ANNEX 3 – AUDITED CONSOLIDATED FINANCIAL RESULTS OF NIKON AS OF MARCH 31, 2008

Consolidated Balance Sheets

Nikon Corporation and Consolidated Subsidiaries
March 31, 2008 and 2007

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2008	2007	2008
ASSETS			
Current assets			
Cash and cash equivalents	¥112,958	¥ 83,849	$ 1,127,437
Notes and accounts receivable — trade:			
Customers	159,040	145,987	1,587,386
Unconsolidated subsidiaries and associated companies	895	2,927	8,929
Allowance for doubtful receivables	(3,042)	(3,073)	(30,357)
Inventories (Note 5)	264,721	246,401	2,642,186
Deferred tax assets (Note 12)	40,126	33,053	400,500
Other current assets	21,420	14,054	213,789
Total current assets	596,118	523,198	5,949,870
Property, plant and equipment			
Land	15,489	15,965	154,591
Buildings and structures	103,920	102,792	1,037,224
Machinery and equipment	148,169	148,994	1,478,888
Furniture and fixtures	56,147	55,338	560,409
Construction in progress	8,233	4,947	82,170
Total	331,958	328,036	3,313,282
Accumulated depreciation	(214,794)	(211,362)	(2,143,864)
Net property, plant and equipment	117,164	116,674	1,169,418
Investments and other assets			
Investment securities (Notes 4 and 7)	66,196	75,890	660,703
Investments in and advances to unconsolidated subsidiaries and associated companies	9,046	10,214	90,293
Long-term loans to employees and other	100	101	993
Software	11,935	9,352	119,122
Goodwill	90	163	902
Security deposit	3,475	3,045	34,686
Deferred tax assets (Note 12)	4,406	3,457	43,972
Other	12,197	6,941	121,736
Allowance for doubtful receivables	(105)	(96)	(1,045)
Total investments and other assets	107,340	109,067	1,071,362
Total	¥820,622	¥748,939	$8,190,650

See Notes to Consolidated Financial Statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2008	2007	2008
LIABILITIES AND EQUITY			
Current liabilities			
Short-term borrowings (Note 7)	¥ 8,500	¥ 15,514	$ 84,839
Current portion of long-term debt (Note 7)	7,822	21,942	78,068
Notes and accounts payable — trade:			
Suppliers	185,342	145,339	1,849,905
Unconsolidated subsidiaries and associated companies	719	573	7,173
Income taxes payable	32,063	27,561	320,023
Accrued expenses	59,476	55,457	593,628
Other current liabilities (Note 12)	58,542	42,570	584,315
Total current liabilities	352,464	308,956	3,517,951
Long-term liabilities			
Long-term debt (Note 7)	60,213	67,870	600,985
Liability for employees' retirement benefits (Note 8)	13,024	15,164	129,990
Retirement allowances for directors and corporate auditors (Note 2(i))	533	456	5,316
Other long-term liabilities (Note 12)	1,262	8,048	12,611
Total long-term liabilities	75,032	91,538	748,902
Commitments and Contingent liabilities (Notes 14, 15, and 16)			
Equity			
Common stock (Note 9):			
Authorized — 1,000,000,000 shares;			
issued,400,101,468 shares in 2008 and 400,101,468 shares in 2007	64,676	64,676	645,533
Capital surplus (Note 9)	79,912	79,912	797,600
Stock acquisition rights	147	83	1,467
Retained earnings (Note 9)	245,255	179,019	2,447,902
Unrealized gain on available-for-sale securities	10,389	22,105	103,690
Deferred loss on derivatives under hedge accounting	(12)	(199)	(117)
Foreign currency translation adjustments	(5,884)	3,672	(58,729)
Treasury stock — at cost:			
708,305 shares in 2008 and 674,372 shares in 2007	(1,357)	(1,018)	(13,549)
Total	393,126	348,250	3,923,797
Minority interests		195	
Total equity	393,126	348,445	3,923,797
Total	¥820,622	¥748,939	$8,190,650

Consolidated Statements of Income

Nikon Corporation and Consolidated Subsidiaries
Years ended March 31, 2008 and 2007

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2008	2007	2008
Net sales	¥ 955,792	¥822,813	$9,539,790
Cost of sales	551,551	494,663	5,505,047
Gross profit	404,241	328,150	4,034,743
Selling, general and administrative expenses (Note 11)	269,072	226,143	2,685,613
Operating income	135,169	102,007	1,349,130
Other income (expenses)			
Interest and dividend income	2,910	1,724	29,042
Interest expense	(1,439)	(1,633)	(14,365)
Cash discount	(4,509)	(3,840)	(45,001)
Royalty income	529	418	5,284
Write-down of inventories	(5,450)	(1,747)	(54,397)
Loss on disposals of inventories	(5,304)	(6,998)	(52,936)
Loss on disposals of property, plant and equipment	(923)	(804)	(9,208)
Loss on impairment of fixed assets	(264)		(2,634)
Loss on sales investment securities	(94)		(938)
Gain on sales of property, plant and equipment	179	825	1,789
Gain on sales of investment securities	1,635	24	16,314
Gain on transfer of investments in affiliate		67	
Environmental expenses	(894)		(8,925)
Loss on restructuring of business	(1,384)	(1,847)	(13,812)
Equity in earnings of unconsolidated subsidiaries and associated companies	1,309	1,541	13,062
Other-net	(4,766)	(1,924)	(47,578)
Other expenses-net	(18,465)	(14,194)	(184,303)
Income before income taxes and minority interests	116,704	87,813	1,164,827
Income taxes (Note 12)			
Current	47,750	34,128	476,601
Deferred	(6,530)	(1,153)	(65,181)
Total income taxes	41,220	32,975	411,420
Minority interests		13	
Net income	¥ 75,484	¥ 54,825	$ 753,407

	Yen		U.S. Dollars (Note 1)
Per share of common stock (Note 2 (s)):			
Basic net income	¥189.00	¥146.36	$1.89
Diluted net income	181.23	131.42	1.81
Cash dividends applicable to the year	25.00	18.00	0.25

See Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Equity

Nikon Corporation and Consolidated Subsidiaries
Years ended March 31, 2008 and 2007

