



Annual Report **2008**

Year ended March 31, 2008

At a Glance

Nikon has carved out a place as a pioneer of optical technology in Japan and the world since its inception in 1917. Today, we command a high global standing in the manufacture and sale of camera-related products, such as digital cameras, as well as binoculars and other optical products for consumers, such as ophthalmic lenses. These items complement our diverse array of industrial precision equipment that includes semiconductor-related equipment, IC and LCD steppers and scanners, microscopes and measuring instruments.

To celebrate our 90th anniversary in 2007, remaining true to Nikon's business philosophy of "Trustworthiness and Creativity," we have formulated our new vision in the following words: "Our Aspiration: Meeting needs. Exceeding expectations." We aspire to be a company that meets the needs and exceeds the expectations of customers and society in general.

Going forward, the Nikon Group will leverage its core competencies to meet needs in various industries and to satisfy customers the world over.

p2 To OUR SHAREHOLDERS AND INVESTORS

In this section Nikon's top management explains the firm's initiatives during the subject fiscal year and the changes at Nikon underpinning the positive performance, as well as CSR measures, shareholder returns, and our forecasts for the next fiscal year.

SEGMENTS/PRODUCTS

PRECISION EQUIPMENT



ArF Immersion Scanner NSR-S610C



LCD Scanner FX-83S

IMAGING PRODUCTS



Digital SLR Camera Nikon D3



Digital Compact Camera COOLPIX S510

INSTRUMENTS



Automated Pattern Profile Monitoring Systems APM-3000 Series



Confocal Microscope A1

OTHER



Absolute Encoder MAR-MK32A



Laser Rangefinder Laser 550AS

Statements contained in this report regarding the plans, projections and strategies of the Nikon Corporation and its subsidiaries and affiliates that comprise the Nikon Group (hereinafter "Nikon") that are not historical fact constitute forward-looking statements about future financial results. As such, they are based on data that are obtainable at the time of announcement in compliance with Nikon's management policies and certain premises that are deemed reasonable by Nikon. Hence, actual results may differ, in some cases significantly, from these forward-looking statements due to changes in various factors, including—but not limited to—economic conditions in principal markets, product and service demand trends, customer capital investment trends, and currency exchange rate fluctuations.

p7 REVIEW OF OPERATIONS

This section provides an overview of activities and strategies during the subject fiscal year, along with feature analysis of the strengths, business opportunities and issues facing each of the internal companies.

p22 CSR-ORIENTED MANAGEMENT

This section presents the CSR structure, along with various management initiatives aimed at earning the trust of society.

DESCRIPTION	SHARE OF NET SALES	SHARE OF OPERATING INCOME	PAGE
Nikon contributes to our increasingly sophisticated information society with its leading steppers and scanners used in semiconductor and LCD panel manufacturing worldwide.	<p>¥291 billion 30.4%</p>	<p>¥43 billion 32.1%</p>	p8
For a new dimension of pleasure from photography, Nikon develops and markets imaging products worldwide with various features using sophisticated digital imaging technology.	<p>¥586 billion 61.3%</p>	<p>¥84 billion 62.2%</p>	p12
Nikon's microscopic ultra-precision tools are used extensively in bio-science, and contribute to greater efficiency in high-precision measurements in the field of industrial instruments.	<p>¥59 billion 6.2%</p>	<p>¥4 billion 3.0%</p>	p16
Outside of its current core businesses, Nikon is diversifying into businesses that are expected to grow according to society's expanding needs, and will nurture these new developments into future core businesses.	<p>¥20 billion 2.1%</p>	<p>¥4 billion 2.7%</p>	p20

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FIVE-YEAR SUMMARY
MANAGEMENT'S
DISCUSSION AND ANALYSIS

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FINANCIAL STATEMENTS
INDEPENDENT AUDITORS'
REPORT


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CORPORATED DATA
AND
INVESTOR INFORMATION

A portrait of Michio Kariya, an older man with glasses, wearing a dark suit, white shirt, and blue patterned tie. He is looking directly at the camera with a neutral expression.

