	5,552 million yen
Salary and allowances	32,482 million yen	31,984 million yen
Retirement benefit expenses	3,353 million yen	4,455 million yen
Other personnel expenses	14,850 million yen	13,141 million yen
Provision for directors' retirement benefits	63 million yen	170 million yen
Research and development	61,489 million yen	60,260 million yen

2. Loss on Business Restructuring

The loss incurred in connection with the reorganization and reform of the Precision Equipment Company's business sites was posted under extraordinary losses as “loss on restructuring of business,” which includes among others loss on retirement of noncurrent assets and impairment loss.

(9)Notes
Segment Information

[Industry Segments]

(Million yen)

	Year ended March 31, 2009						Consolidated
	Precision Equipment	Imaging Products	Instruments	Other	Total	(Eliminations) or corporate	
1.Net sales							
1) Outside customers	219,915	596,468	44,642	18,693	879,719	-	879,719
2) Intersegment sales/transfer	1,459	945	1,772	31,706	35,884	(35,884)	-
Total	221,375	597,413	46,415	50,399	915,603	(35,884)	879,719
Operating expenses	213,334	557,374	49,138	47,524	867,371	(35,837)	831,534
Operating income (loss)	8,041	40,039	(2,723)	2,875	48,232	(47)	48,184
2.Assets, depreciation & capital expenditure							
Assets	270,694	193,902	31,341	73,706	569,644	180,160	749,805
Depreciation & amortization	11,991	12,247	1,482	7,187	32,909	-	32,909
Capital expenditure	16,621	18,255	1,640	6,950	43,467	-	43,467

	Year ended March 31, 2010						Consolidated
	Precision Equipment	Imaging Products	Instruments	Other	Total	(Eliminations) or corporate	
1.Net sales							
1) Outside customers	150,100	569,464	45,051	20,881	785,498	-	785,498
2) Intersegment sales/transfer	722	524	974	25,821	28,041	(28,041)	-
Total	150,823	569,988	46,025	46,703	813,540	(28,041)	785,498
Operating expenses	209,380	517,872	55,356	45,017	827,626	(28,273)	799,352
Operating income (loss)	(58,557)	52,116	(9,330)	1,685	(14,085)	231	(13,854)
2.Assets, depreciation & capital expenditure							
Assets	213,855	188,313	50,472	64,302	516,944	223,687	740,632
Depreciation & amortization	14,563	11,543	2,553	7,296	35,955	-	35,955
Capital expenditure	19,313	13,908	1,439	2,864	37,525	-	37,525

Notes: 1. Method for classifying industry segments: The Group's industries are segmented based on their proximity in terms of the type and markets of their products.

2. Leading products of each industry:

Precision Equipment: IC steppers, LCD steppers

Imaging Products: Digital cameras, Film cameras, Interchangeable camera lenses

Instruments: Microscopes, Measuring instruments, Inspection equipment

Other: LCD Photomask Substrates, Sport Optics

[Geographic Segments]

(Million yen)

	Year ended March 31, 2009						(Eliminations) or corporate	Consolidated
	Japan	North America	Europe	Asia/Oceania	Total			
I. Net sales								
1) Outside customers	259,843	272,457	219,119	128,299	879,719	-	879,719	
2) Intersegment sales/transfer	463,695	2,200	221	141,037	607,155	(607,155)	-	
Total	723,539	274,657	219,340	269,336	1,486,874	(607,155)	879,719	
Operating expenses	703,367	271,732	213,174	257,372	1,445,647	(614,112)	831,534	
Operating income	20,171	2,925	6,166	11,964	41,227	6,957	48,184	
2. Assets	517,782	79,537	41,915	54,077	693,313	56,492	749,805	

	Year ended March 31, 2010						(Eliminations) or corporate	Consolidated
	Japan	North America	Europe	Asia/Oceania	Total			
I. Net sales								
1) Outside customers	188,703	256,617	193,848	146,328	785,498	-	785,498	
2) Intersegment sales/transfer	448,534	1,937	431	137,190	588,093	(588,093)	-	
Total	637,237	258,554	194,280	283,519	1,373,592	(588,093)	785,498	
Operating expenses	669,384	252,452	196,033	270,555	1,388,426	(589,073)	799,352	
Operating income	(32,147)	6,102	(1,753)	12,963	(14,834)	980	(13,854)	
2. Assets	463,988	59,295	39,820	63,350	626,454	114,177	740,632	

1. The countries or regions are segmented by geographical vicinity.
2. Major countries or regions other than Japan:
 - (1) North America: U.S.A., Canada
 - (2) Europe: The Netherlands, Germany, The United Kingdom
 - (3) Asia/Oceania: China, South Korea, Taiwan, Thailand, Australia