	Thousand	Millions of Yen										
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Unrealized Gain on Available-for-Sale Securities	Deferred Loss on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Treasury Stock	Total	Minority Interests	Total Equity
BALANCE, March 31, 2006	369,360	¥36,661	¥ 51,933		¥130,405	¥ 24,534		¥ 286	¥ (697)	¥ 243,122		¥ 243,122
Reclassified balance as of April 1, 2006 (Note 2.k)											¥ 182	182
Conversion of convertible bonds	30,156	28,015	27,985							56,000		56,000
Net income					54,825					54,825		54,825
Cash dividends, ¥12.5 per share					(4,621)					(4,621)		(4,621)
Bonuses to directors and corporate auditors					(72)					(72)		(72)
Purchase of treasury stock	(181)								(445)	(445)		(445)
Disposal of treasury stock	92		(10)						124	114		114
Loss on disposal of treasury stock			4		(4)							
Adjustment of retained earnings for newly consolidated subsidiaries					(23)					(23)		(23)
Adjustment of pension obligation for foreign consolidated subsidiaries					(1,491)					(1,491)		(1,491)
Net change in the year				¥ 83		(2,429)	¥(199)	3,386		841	13	854
BALANCE, March 31, 2007	399,427	64,676	79,912	83	179,019	22,105	(199)	3,672	(1,018)	348,250	195	348,445
Net income					75,484					75,484		75,484
Cash dividends, ¥23.0 per share					(9,186)					(9,186)		(9,186)
Purchase of treasury stock	(168)								(582)	(582)		(582)
Disposal of treasury stock	134		(66)						243	177		177
Loss on disposal of treasury stock			66		(66)							
Adjustment of retained earnings for newly consolidated subsidiaries					59					59		59
Adjustment of pension obligation for foreign consolidated subsidiaries					(55)					(55)		(55)
Net change in the year				64		(11,716)	187	(9,556)		(21,021)	¥(195)	(21,216)
BALANCE, March 31, 2008	399,393	¥64,676	¥ 79,912	¥147	¥245,255	¥ 10,389	¥ (12)	¥(5,884)	¥(1,357)	¥393,126		¥393,126

	Thousands of U.S. Dollars (Note 1)										
	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Unrealized Gain on Available-for-Sale Securities	Deferred Loss on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Treasury Stock	Total	Minority Interests	Total Equity
BALANCE, April 1, 2007	$ 645,533	$ 797,600	$ 830	$ 1,786,797	$ 220,630	$(1,983)	$ 36,653	$ (10,161)	$ 3,475,899	$ 1,942	$ 3,477,841
Net income				753,407					753,407		753,407
Cash dividends, U.S. $0.23 per share				(91,686)					(91,686)		(91,686)
Purchase of treasury stock								(5,814)	(5,814)		(5,814)
Disposal of treasury stock		(658)						2,426	1,768		1,768
Loss on disposal of treasury stock		658		(658)							
Adjustment of retained earnings for newly consolidated subsidiaries				589					589		589
Adjustment of pension obligation for foreign consolidated subsidiaries				(547)					(547)		(547)
Net change in the year			637		(116,940)	1,866	(95,382)		(209,819)	$ (1,942)	(211,761)
BALANCE, March 31, 2008	$ 645,533	$ 797,600	$1,467	$2,447,902	$ 103,690	$ (117)	$ (58,729)	$(13,549)	$3,923,797		$3,923,797

See Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

Nikon Corporation and Consolidated Subsidiaries
Years ended March 31, 2008 and 2007

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2008	2007	2008
Operating activities:			
Income before income taxes and minority interests	¥116,704	¥ 87,813	$1,164,827
Adjustments for:			
Income taxes-paid	(43,428)	(15,066)	(433,455)
Loss on impairment of fixed assets	274	589	2,730
Depreciation and amortization	25,548	22,536	254,993
Provision for employees' retirement benefits	(2,383)	(4,190)	(23,782)
Provision for retirement allowance for directors and corporate auditors	77	117	767
Loss on sales or disposals of property, plant and equipment	950	808	9,486
Gain on sales of property, plant and equipment	(179)	(825)	(1,789)
Gain on sales of investment securities	(1,635)	(24)	(16,314)
Other-net	6,688	320	66,753
Change in assets and liabilities:			
Increase in notes and accounts receivable-trade	(16,982)	(6,298)	(169,495)
Increase in inventories	(26,285)	(1,491)	(262,351)
Increase (decrease) in notes and accounts payable-trade	40,705	(10,543)	406,273
Other-net	20,786	9,455	207,464
Total adjustments	4,136	(4,612)	41,280
Net cash provided by operating activities	120,840	83,201	1,206,107
Investing activities:			
Purchases of property, plant and equipment	(28,434)	(21,516)	(283,800)
Proceeds from sales of property, plant and equipment	1,501	1,818	14,984
Purchases of investment securities	(12,387)	(914)	(123,639)
Proceeds from sales of investment securities	2,477	3,599	24,726
Net decrease (Increase) in loans receivable	59	(27)	592
Other-net	(12,999)	(4,858)	(129,749)
Net cash used in investing activities	(49,783)	(21,898)	(496,886)
Financing activities:			
Net increase (decrease) in short-term borrowings	(6,965)	2,219	(69,518)
Proceeds from long-term debt	501	4,896	5,004
Repayments of long-term debt	(22,048)	(25,842)	(220,062)
Dividends paid	(9,187)	(4,613)	(91,700)
Other-net	(965)	(333)	(9,634)
Net cash used in financing activities	(38,664)	(23,673)	(385,910)
Foreign currency translation adjustments on cash and cash equivalents	(3,753)	1,234	(37,462)
Net increase in cash and cash equivalents	28,640	38,864	285,849
Cash and cash equivalents of newly consolidated subsidiaries, beginning of year	469	513	4,692
Cash and cash equivalents, beginning of year	83,849	44,472	836,896
Cash and cash equivalents, end of year	¥112,958	¥ 83,849	$ 1,127,437
Non-cash investing and financing activities			
Convertible bonds converted into common stock	¥	¥ 28,015	$
Convertible bonds converted into capital surplus		27,985	

See Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

Nikon Corporation and Consolidated Subsidiaries
Years ended March 31, 2008 and 2007

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law (formerly, the Japanese Securities and Exchange Law) and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2007 financial statements to conform to the classifications used in 2008.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Nikon Corporation (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the approximate rate of ¥100.19 to U.S. $1, the rate of exchange at March 31, 2008. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. Summary of Significant Accounting Policies

(a) Consolidation

The consolidated financial statements as of March 31, 2008 include the accounts of the Company and its 48 significant (49 in 2007) subsidiaries (collectively, the "Group"). Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Company has the ability to exercise significant influence are accounted for by the equity method.

Investments in 2 associated companies (2 associated companies in 2007) are accounted for by the equity method.

Investments in the remaining unconsolidated subsidiaries and associated companies are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

The excess of the cost of an acquisition over the fair value of the net assets of the acquired subsidiary at the date of acquisition ("Goodwill") is charged to income when incurred, if the amounts are immaterial, otherwise the amounts are amortized on a straight-line basis over 5 years.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

(b) Business Combination

In October 2003, the Business Accounting Council (the "BAC") issued a Statement of Opinion, "Accounting for Business Combinations", and on December 27, 2005, the ASBJ issued ASBJ Statement No.7, "Accounting Standard for Business Divestitures" and ASBJ Guidance No.10, "Guidance for Accounting Standard for Business Combinations and Business Divestitures". These new accounting pronouncements were effective for fiscal years beginning on or after April 1, 2006.