Michio Kariya

MICHIO KARIYA
Representative Director,
President, CEO and COO

A portrait of Ichiro Terato, a man with glasses, wearing a dark suit, white shirt, and dark tie. He is looking directly at the camera with a neutral expression.

Ichiro Terato

ICHIRO TERATO
Representative Director,
Executive Vice President and CFO

To Our Shareholders and Investors

NIKON ACHIEVED RECORD-HIGH SALES AND EARNINGS IN THE YEAR ENDED MARCH 2008. WE WILL CONTINUE TO BOLSTER OUR TECHNOLOGICAL CAPABILITIES, MANUFACTURING AND SALES TO FURTHER ESTABLISH A “STRONG NIKON.”

We focused on two main reform measures: Rapid responses to changes in the business environment, and collaborative development of products by the design and marketing departments. We achieved record-high levels of sales for the fifth consecutive fiscal year, operating income for the third year, and net income for the fourth year.

BUSINESS INITIATIVES AND RESULTS FOR THE YEAR ENDED MARCH 2008

We would like to begin with an overview of developments in our three main internal companies. In IC steppers and scanners, the Precision Equipment Company began full-scale shipments of the latest cutting-edge model of ArF immersion scanner in Japan and overseas, and introduced the i-line stepper with significantly improved precision and throughput. Unit sales of LCD steppers and scanners were down considerably from the year ended March 2007 as panel display manufacturers scaled back investment in reaction to the year ended March 2007. However, with the positive response to the leading-edge models of IC scanners the Precision Equipment Company posted sales on par with the year ended March 2007, and managed to hold profit decline to a minimum.

The Imaging Company strengthened its product lineup with the introduction of the D3 and D300 flagship models, and the entry-level D60 model of digital SLR (single-lens reflex) cameras, successfully

opening new markets. Sales of existing models were also positive, particularly the entry-level D40 model, allowing Nikon to capture the top market share for unit sales of digital SLR cameras in Japan for 2007. We also made a strong market introduction for new models of compact digital cameras, recording increases in sales. Camera sales exceeded market expansion as a result, and the Imaging Company posted record levels of sales and operating income.

The Instruments Company achieved growth in biological microscopes and measuring instruments, but sales of industrial instruments such as semiconductor inspection equipment and industrial microscopes were sluggish as companies restrained capital investments. Segment sales were on par with the year ended March 2007, but earnings declined.

The year ended March 2008 marked the 90th anniversary of Nikon, and was a year in which we worked toward realizing our newly formulated management vision, "Our Aspiration: Meeting needs. Exceeding expectations." Specific initiatives were the core measures of the medium term management plan:

Financial Highlights

Nikon Corporation and Consolidated Subsidiaries
Years ended March 31

	Millions of Yen					Thousands of U.S. Dollars
	2008	2007	2006	2005	2004	2008
For the year						
Net sales	¥955,792	¥822,813	¥730,944	¥638,468	¥506,378	\$9,539,790
Operating income	135,169	102,007	66,587	30,545	3,675	1,349,130
Net income	75,484	54,825	28,945	24,141	2,410	753,407
Per share of common stock (Yen and U.S. dollars) :						
Net income	¥ 189.00	¥ 146.36	¥ 78.16	¥ 65.19	¥ 6.52	\$ 1.89
Diluted net income	181.23	131.42	69.33	57.84	6.02	1.81
Cash dividends applicable to the year	25.00	18.00	10.00	8.00	4.00	0.25
At year-end						
Total assets	¥820,622	¥748,939	¥690,920	¥633,426	¥606,513	\$8,190,650
Total equity	393,126	348,445	243,122	196,030	171,194	3,923,797

Notes: 1. Per share of common stock is computed based on the weighted average number of shares outstanding during the year.
2. U.S. dollar figures are translated for reference only at ¥100.19 to U.S. \$1.00, the exchange rate at March 31, 2008.