[Export Sales]

(Million yen)

	Year ended March 31, 2009				
	North America	Europe	Asia/Oceania	Other	Total
I. Export sales (A)	261,368	208,957	232,034	13,677	716,037
II. Net sales (B)					879,719
III. (A)/(B)	29.7%	23.7%	26.4%	1.6%	81.4%

	Year ended March 31, 2010				
	North America	Europe	Asia/Oceania	Other	Total
I. Export sales (A)	245,112	189,507	195,629	16,223	646,472
II. Net sales (B)					785,498
III. (A)/(B)	31.2%	24.1%	24.9%	2.1%	82.3%

- Notes: 1. The countries or regions are segmented by geographical vicinity.
2. Major countries or regions other than Japan:
 - (1) North America: U.S.A., Canada
 - (2) Europe: The Netherlands, Germany, The United Kingdom
 - (3) Asia/Oceania: China, South Korea, Taiwan, Singapore, Australia
 - (4) Other: Middle & South America, Africa
 3. Export sales indicate the sales of the Company and its consolidated subsidiaries in countries or regions excluding Japan.

(Per-Share Data)

Fiscal Year Ended March 2009 (From April 1, 2008 to March 31, 2009)		Fiscal Year Ended March 2010 (From April 1, 2009 to March 31, 2010)	
	(Yen)		(Yen)
Net assets per share	955.72	Net assets per share	937.75
Net income per share	70.76	Net income per share	(31.82)
Net income per share(fully diluted)	67.91		

The basis for calculating net income per share and fully diluted net income par share is shown below.

	Fiscal Year Ended March 2009 (From April 1, 2008 to March 31, 2009)	Fiscal Year Ended March 2010 (From April 1, 2009 to March 31, 2010)
Net income per share		
Net income (loss) (million yen)	28,055	(12,615)
Amount not belonging to common stockholders(million yen)	-	-
Net income (loss) related to common stock(million yen)	28,055	(12,615)
Average shares outstanding(1,000 shares)	396,520	396,398
Net income per share(fully diluted)		
Increase in common stock(1,000 shares)	16,618	-
(Subscription rights to shares)(1,000 shares)	257	-
(Convertible bond-type bonds with subscription rights to shares)(1,000 shares)	16,360	-
Latent shares not included in fully diluted net income per share calculation due to lack of dilution effect.	2007 stock options (99 new share subscription rights): 99,000 shares of common stock	-

(Business combinations, etc.)

Adoption of purchase method

- (1) Name and business description of company acquired, principal reason for business combination, date of business combination, legal method for business combination, name of combined company, and percentage of voting rights acquired

- | | | |
|----|--|---|
| 1) | Name of the acquired company | Metris NV |
| | Description of business | Manufacture and sale of hardware and software for three-dimensional measuring systems |
| 2) | Principal reason for business combination | Expand the revenue base in the area of measuring instruments by achieving geographic synergy and further enhancing product line-up by increasing the Group's technological advantage through the promotion of product development based on the technological merger of the two companies. |
| 3) | Date of business combination | August 5, 2009 |
| 4) | Legal method for business combination and name of combined company | |
| | Legal method for business combination | Acquisition through acquisition of shares |
| | Name of combined company | Nikon Metrology NV |
| 5) | Percentage of voting rights acquired | 100% |

- (2) Performance of acquired company included in consolidated financial statements

Period from July 1 through December 31, 2009

- (3) Cost of acquiring the company and breakdown thereof

Value of acquisition	9,396 million yen	
<u>Direct expense of acquisition</u>	<u>Consultations fees, etc.</u>	615 million yen
Cost of acquisition	10,012 million yen	

- (4) Amount of goodwill incurred, reason therefor, and amortization method and period

- 1) Amount of goodwill incurred
15,498 million yen
- 2) Reason therefor
The cost of acquisition exceeded the net amount allocated to the assets acquired and the liabilities assumed, the excess amount was posted as goodwill.
- 3) Amortization method and period
Straight-line amortization in 10 years
Nikon Metrology NV, which was acquired during the second quarter and included in the scope of consolidation from the end thereof, was being accounted for on a tentative basis in accordance with reasonable information accessible, since the allocation of acquisition costs had not been completed. As a result of having reasonably estimated the duration of the effect of goodwill upon completion of the allocation of acquisition costs at the end of the period under review, the amortization period was set at 10 years.