The accounting standard for business combinations allows companies to apply the pooling of interests method of accounting only when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests.

For business combinations that do not meet the uniting-of-interests criteria, the business combination is considered to be an acquisition and the purchase method of accounting is required. This standard also prescribes the accounting for combinations of entities under common control and for joint ventures.

(c) Cash Equivalents

Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value.

Cash equivalents include time deposits, certificates of deposit, commercial paper and mutual funds invested in bonds that represent short-term investments, all of which mature or become due within three months of the date of acquisition.

(d) Investment Securities

Investment securities are classified and accounted for, depending on management's intent, as follows:

i) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity, are reported at amortized cost and
ii) available-for-sale securities, which are not classified as held to maturity securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

Non-marketable available-for-sale securities are stated at cost determined by the moving average method.

For other than temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

The Company records investments in limited liability investment partnerships (deemed "investment securities" under the provisions set forth in Article 2 Item 2 of the Financial Instruments and Exchange Law) using the amount of interest in such partnerships calculated based on ownership percentage and the most recent financial statements on the report date stipulated in the partnership agreement.

(e) Inventories

Inventories of the Company and its domestic subsidiaries are stated at cost as determined principally using the average method. Inventories of foreign subsidiaries are stated at the lower of cost or market as determined principally using the average method.

(f) Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Company and its consolidated domestic subsidiaries is principally computed using the declining-balance method, while the straight-line method is applied to buildings (excluding facilities incidental to buildings), and foreign subsidiaries apply the straight-line method, using rates based on the estimated useful lives of the assets. The range of useful lives is principally from 30 to 40 years for buildings and from 5 to 10 years for machinery.

(g) Long-Lived Assets

The Group reviews its long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group.

The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

(h) Retirement and Pension Plans

The Company has a defined benefit corporate pension plan (cash balance plan) and a defined contribution pension plan and its consolidated domestic subsidiaries have non-contributory funded pension plans. Certain foreign subsidiaries also have contributory pension plans.

The Group accounts for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date. Retirement allowances for officers are recorded to state the liability at the amount that would be required if all officers retired at each balance sheet date.

Certain foreign subsidiaries, including the United States, etc. record unrecognized actuarial gains and losses, which are not charged to income, in the balance sheet.

(i) Retirement Allowances for Directors and Corporate Auditors

Retirement allowances for directors and corporate auditors are recorded to state the liability at the amount that would be required if all directors and corporate auditors retired at each balance sheet date.

(j) Stock Options

On December 27, 2005, the ASBJ issued ASBJ Standard No.8, "Accounting Standard for Stock Options" and related guidance. The new standard and guidance are applicable to stock options newly granted on and after May 1, 2006.

This standard requires companies to recognize compensation expense for employee stock options based on the fair value at the date of grant and over the vesting period as consideration for receiving goods or services. The standard also requires companies to account for stock options granted to non-employees based on the fair value of either the stock option or the goods or services received. In the balance sheet, the stock option is presented as a stock acquisition right as a separate component of equity until exercised. The standard covers equity-settled, share-based payment transactions, but does not cover cash-settled, share-based payment transactions. In addition, the standard allows unlisted companies to measure options at their intrinsic value if they cannot reliably estimate fair value.

The Company applied the new accounting standard for stock options to those granted on and after May 1, 2006.

(k) Presentation of Equity

On December 9, 2005, the ASBJ published a new accounting standard for the presentation of equity. Under this accounting standard, certain items which were previously presented as liabilities are now presented as components of equity. Such items include stock acquisition rights, minority interests, and any deferred gain or loss on derivatives accounted for under hedge accounting. This standard is effective for fiscal years ending on or after May 1, 2006.

The balances of such items as of March 31, 2006 were reclassified as separate components of equity as of April 1, 2006 in the consolidated statement of changes in equity.

(l) Research and Development Costs

The Group is active in research and development, and such costs are charged to income as incurred.

(m) Leases

All leases are accounted for as operating leases by the Company and its domestic subsidiaries. Under Japanese accounting standards for leases, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the lessee's financial statements.

(n) Bonuses to Directors and Corporate Auditors

Bonuses to directors and corporate auditors are accrued at the year end to which such bonuses are attributable.

(o) Income Taxes

The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

(p) Foreign Currency Transactions

All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the statement of income to the extent that they are not hedged by forward exchange contracts.

(q) Foreign Currency Financial Statements

The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of balance sheet date except for equity, which is translated at the historical exchange rate.

Differences arising from such translation are shown as "Foreign currency translation adjustments" in a separate component of equity.

Revenue and expense accounts of consolidated foreign subsidiaries are translated into Japanese yen at the average exchange rate.

(r) Derivatives and Hedging Activities

The Group enters into derivative financial instruments ("derivatives"), including forward foreign exchange contracts, currency options, foreign currency swaps and interest rate swaps to hedge foreign exchange risk and interest rate exposures. The Group does not hold or issue derivatives for trading or speculative purposes.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: (a) all derivatives, except those qualifying for hedge accounting are recognized principally as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the statements of income and (b) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

The foreign exchange forward contracts and currency option contracts employed to hedge foreign exchange exposures for export sales and purchases are measured at fair value and the related unrealized gains or losses are recognized in income. Forward contracts entered into for forecasted transactions are also measured at fair value, but the unrealized gains or losses on qualifying hedges are deferred until the underlying transactions are completed. The foreign currency swaps used to hedge the foreign currency fluctuations of long-term debt denominated in foreign currencies are measured at fair value and the unrealized gains or losses are included in the carrying amounts of the debt. The interest rate swaps which qualify for hedge accounting are measured at market value at the balance sheet date, and the unrealized gains or losses are deferred until maturity. The interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements are recognized and included in interest expense or income.

(s) Per Share Information

Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted net income per share of common stock assumes full conversion of the outstanding convertible notes and bonds at the beginning of the year (or at the time of issuance) with an applicable adjustment for related interest expense, net of tax and full exercise of outstanding warrants.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years including dividends to be paid after the end of the year.

(t) New Accounting Pronouncements

Measurement of Inventories—Under generally accepted accounting principles in Japan ("Japanese GAAP"), inventories are currently measured either by the cost method, or at the lower of cost or market. On July 5, 2006, the ASBJ issued ASBJ Statement No.9, "Accounting Standard for Measurement of Inventories," which is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted. This standard requires that inventories held for sale in the ordinary course of business be measured at the lower of cost or net selling value, which is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expenses. The replacement cost may be used in place of the net selling value, if appropriate. The standard also requires that inventories held for trading purposes be measured at the market price.