(1) strengthen the competitiveness of core businesses by securing superiority in state-of-the-art technologies and developing high-value-added products; (2) boost cost-competitiveness through manufacturing innovations; and (3) create new businesses, including the glass business. We also made further progress with establishing internal controls, and based on the Nikon Corporate Social Responsibility Charter formulated in April 2007, conducted highly transparent management emphasizing CSR.

As a result, we reported record-high levels for both revenue and earnings. Net sales rose 16.2% from the year ended March 2007 to ¥955,792 million, with operating income up 32.5% to ¥135,169 million, and net income increasing 37.7% to ¥75,484 million.

Nikon's financial position was also strengthened by a positive net cash position (cash and cash equivalents less interest-bearing debt) at the end of the year ended March 2008, reversing the negative position of the previous fiscal year.

NIKON'S REFORMS:

RAPID RESPONSES TO CHANGES IN THE BUSINESS ENVIRONMENT

Nikon had in the past posted a net loss for two consecutive years. This was due to an excessive focus on product performance that led to an inability to develop products in a timely manner that matched the speed of change in the business environment, along with a lack of cost consciousness. We followed two main avenues for improvement. The first was

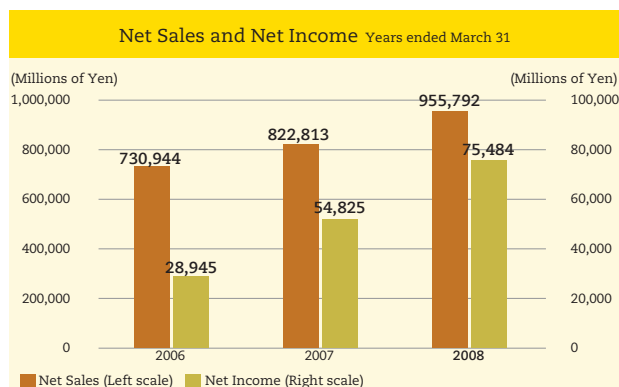
developing rapid management responses to changes in the business climate.

The business environment affecting Nikon's operations continues to change considerably with device shrinkage of semiconductors and the increasing size of LCD panels, expansion of the digital camera market and ever fiercer competition, as well as advancements in the bioscience market. One of the measures adopted to address these developments is the "weekly report system," under which all supervisory and management employees file regular reports to management, allowing for simultaneous collection of information from all points. We sort through this information and analyze it from various angles, quickly giving us a grasp of current conditions within the Company, as well as market development and needs. Top management will also issue specific directives to the person making the report as necessary. This system enhances the speed of executive decision-making, and allows us to develop and introduce products in response to market changes.

Each of the internal companies—Precision Equipment, Imaging, and Instruments—conducts business at its own discretion. When they encounter important aspects that require a company-wide resolution, however, a Management Reform Committee coordinates the overall response, and issues directives as necessary.

COLLABORATIVE PRODUCT DEVELOPMENT BY DESIGN AND MARKETING

The other main reform was in our approach to design. Products were formerly created under the direction of the design department, but now the marketing department presents ideas to the designer based on market needs, and the design department responds with practical ideas utilizing new and existing technology. Such back-and-forth between marketing and design allows us to determine what kind of products consumers really want, what technology is to be used in creating them, and how they are presented and sold.



As part of this process we try to utilize modularized and simplified designs, as well as shared components. Simplified design is a means of providing the necessary features at the lowest cost. It includes conducting discussions that transcend the internal and external confines of the company, averting potential problems and improve reliability by utilizing as simple a structure as possible, and eliminating the adjustment and other processes.

We also feel that stressing front-loading (enhancing product quality from the initial stages) leaves ample room for further cost reductions.

THE CORE TECHNOLOGY CENTER LEADS TECHNOLOGY DEVELOPMENT FOR ALL INTERNAL COMPANIES

The source of Nikon's technological capability is the Core Technology Center, which develops advanced elemental technology and conducts basic research. Optical and precision technologies have up to now mainly been used for IC steppers and scanners, but it is increasingly possible to employ these for digital cameras, microscopes and other applications. The fruits of such research are mediated by the Core Technology Center, allowing them to be employed across each internal company. Image processing in particular is a key technology for a wide range of products, which along with optical technology acquired over Nikon's long tradition helps to enhance our leading position.