5. Non-Consolidated Financial Statements

(1) Non-Consolidated Balance Sheets

(Million yen)

	As of March 31, 2009	As of March 31, 2010
Assets		
Current assets		
Cash and deposits	44,412	55,690
Notes receivable-trade	10,028	4,820
Accounts receivable-trade	62,783	63,925
Merchandise and finished goods	60,735	60,463
Work in process	115,431	70,056
Raw materials and supplies	16,039	13,377
Deferred tax assets	23,853	39,685
Short-term loans receivable to subsidiaries and affiliates	58,895	45,848
Accounts receivable-other	5,866	10,849
Accrued income taxes-current	11,003	1,956
Other	987	1,649
Allowance for doubtful accounts	(255)	(251)
Total current assets	409,781	368,071
Noncurrent assets		
Property, plant and equipment		
Buildings, net	20,114	19,093
Structures, net	1,136	1,064
Machinery and equipment, net	25,854	23,077
Automotive equipment, net	198	153
Tools, furniture and fixtures, net	6,361	6,711
Land	9,871	9,872
Lease assets, net	7,031	5,519
Construction in progress	5,758	11,319
Total property, plant and equipment	76,326	76,812
Intangible assets		
Patent rights, net	8,651	8,000
Leasehold rights, net	4	4
Trademark, net	60	41
Software, net	13,178	16,586
Lease assets, net	5	3
Other, net	93	89
Total intangible assets	21,993	24,725
Investments and other assets		
Investment securities	41,647	53,873
Investments in subsidiaries and affiliates	26,331	26,331
Capital contributions	2	2
Capital contributions to subsidiaries and affiliates	6,662	16,597
Long-term loans receivable to subsidiaries and affiliates	1,728	3,016
Long-term loans receivable to employees	20	17
Long-term prepaid expenses	284	274
Deferred tax assets	22,147	17,527
Other	2,932	2,955
Allowance for doubtful accounts	(40)	(40)
Total investments and other assets	101,717	120,555
Total noncurrent assets	200,037	222,094
Total assets	609,819	590,166

(Million yen)

	As of March 31, 2009	As of March 31, 2010
Liabilities		
Current liabilities		
Notes payable-trade	2,089	817
Accounts payable-trade	98,999	100,004
Loans payable	13,600	13,600
Current portion of long-term loans payable	240	10,240
Commercial papers	20,000	—
Current portion of bonds	10,000	32,900
Lease obligations	2,478	2,281
Accounts payable for construction	11,304	7,100
Accrued expenses	20,449	18,582
Income taxes payable	538	255
Advances received	28,342	23,464
Deposits received	19,539	21,912
Provision for products warranties	4,298	4,144
Other	5,013	8,841
Total current liabilities	236,894	244,146
Noncurrent liabilities		
Bonds payable	32,900	20,000
Long-term loans payable	26,700	16,460
Lease obligations	4,634	3,340
Provision for retirement benefits	10,103	13,002
Provision for directors' retirement benefits	469	602
Suspense receipt by land expropriation	—	8,173
Other	692	639
Total noncurrent liabilities	75,499	62,217
Total liabilities	312,393	306,363
Net assets		
Shareholders' equity		
Capital stock	65,475	65,475
Capital surplus	80,711	80,711
Additional paid in capital	80,711	80,711
Retained earnings	167,874	144,662
Legal reserve	5,565	5,565
Revenue reserve	162,308	139,097
Reserve for special depreciation	—	36
Reserve for research and development	2,056	2,056
Reserve for deferred capital gain for replacement of property	6,313	5,668
General reserve	111,211	111,211
Retained earning brought forward	42,727	20,125
Treasury stock	(13,439)	(13,353)
Total shareholders' equity	300,622	277,496
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(2,514)	6,043
Deferred gains or losses on hedges	(915)	(63)
Total valuation and translation adjustments	(3,430)	5,979
Subscription rights to shares	233	326
Total net assets	297,425	283,802
Total liabilities and net assets	609,819	590,166

(2) Non-Consolidated Statements of Operations

(Million yen)