Lease Accounting—On March 30, 2007, the ASBJ issued ASBJ Statement No.13, "Accounting Standard for Lease Transactions," which revised the existing accounting standard for lease transactions issued on June 17, 1993.

Under the existing accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, however, other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the note to the lessee's financial statements.

The revised accounting standard requires that all finance lease transactions shall be capitalized recognizing lease assets and lease obligations in the balance sheet. The revised accounting standard for lease transactions is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted for fiscal years beginning on or after April, 2007.

Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements— Under Japanese GAAP, a company currently can use the financial statements of foreign subsidiaries which have been prepared in accordance with generally accepted accounting principles in their respective jurisdictions for its consolidation process unless they are clearly unreasonable. On May 17, 2006, the ASBJ issued ASBJ Practical Issues Task Force (PITF) No.18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements." The new task force prescribes: 1) the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements, 2) financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States tentatively may be used for the consolidation process, 3) however, the following items should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP unless they are not material;

(1) Amortization of goodwill
(2) Actuarial gains and losses of defined benefit plans recognized outside profit or loss
(3) Capitalization of intangible assets arising from development phases
(4) Fair value measurement of investment properties, and the revaluation model for property, plant and equipment, and intangible assets
(5) Retrospective application when accounting policies are changed
(6) Accounting for net income attributable to a minority interest

The new task force is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted.

3. Accounting Change

Exchange Method for Foreign Currency Financial Statements

Prior to April 1, 2007, the Company had translated the foreign currency financial statements of its overseas subsidiaries into Japanese yen at the current rate as of the balance sheet date. Effective from April 1, 2007, the Company changed its method of translating the foreign currency of accounts regarding revenues and expenses of overseas subsidiaries into Japanese yen from the method of using the current rate as of the balance sheet date to using the average rate in the year, due to the increasing of ratio of their sales and production and to present more fairly their financial position. The effect of this change was to increase net sales by ¥49,284 million ($491,908 thousand). The effect of this change on profit or loss was not material.

4. Investment Securities

Investment securities at March 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Non-Current:			
Equity securities	¥65,206	¥ 75,887	$ 650,824
Debt securities	0	3	4
Investment in a limited liability investment partnership	990		9,875
Total	¥66,196	¥ 75,890	$ 660,703

The carrying amounts and aggregate fair values of investment securities at March 31, 2008 and 2007 were as follows:

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2008				
Securities classified as:				
Available-for-sale:				
Equity securities	¥47,763	¥19,092	¥2,066	¥64,789
Debt securities				
Total	¥47,763	¥19,092	¥2,066	¥64,789

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2007				
Securities classified as:				
Available-for-sale:				
Equity securities	¥38,120	¥37,273	¥94	¥75,299
Debt securities	1		0	1
Total	¥38,121	¥37,273	¥94	¥75,300

	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2008				
Securities classified as:				
Available-for-sale:				
Equity securities	$476,718	$190,562	$20,620	$646,660
Debt securities			0	
Total	$476,718	$190,562	$20,620	$646,660

Carrying amounts of available-for-sale securities whose fair value is not readily determinable as of March 31, 2008 and 2007 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Available-for-sale:			
Equity securities	¥ 418	¥588	$ 4,164
Investment in a limited liability investment partnership	990		9,875
Total	¥1,408	¥588	$14,039

Proceeds from sales of available-for-sale securities for the fiscal years ended March 31, 2008 and 2007 were ¥2,444 million ($24,394 thousand) and ¥28 million, respectively. Gross realized gains and losses on these sales were ¥1,637 million ($16,338 thousand) and ¥94 million ($939 thousand), respectively for the fiscal year ended March 31, 2008 and gross realized gains on these sales computed on the moving average cost basis were ¥24 million, for the fiscal year ended March 31, 2007.

The carrying values of debt securities by contractual maturities for securities classified as available-for-sale at March 31, 2008 and 2007 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
	Available for sale	Available for sale	Available for sale
Due in one year or less	¥	¥1	$
Due after one year through five years	0	1	4
Total	¥0	¥2	$4

5. Inventories

Inventories at March 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Finished and semi-finished products	¥104,252	¥ 86,201	$1,040,543
Work in process	128,584	130,674	1,283,398
Raw materials and supplies	31,885	29,526	318,245
Total	¥264,721	¥246,401	$2,642,186

6. Long-Lived Assets

The Group reviewed its long-lived assets for impairment as of the period ended March 31, 2007 and, as a result, recognized an impairment loss of ¥589 million for certain assets of the CMP division, which include buildings and structures, machinery and equipment, and other assets, because a deterioration of the business environment eroded its profitability for the year ended March 31, 2007. The carrying amount of the relevant assets was written down to the recoverable amount. The impairment loss was included in loss on restructuring of business in other expenses.

The recoverable amount of the assets was measured at their net selling price. Those assets which have no possibility of being used or are difficult to sell are measured at memorandum price.

7. Short-term Borrowings and Long-term Debt

Short-term borrowings at March 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Short-term loans, principally from banks:			
2008: 1.15250%-1.23083%			
2007: 0.85250%-5.05000%	¥ 8,500	¥ 15,514	$ 84,839
Total	¥ 8,500	¥ 15,514	$ 84,839

Long-term debt at March 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Loans, principally from banks and insurance companies:			
2008: 0.7400%-4.3600% due 2008-2013			
2007: 0.5900%-4.3600% due 2008-2013	¥18,535	¥ 20,312	$184,992
Bonds	49,500	69,500	494,061
Total	68,035	89,812	679,053
Less: Current portion	(7,822)	(21,942)	(78,068)
Long-term debt, less current portion	¥60,213	¥ 67,870	$600,985

The following is a summary of the terms of bonds which the Company may at any time purchase in any price in the open market or otherwise acquire. The bonds purchased or otherwise acquired by the Company may be held or resold or, at the discretion of the Company, may be canceled (together with any unmatured coupons attached thereto or purchased therewith).

	Issued in	Maturity	Millions of Yen 2008	Millions of Yen 2007	Thousands of U.S. Dollars 2008
2.5% Yen Unsecured Bonds	November, 1997	November, 2007	¥	¥ 10,000	$
1.7% Yen Unsecured Bonds	December, 2001	December, 2008	5,000	5,000	49,905
1.15% Yen Unsecured Bonds	February, 2003	February, 2008		10,000	
1.4% Yen Unsecured Bonds	February, 2003	February, 2010	10,000	10,000	99,810
Yen Zero Coupon Convertible Bonds	March, 2004	March, 2011	34,500	34,500	344,346
Total			¥49,500	¥ 69,500	$494,061

The aggregate annual maturities of long-term debt for the years following March 31, 2008 are as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2009	¥ 7,822	$ 78,068
2010	10,657	106,365
2011	44,796	447,110
2012	60	599
2013	4,700	46,911
Thereafter		
Total	¥68,035	$679,053

The yen zero coupon convertible bonds were issued with stock acquisition rights to subscribe for shares of common stock of the Company.