THINGS THAT WILL NEVER CHANGE, AND THOSE WE WILL NOT CHANGE

There are things that Nikon will never change. The most fundamental of these is reliability, and at the same time the integrity not to betray the expectations of customers with regard to technology. For example, in our long tradition of camera creation we have carefully maintained those ineffable sensations that do not appear in product specifications. We have preserved those traditions that allow us to be recognized as a camera maker of distinction, such as the feel of the camera in the

hands, its texture, and the sound of the shutter. We believe it is important to respect the idea that customers have certain expectations when they purchase a Nikon, and that we meet them. We will also maintain the world-class level of Nikon's core optical and precision technologies. A flexible response to change while holding steady those things that must not be changed—that is the Nikon style.

MEETING NEEDS AND EXCEEDING EXPECTATIONS IN CSR AS WELL

Nikon made "CSR-oriented management" one of its priority measures in the medium term management plan announced in March 2006, and developed a variety of measures based on it. We consider our business activities themselves to be the essence of CSR, and have adopted as the basic principle of our CSR philosophy "Earnestly create good products to benefit society and customers, foster a workplace that allows the diverse people who work there to have a sense of motivation and purpose, and give the results back to shareholders." One manifestation of this ideal is that should a production line stop due to some sort of disaster, we are willing to take whatever steps possible, and have conducted regular drills and training, so as to minimize as much as possible any interruption to the supply of products. We seek to be worthy of the trust placed in us by customers, society and all stakeholders, and will continue to conduct business with integrity and soundness, and create value that exceeds expectations. Adhering to this conviction, we will continue to face new challenges.

Nikon formulated the "Nikon Basic Environmental Management Policy" in 1992, and under the guidance of the Environmental Committee has pursued environmental conservation measures based on the principles of recycling and coexistence with nature. In October 2007, we established a Global Warming Prevention Project Team to directly address issues

related to global warming, setting specific numerical targets for energy conservation, reductions in CO₂ emissions and other environmental indices, and actively implementing these throughout the Group.

SHAREHOLDER RETURNS POLICY AND DIVIDENDS

Nikon has increased its shareholder returns in recent years in response to the strengthening of its financial structure. More specifically, our present goal is to provide a total return ratio of 25% or more. To achieve this, we make proactive investments for future growth, while also paying a stable dividend that increasingly reflects consolidated performance. At the same time, we acquire treasury stock to improve capital efficiency and allow for the conduct of a flexible capital policy. In accordance with a decision by the Board of Directors meeting on May 12, 2008, we acquired 3,713 thousand shares of stock with a total value of ¥11,997 million. Year-end dividends for the year ended March 2008 were ¥13.50 per share, which combined with the interim dividend of ¥11.50 per share is a full-year dividend of ¥25 per share. This represents an increase of ¥7 per share over the previous year-end.

FORECAST FOR THE YEAR ENDING MARCH 2009, AND PROGRESS OF THE MEDIUM TERM MANAGE- MENT PLAN

We expect conditions for IC steppers and scanners to be difficult during the year ending March 2009 due