	Year ended March 31,2009	Year ended March 31,2010
Net sales	663,945	572,972
Cost of sales	531,137	506,423
Gross profit	132,808	66,548
Selling, general and administrative expenses	121,905	108,984
Operating income (loss)	10,903	(42,435)
Non-operating income		
Interest income	678	396
Dividend income	14,485	5,971
Other	7,596	5,993
Total non-operating income	22,760	12,361
Non-operating expenses		
Interest expenses	514	564
Interest expenses on bonds	199	354
Other	4,470	4,367
Total non-operating expenses	5,184	5,286
Ordinary income (loss)	28,478	(35,360)
Extraordinary income		
Gain on sales of fixed assets	18	26
Gain on sales of investment securities	—	97
Total extraordinary income	18	124
Extraordinary loss		
Loss on disposal of fixed assets	1,657	304
Loss on sales of fixed assets	7	—
Non-recurring depreciation on noncurrent assets	—	43
Impairment loss	297	43
Loss on sales of investment securities	—	13
Loss on valuation of investment securities	5,904	220
Loss on restructuring of business	—	158
Environmental expenses	—	206
Total extraordinary loss	7,866	989
Income (Loss) before income taxes	20,630	(36,225)
Income taxes-current	7,039	(1,389)
Income taxes-deferred	(2,773)	(15,469)
Net income (loss)	16,364	(19,367)

(3) Non-Consolidated Statements of Changes in Net Assets

Year ended March 31, 2009

(Million yen)

	Shareholders' equity								
	Capital stock	Capital surplus		Retained earnings				Treasury stock	Total shareholders' equity
		Additional paid in capital	Legal reserve	Reserve for research and development	Reserve for deferred capital gain for replacement of property	General reserve	Retained earning brought forward		
Balance of March 31, 2008	64,675	79,911	5,565	2,056	7,203	77,211	69,964	(1,357)	305,230
Changes of items during the period									
Issuance of new shares	799	799							1,599
Reversal of reserve for deferred capital gain for replacement of property					(890)		890		—
Transfer to general reserve from appropriation						34,000	(34,000)		—
Dividends from surplus							(5,391)		(5,391)
Dividends from surplus (Interim dividends)							(4,955)		(4,955)
Net income							16,364		16,364
Purchase of treasury stock								(12,337)	(12,337)
Disposal of treasury stock							(144)	256	112
Net change of items other than Shareholders' equity									
Total changes of items during the period	799	799	—	—	(890)	34,000	(27,236)	(12,081)	(4,608)
Balance of March 31, 2009	65,475	80,711	5,565	2,056	6,313	111,211	42,727	(13,439)	300,622

	Valuation and translation adjustments			Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments		
Balance of March 31, 2008	10,383	(12)	10,370	146	315,748
Changes of items during the period					
Issuance of new shares					1,599
Reversal of reserve for deferred capital gain for replacement of property					—
Transfer to general reserve from appropriation					—
Dividends from surplus					(5,391)
Dividends from surplus (Interim dividends)					(4,955)
Net income					16,364
Purchase of treasury stock					(12,337)
Disposal of treasury stock					112
Net change of items other than Shareholders' equity	(12,898)	(902)	(13,800)	86	(13,714)
Total changes of items during the period	(12,898)	(902)	(13,800)	86	(18,322)
Balance of March 31, 2009	(2,514)	(915)	(3,430)	233	297,425

Non-Consolidated Statements of Changes in Net Assets

Year ended March 31, 2010

(Million yen)

	Shareholders' equity									Total shareholders' equity
	Capital stock	Capital surplus		Retained earnings					Treasury stock	
		Additional paid in capital	Legal reserve	Reserve for special depreciation	Reserve for research and development	Reserve for deferred capital gain for replacement of property	General reserve	Retained earnings brought forward		
Balance of March 31, 2009	65,475	80,711	5,565	—	2,056	6,313	111,211	42,727	(13,439)	300,622
Changes of items during the period										
Reserve for special depreciation				36				(36)		—
Reversal of reserve for deferred capital gain for replacement of property						(645)		645		—
Dividends from surplus								(2,180)		(2,180)
Dividends from surplus (Interim dividends)								(1,585)		(1,585)
Net loss								(19,367)		(19,367)
Purchase of treasury stock									(45)	(45)
Disposal of treasury stock								(77)	131	53
Net change of items other than Shareholders' equity										
Total changes of items during the period	—	—	—	36	—	(645)	—	(22,602)	85	(23,126)
Balance of March 31, 2010	65,475	80,711	5,565	36	2,056	5,668	111,211	20,125	(13,353)	277,496

	Valuation and translation adjustments			Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments		
Balance of March 31, 2009	(2,514)	(915)	(3,430)	233	297,425
Changes of items during the period					
Reserve for special depreciation					—
Reversal of reserve for deferred capital gain for replacement of property					—
Dividends from surplus					(2,180)
Dividends from surplus (Interim dividends)					(1,585)
Net loss					(19,367)
Purchase of treasury stock					(45)
Disposal of treasury stock					53
Net change of items other than Shareholders' equity	8,557	852	9,409	93	9,503
Total changes of items during the period	8,557	852	9,409	93	(13,622)
Balance of March 31, 2010	6,043	(63)	5,979	326	283,802