The stock acquisition rights are exercisable through March 14, 2011 at ¥2,058 per share. The stock acquisition rights outstanding at March 31, 2008 entitled the holders to subscribe for 16,763,848 shares which was computed using the above-mentioned exercise price.

At March 31, 2008, the following assets were pledged as collateral for the long-term debt.

	Millions of Yen 2008	Thousands of U.S. Dollars 2008
Investment securities	¥6,796	$67,832

Liabilities secured by the above assets were as follows:

	Millions of Yen 2008	Thousands of U.S. Dollars 2008
Long-term debt, including current portion	¥3,780	$37,728

As is customary in Japan, the Company maintains substantial deposit balances with banks with which it has borrowings. Such deposit balances are not legally or contractually restricted as to withdrawal.

General agreements with respective banks provide, as is customary in Japan, that additional collateral must be provided under certain circumstances if requested by such banks and that certain banks have the right to offset cash deposited with them against any long-term or short-term debt or obligation that becomes due and, in case of default and certain other specified events, against all other debts payable to the banks. The Group has never been requested to provide any additional collateral.

8. Retirement and Pension Plans

The Company has a defined benefit corporate pension plan (cash balance plan) and a defined contribution pension plan, and its consolidated domestic subsidiaries have non-contributory funded pension plans. Certain foreign subsidiaries also have contributory pension plans.

The Group accounted for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date. Retirement allowances for officers are recorded to state the liability at the amount that would be required if all officers retired at each balance sheet date.

Certain foreign subsidiaries, including the United States, etc. record unrecognized actuarial gains and losses, which are not charged to income, in the balance sheet.

The liability for employees' retirement benefits at March 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Projected benefit obligation	¥ 105,542	¥ 104,086	$1,053,414
Fair value of plan assets	(93,664)	(107,783)	(934,864)
Unrecognized actuarial gain and loss	(11,163)	4,555	(111,420)
Unrecognized prior service cost	11,746	13,670	117,240
	12,461	14,528	124,370
Prepayment of service cost	563	636	5,620
Net liability	¥ 13,024	¥ 15,164	$ 129,990

The projected benefit obligation includes retirement allowance for officers of ¥171 million ($1,707 thousand) and ¥189 million at March 31, 2008 and 2007, respectively.

The components of net periodic benefit costs for the fiscal years ended March 31, 2008 and 2007 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Service cost	¥3,660	¥ 3,282	$ 36,530
Interest cost	2,871	2,791	28,651
Expected return on plan assets	(2,652)	(2,512)	(26,473)
Recognized actuarial loss	1,288	1,224	12,852
Amortization of prior service cost	(1,861)	(1,793)	(18,565)
Net periodic retirement benefit costs	¥3,306	¥ 2,992	$ 32,995

In addition to the above, the Company and certain of its overseas subsidiaries charged ¥1,056 million (¥10,551 thousand) and ¥990 million to income for the fiscal years ended March 31, 2008 and 2007, respectively.

Assumptions used for the fiscal years ended March 31, 2008 and 2007 were principally as set forth below:

	2008	2007
Discount rate	2.50%	2.50%
Expected rate of return on plans assets	2.00%	2.00%
Recognition period of actuarial gain (loss)	10 years	10 years
Amortization period of prior service cost	10 years	10 years

Since May 1, 2006, Japanese companies have been subject to the Corporate Law of Japan (the "Corporate Law"), which reformed and replaced the Commercial Code of Japan. The significant provisions in the Corporate Law that affect financial and accounting matters are summarized below;

(a) Dividends

Under the Corporate Law, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as; (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors of such company may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Company meets all the above criteria.

The Corporate Law permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Corporate Law provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

(b) Increases/Decreases and Transfer of Common Stock, Reserve and Surplus

The Corporate Law requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Corporate Law, the total amount of additional paid-in capital and legal reserve may be reversed without limitation of such threshold. The Corporate Law also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(c) Treasury Stock and Treasury Stock Acquisition Rights

The Corporate Law also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula.

Under the Corporate Law, stock acquisition rights, which were previously presented as a liability, are now presented as a separate component of equity.

The Corporate Law also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

10. Stock Options

The stock options outstanding as of March 31, 2008 and 2007 were as follows:

Stock Options	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
2001 Stock Options	9 directors 13 officers	99,000 shares	2001.6.28	1,321	From June 29, 2003 To June 28, 2011
2003 Stock Options	11 directors 11 officers	203,000 shares	2003.6.27	1,048	From June 28, 2005 To June 27, 2013
2004 Stock Options	12 directors 10 officers	210,000 shares	2004.6.29	1,225	From June 30, 2006 To June 29, 2014
2005 Stock Options	11 directors 10 officers	178,000 shares	2005.6.29	1,273	From June 30, 2007 To June 29, 2015
2007 Stock Options	12 directors 12 officers	99,000 shares	2007.3.14	2,902	From February 28, 2009 To February 27, 2017
2007 Stock Options	8 directors 15 officers	26,100 shares	2007.8.27	1	From August 28, 2007 To August 27, 2037

The stock option activity is as follows:

	2001 Stock Options	2003 Stock Options	2004 Stock Options	2005 Stock Options	2007 Stock Options	2007 Stock Options
			(Shares)			
For the year ended March 31, 2007						
Non-vested						
March 31, 2006-Outstanding			210,000	178,000		
Granted					99,000	
Canceled						
Vested			(210,000)			
March 31, 2007-Outstanding				178,000	99,000	
Vested						
March 31, 2006-Outstanding	93,000	186,000				
Vested			210,000			
Exercised	24,000	45,000	17,000			
Canceled						
March 31, 2007-Outstanding	69,000	141,000	193,000			
Exercise price	1,321	1,048	1,225	1,273	2,902	
Average stock price at exercise	2,294	2,343	2,411			
Fair value price at grant date					840	
For the year ended March 31, 2008						
Non-vested						
March 31, 2007-Outstanding				178,000	99,000	
Granted						
Canceled						
Vested				178,000		
March 31, 2008-Outstanding					99,000	
Vested						
March 31, 2007-Outstanding	69,000	141,000	193,000			
Vested				178,000		26,100
Exercised	10,000	63,000	29,000	21,000		
Canceled						
March 31, 2008-Outstanding	59,000	78,000	164,000	157,000		26,100
Exercise price	1,321	1,048	1,225	1,273	2,902	1
Average stock price at exercise	3,550	3,458	3,107	3,130		
Fair value price at grant date					840	3,259

The assumptions used to measure the fair value of 2007 Stock Options which was granted at August 27, 2007.

Estimate method:	Black-Scholes option pricing model
Volatility of stock price:	43.022%
Estimate remaining outstanding period:	fifteen years
Estimate dividend:	¥18.00 per share
Interest rate with risk free:	1.898%

11. Selling, General and Administrative Expenses

Selling, general and administrative expenses for the fiscal years ended March 31, 2008 and 2007 principally consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Advertising expenses	¥75,275	¥ 57,730	$751,326
Provision of warranty costs	6,545	4,904	65,330
Employees' salaries	34,152	33,258	340,870
Net periodic retirement benefit cost	3,015	2,742	30,093
Employees' bonuses and others	17,689	16,730	176,558
Research and development costs	58,373	47,218	582,628

12. Income Taxes

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 40.6% for the fiscal years ended March 31, 2008 and 2007.

The tax effects of significant temporary differences and loss carry-forwards which result in deferred tax assets and liabilities at March 31, 2008 and 2007, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Deferred tax assets:			
Write-down of inventories	¥23,164	¥ 17,869	$231,198
Warranty reserve	3,009	2,572	30,035
Liability for employees' retirement benefits	6,769	8,432	67,557
Depreciation and amortization	15,028	14,141	149,991
Net operating loss carryforwards		9	
Accrued bonus	5,008	4,505	49,988
Other	10,851	9,986	108,309
Total	¥63,829	¥ 57,514	$ 637,078
Deferred tax liabilities:			
Deferred gains on sales of property to be replaced	¥ 4,924	¥ 5,599	¥ 49,145
Unrealized gain on available-for-sale securities	5,693	15,095	56,823
Undistributed earnings of foreign subsidiaries	8,258	6,264	82,419
Other	733	652	7,321
Total	¥19,608	¥ 27,610	$ 195,708
Net deferred tax assets	¥44,221	¥29,904	$441,370

A valuation allowance of ¥2,613 million ($26,076 thousand) in 2008 and ¥1,859 million in 2007 were deducted from the amounts calculated above.

A reconciliation between the normal effective statutory tax rate for the fiscal years ended March 31, 2008 and 2007, and the actual effective tax rates reflected in the consolidated statements of income is as follows:

	Year ended March 31,	
	2008	2007
Normal statutory tax rate	40.6 %	40.6 %
Tax credit for research and development costs	(2.7)	(2.7)
Tax difference of consolidated subsidiaries	(3.3)	(2.1)
Tax effect on retained earnings for foreign subsidiaries	1.7	2.0
Other-net	(1.3)	(0.2)
Actual effective tax rate	35.3 %	37.6 %

13. Research and Development Costs

Research and development costs incurred were ¥58,373 million ($582,628 thousand) and ¥47,218 million for the fiscal years ended March 31, 2008 and 2007, respectively.

14. Lease Payments

Total lease payments under financing lease arrangements that do not transfer ownership of the leased property to the Company and its domestic subsidiaries were ¥2,912 million ($29,061 thousand) and ¥2,480 million for the fiscal years ended March 31, 2008 and 2007, respectively.

The minimum rental commitments under noncancellable operating leases at March 31, 2008 and 2007 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Due within one year	¥3,139	¥3,867	$31,328
Due after one year	4,183	4,744	41,749
Total	¥7,322	¥8,611	$73,077

Pro forma information of leased property carried by finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis as of and for the fiscal years ended March 31, 2008 and 2007 was as follows:

	Millions of Yen			Thousands of U.S. Dollars		
	2008			2008		
	Machinery and Equipment	Furniture and Fixtures	Total	Machinery and Equipment	Furniture and Fixtures	Total
Acquisition cost	¥8,171	¥ 7,076	¥15,247	$ 81,558	$ 70,622	$152,180
Accumulated depreciation	3,602	3,032	6,634	35,956	30,260	66,216
Net leased property	¥4,569	¥4,044	¥ 8,613	$ 45,602	$ 40,362	$ 85,964

	Millions of Yen		
	2007		
	Machinery and Equipment	Furniture and Fixtures	Total
Acquisition cost	¥6,614	¥6,255	¥12,869
Accumulated depreciation	3,975	2,904	6,879
Net leased property	¥2,639	¥3,351	¥ 5,990

Obligations under finance leases at March 31, 2008 and 2007 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Due within one year	¥2,870	¥2,397	$28,641
Due after one year	5,743	3,593	57,324
Total	¥8,613	¥5,990	$85,965

The amount of obligations under finance leases includes the imputed interest expense portion.

Depreciation expense, which is not reflected in the accompanying consolidated statements of income, computed by the straight-line method, was ¥2,912 million ($29,061 thousand) and ¥2,480 million for the fiscal years ended March 31, 2008 and 2007, respectively.

15. Derivatives

The Group enters into derivative contracts, including foreign exchange forward contracts, currency option contracts, foreign currency swap contracts and interest rate swap contracts to hedge foreign exchange risk and interest rate exposures. The Group does not hold or issue derivatives for trading purposes. Derivatives are subject to market risk and credit risk. Market risk is the exposure created by potential fluctuations in market conditions, including changes in interest or foreign exchange rates. Credit risk is the possibility that a loss may result from a counterparty's failure to perform according to the terms and conditions of the contract.

Because the counterparties to the Group's derivative contracts are limited to major international financial institutions, the Group does not anticipate any losses arising from credit risk.

Derivative transactions entered into by the Group have been made in accordance with internal policies which regulate the authorization and credit limit amount.

Derivatives contracts outstanding at March 31, 2008 and 2007 were as follows:

	Millions of Yen			Thousands of U.S. Dollars		
	2008			2008		
	Contract or Notional Amount	Fair Value	Net Unrealized Gain (Loss)	Contract or Notional Amount	Fair Value	Net Unrealized Gain (Loss)
Forward Exchange Contracts:						
Selling USD	¥ 43,403	¥ 41,067	¥ 2,336	$433,208	$ 409,890	$23,318
Selling EUR	20,610	20,480	130	205,705	204,414	1,291
Buying JPY	4,275	4,285	10	42,670	42,773	103
Buying USD	5,889	5,855	(34)	58,775	58,433	(342)
Total			2,442			24,370

	Millions of Yen		
	2007		
	Contract or Notional Amount	Fair Value	Net Unrealized Gain (Loss)
Forward Exchange Contracts:			
Selling USD	¥ 41,935	¥ 41,824	¥ 111
Selling EUR	21,176	21,414	(238)
Buying JPY	634	632	(2)
Buying USD	4,245	4,248	3
Buying EUR	77	79	2
Buying GBP	46	46	(0)
Total			(124)
Interest Rate Swaps:			
(fixed rate receipt, floating rate payment)	¥ 20,000	¥ 134	¥ 134
(fixed rate payment, floating rate receipt)	10,000	(112)	(112)
Total	¥ 30,000	¥ 22	¥ 22

Derivatives which qualified for hedge accounting and related amounts are included with the associated assets and liabilities, and were excluded from disclosure of market value information in the preceding table.

16. Contingent Liabilities

Contingent liabilities at March 31, 2008 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2008	2008
As the guarantor of bank loans and indebtedness, principally of employees, unconsolidated subsidiaries and associated companies	¥2,973	$ 29,673
Total	¥2,973	$ 29,673

17. Net Income Per Share

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2008 and 2007 is as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
	Net Income	Weighted Average shares	EPS	
For the year ended March 31, 2008:				
Basic EPS				
Net income available to common shareholders	¥75,484	399,378	¥189.00	$1.89
Effect of Dilutive Securities				
Warrants (Stock option)		371		
Convertible bonds		16,764		
Diluted EPS				
Net income for computation	¥75,484	416,513	¥181.23	$1.81
For the year ended March 31, 2007:				
Basic EPS				
Net income available to common shareholders	¥ 54,825	374,585	¥ 146.36	
Effect of Dilutive Securities				
Warrants (Stock option)		305		
Convertible bonds		42,290		
Diluted EPS				
Net income for computation	¥ 54,825	417,180	¥ 131.42	

18. Business Spin-off

On April 2, 2007, Tochigi Nikon Precision Co., Ltd., a wholly owned consolidated subsidiary, was spun off from Tochigi Nikon Corporation, and a new wholly owned consolidated subsidiary, was established to promote the Nikon Group's in-house company system firmly, respond to market changes more quickly and strengthen competitiveness and profitability. The precision equipment business of Tochigi Nikon Corporation was transferred to Tochigi Nikon Precision Co., Ltd.

After this spin-off, Tochigi Nikon Precision Co., Ltd. belongs to the Precision Equipment segment and Tochigi Nikon Corporation belongs to Imaging segment.

As this spin-off was a transaction under common control, all intercompany transactions were eliminated and there was no effect of this accounting on the consolidated financial position as of March 31, 2008.

19. Subsequent Events

(a) Appropriations of Retained Earnings

The company's shareholders meeting held on June 27, 2008.

	Millions of Yen	Thousands of U.S. Dollars
Cash Dividends, ¥13.50 ($0.13) per share	¥5,392	$53,816

(b) Treasury Stock

The Company resolved at the meeting of its Board of Directors on May 12, 2008, to acquire its treasury stock under Article 156, as applied pursuant to paragraph 3, Article 165, of the Corporate Law. As a result, the Company acquired 3,713,000 shares valued at ¥11,998 million (¥119,750 thousand) from May 13 to May 21, 2008.

1. Reason for acquisition of treasury stock

The Company decided to acquire its treasury stock to benefit shareholders, improve capital efficiency and ensure a flexible capital policy.

2. Details of acquisition

(1) Type of shares to be acquired: Common stock
(2) Total number of shares to be acquired: Up to 4 million shares
(3) Type cost of acquisition: Up to ¥12 billion
(4) Period of acquisition: From May 13, 2008 to June 30, 2008
(5) Method of acquisition: Acquired through the Tokyo Stock Exchange

20. Segment Information

Information about industry segments, geographic segments and sales to foreign customers of the Group for the fiscal years ended March 31, 2008 and 2007, was as follows:

(a) Industry Segments

	Millions of Yen						
	Precision Equipment	Imaging Products	Instruments	Other	Total	(Eliminations) or Corporate	Consolidated
For the year ended March 31, 2008							
Net sales							
Outside customers	¥290,814	¥586,147	¥59,043	¥19,788	¥955,792	¥	¥955,792
Intersegment sales/transfer	1,077	1,964	2,198	36,634	41,873	(41,873)	
Total	291,891	588,111	61,241	56,422	997,665	(41,873)	955,792
Operating expenses	248,543	504,137	57,160	52,786	862,626	(42,003)	820,623
Operating income	¥ 43,348	¥ 83,974	¥ 4,081	¥ 3,636	¥135,039	¥ 130	¥135,169
Assets	¥270,070	¥229,879	¥38,965	¥60,762	¥599,676	¥220,946	¥820,622
Depreciation and amortization	8,643	10,133	1,328	5,575	25,678		25,678
Capital expenditures	9,867	24,470	1,707	3,785	39,829		39,829

	Millions of Yen						
	Precision Equipment	Imaging Products	Instruments	Other	Total	(Eliminations) or Corporate	Consolidated
For the year ended March 31, 2007							
Net sales							
Outside customers	¥291,913	¥448,825	¥59,252	¥22,823	¥822,813	¥	¥822,813
Intersegment sales/transfer	649	965	1,919	34,421	37,954	(37,954)	
Total	292,562	449,790	61,171	57,244	860,767	(37,954)	822,813
Operating expenses	243,241	404,112	56,048	55,142	758,543	(37,737)	720,806
Operating income	¥ 49,321	¥ 45,678	¥ 5,123	¥ 2,102	¥102,224	¥ (217)	¥102,007
Assets	¥278,634	¥191,400	¥40,792	¥46,646	¥557,472	¥191,467	¥748,939
Depreciation and amortization	8,515	8,142	1,078	4,890	22,625		22,625
Capital expenditures	9,339	13,873	1,381	5,839	30,432		30,432

	Thousands of U.S. Dollars						
	Precision Equipment	Imaging Products	Instruments	Other	Total	(Eliminations) or Corporate	Consolidated
For the year ended March 31, 2008							
Net sales							
Outside customers	$2,902,629	$5,850,350	$589,307	$197,504	$9,539,790	$	$9,539,790
Intersegment sales/transfer	10,747	19,606	21,933	365,649	417,935	(417,935)	
Total	2,913,376	5,869,956	611,240	563,153	9,957,725	(417,935)	9,539,790
Operating expenses	2,480,714	5,031,811	570,504	526,859	8,609,888	(419,228)	8,190,660
Operating income	$ 432,662	$ 838,145	$ 40,736	$ 36,294	$1,347,837	$ 1,293	$1,349,130
Assets	$2,695,582	$2,294,430	$388,909	$606,464	$5,985,385	$2,205,265	$8,190,650
Depreciation and amortization	86,262	101,142	13,252	55,641	256,297		256,298
Capital expenditures	98,480	244,239	17,042	37,775	397,536		397,536

Major products of each industry:

Precision Equipment	: IC steppers, LCD steppers
Imaging Products	: Digital cameras, Film cameras, Interchangeable lenses.
Instruments	: Microscopes, Measuring instruments, Inspection equipment
Other	: Glass materials, Sport optics products, Ophthalmic frames, Surveying instruments

Notes: 1. Amortization of Goodwill is included in "Depreciation and amortization" for the years ended March 31, 2008 and 2007.

2. Effective April 1, 2007, the Company changed its method of translation of the revenue and expense accounts of its overseas consolidated subsidiaries into Japanese yen. The effect of this change for the year ended March 31, 2008 was to increase total sales and sales to customers of the Precision Equipment segment by ¥5,142 million ($51,323 thousand) and ¥5,142 million ($51,323 thousand), total sales and sales to customers of the Imaging Products segment by ¥42,126 million ($420,461 thousand) and ¥42,126 million ($420,461 thousand), total sales and sales to customers of the Instruments segment by ¥2,018 million ($20,145 thousand) and ¥2,011 million ($20,073 thousand), and total sales and sales to customers of the Other segment by ¥17 million ($169 thousand) and ¥6 million ($57 thousand).

(b) Geographic Segments

	Millions of Yen						
	Japan	North America	Europe	Asia/ Oceania	Total	(Eliminations) or Corporate	Consolidated
For the year ended March 31, 2008							
Net sales							
Outside customers	¥379,990	¥240,591	¥214,215	¥120,996	¥ 955,792	¥	¥955,792
Intersegment sales	436,719	2,147	232	166,116	605,214	(605,214)	
Total	816,709	242,738	214,447	287,112	1,561,006	(605,214)	955,792
Operating expenses	712,671	230,420	206,849	271,311	1,421,251	(600,628)	820,623
Operating income	¥104,038	¥ 12,318	¥ 7,598	¥ 15,801	¥ 139,755	¥ (4,586)	¥135,169
Assets	¥543,974	¥ 71,553	¥ 54,056	¥ 71,828	¥ 741,411	¥ 79,211	¥820,622

	Millions of Yen						
	Japan	North America	Europe	Asia/ Oceania	Total	(Eliminations) or Corporate	Consolidated
For the year ended March 31, 2007							
Net sales							
Outside customers	¥337,455	¥216,113	¥177,386	¥ 91,859	¥ 822,813	¥	¥822,813
Intersegment sales	347,651	2,512	119	124,092	474,374	(474,374)	
Total	685,106	218,625	177,505	215,951	1,297,187	(474,374)	822,813
Operating expenses	600,320	211,937	172,244	211,260	1,195,761	(474,955)	720,806
Operating income	¥ 84,786	¥ 6,688	¥ 5,261	¥ 4,691	¥ 101,426	¥ 581	¥102,007
Assets	¥492,693	¥ 67,275	¥ 51,555	¥ 66,416	¥ 677,939	¥ 71,000	¥748,939

	Thousands of U.S. Dollars						
	Japan	North America	Europe	Asia/ Oceania	Total	(Eliminations) or Corporate	Consolidated
For the year ended March 31, 2008							
Net sales							
Outside customers	$3,792,690	$2,401,346	$2,138,084	$1,207,670	$ 9,539,790	$	$9,539,790
Intersegment sales	4,358,907	21,426	2,318	1,658,006	6,040,657	(6,040,657)	
Total	8,151,597	2,422,772	2,140,402	2,865,676	15,580,447	(6,040,657)	9,539,790
Operating expenses	7,113,192	2,299,825	2,064,563	2,707,963	14,185,543	(5,994,883)	8,190,660
Operating income	$1,038,405	$ 122,947	$ 75,839	$ 157,713	$ 1,394,904	$ (45,774)	$1,349,130
Assets	$5,429,422	$ 714,171	$ 539,537	$ 716,921	$ 7,400,051	$ 790,599	$8,190,650

North America ........U.S.A., Canada
Europe........................The Netherlands, Germany, United Kingdom, etc.
Asia/Oceania ....South Korea, Taiwan, Thailand, China, Australia, etc.

Notes: 1. "Asia/Oceania area" added Australia to the geographic segment for this fiscal year based on business and geographic proximity, as the accounts of Nikon Australia Pty Ltd, a wholly owned sales and service subsidiary, have been consolidated from this fiscal year.
2. Effective April 1, 2007, the Company changed its method of translation of the revenue and expense accounts of its overseas consolidated subsidiaries into Japanese yen. The effect of this change for the year ended March 31, 2008 was to increase total sales and sales to customers of North America by ¥30,063 million ($300,056 thousand) and ¥29,736 ($296,795 thousand) million, total sales and sales to customers of Europe by ¥6,737 million ($67,247 thousand) and ¥6,697 million ($66,847 thousand), and total sales and sales to customers of Asia/Oceania by ¥32,275 million ($322,137 thousand) and ¥12,851 million ($128,266 thousand).

(c) Export Sales

For the years ended March 31, 2008 and 2007

		Millions of Yen, %				Thousands of U.S. Dollars
		2008	(A)/(B)	2007	(A)/(B)	2008
Export sales (A)						
North America	¥	229,827	24.0%	¥ 207,845	25.3%	$2,293,907
Europe		208,916	21.9	176,261	21.4	2,085,193
Asia/Oceania		244,737	25.6	217,940	26.5	2,442,727
Other Area		13,318	1.4	13,068	1.6	132,932
Total	¥	696,798	72.9%	¥ 615,114	74.8%	$6,954,759
Net sales (B)	¥	955,792		¥822,813		9,539,790

North America .....U.S.A., Canada
Europe ....The Netherlands, Germany, United Kingdom, etc.
Asia/Oceania ....South Korea, Taiwan, Singapore, China, Australia, etc.
Other Area.............Middle & South America, Africa, etc.

Notes: 1. "Asia area" has been changed to "Asia/Oceania area," as export sales for Oceania which had been in "Other area" were counted in "Asia/Oceania area" due to business and geographic proximity. Export sales for Oceania for z+the year ended March 31, 2008 were ¥8,402 million ($83,862 thousand) in "Asia/Oceania area." Export sales for Oceania for the year ended March 31, 2007 were ¥3,938 million in "Other area."

2. Effective April 1, 2007, the Company changed its method of translation of the revenue and expense accounts of its overseas consolidated subsidiaries into Japanese yen. The effect of this change for the ended March 31, 2008 was to increase sales of North America by ¥28,278 million ($282,240 thousand), sales of Europe by ¥6,565 million ($65,525 thousand), sales of Asia/Oceania by ¥12,974 million ($129,498 thousand), and sales of Other Area by ¥1,468 million ($14,648 thousand).

Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
NIKON CORPORATION:

We have audited the accompanying consolidated balance sheets of NIKON CORPORATION (the "Company") and consolidated subsidiaries as of March 31, 2008 and 2007, and the related consolidated statements of income, changes in equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of NIKON CORPORATION and consolidated subsidiaries as of March 31, 2008 and 2007, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

As discussed in Note 3 to the consolidated financial statements, the Company changed its method of accounting for exchange method for foreign currency financial statements as of April 1, 2007.

As discussed in Note 19 to the consolidated financial statements, the Company resolved to acquire its treasury stock under Article 156, as applied pursuant to paragraph 3, Article 165 of the Corporate Law on May 12, 2008 and acquired it from May 13 to 21, 2008.

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu

June 27, 2008