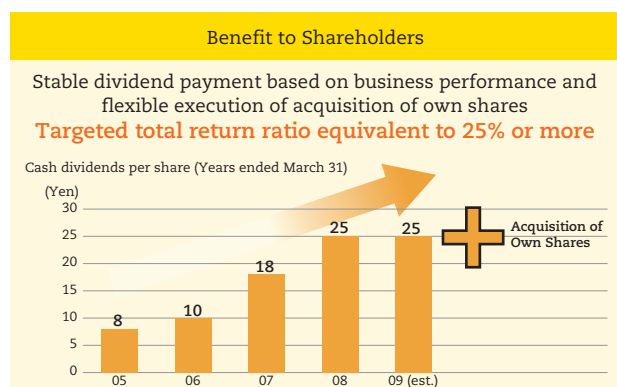
to restraints on capital investment, but anticipate a recovery for LCD steppers and scanners due to growth in the market for LCD televisions. We expect the digital camera market to continue to expand, but remained concerned over economic slowdown and lagging consumption due to the impact of the sub-prime loan crisis in the United States and the earthquake in China, and so anticipate sluggish market growth and increasingly fierce competition. Business conditions are becoming harsher in the year ending March 2009, but we are seeking to realize further increases in revenue and earnings through greater product competitiveness and cost reductions. Nikon will retain a sense of alertness in its business and organizational operations, seeking quick and accurate responses to the drastically changing business environment, as it works to establish a “Strong Nikon” able to produce sustainable growth.

Specifically, we will move forward with the principles of the medium term management plan:

- Strengthen the competitiveness of core businesses by securing superiority in state-of-the-art technologies and developing high-value-added products.
- Create and foster new businesses becoming new pillars that support our group through appropriate investment of our resources.
- Innovate manufacturing and strengthen sales capabilities.
- Increase cash flow through improvement of asset efficiency.

In the three years through the year ending March 2011, we plan to carry out capital investments totaling ¥160 billion and R&D spending totaling ¥220 billion to produce next-generation products, develop core and basic technologies, and improve productivity.

Thank you for your continued support of Nikon.



Review of Operations

A close-up photograph of a Nikon NSR-SS10C lens, showing the green and black markings on the lens barrel. The background is a blurred green and yellow pattern.

Precision Equipment Company
..... P.8

A close-up photograph of Nikon lens components, including a lens element and a lens barrel, with a warm orange and brown color palette.

Imaging Company
..... P.12

A photograph of a microscope in a laboratory setting, with a warm orange and brown color palette. The background shows laboratory equipment and a person's profile.

Instruments Company
..... P.16

A photograph of microscope components, including a lens and a microscope body, with a warm orange and brown color palette.

Other
..... P.20

Precision Equipment Company

STABLE EARNINGS WERE SECURED THROUGH INCREASED SALES OF HIGH-VALUE-ADDED IMMERSION-TYPE AND OTHER ArF SCANNERS.

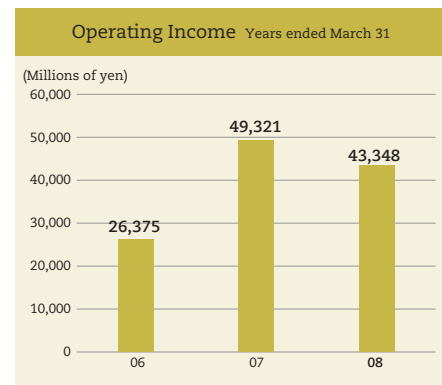
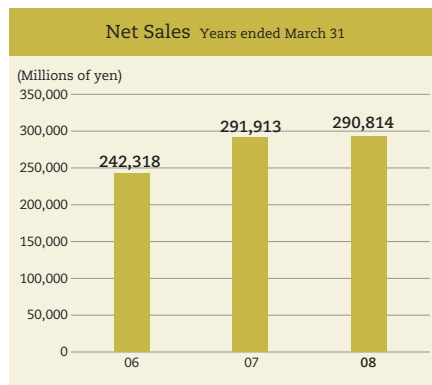
Nikon achieved stable performance as greater sales of high-end IC scanners offset the falloff in LCD steppers and scanners, a reaction to the considerable capital expenditures by LCD panel manufacturers in the previous period. Segment sales declined just 0.4% from the year ended March 2007 to ¥290,814 million, with operating income down 12.1% to ¥43,348 million.

REVIEW OF THE YEAR ENDED MARCH 2008

During the year ended March 2008, Nikon began global shipments of the NSR-S610C ArF immersion scanner, which has an NA value of 1.30 (“numerical aperture,” the brightness of the projector lens). This model is the world’s first scanner capable of mass production of semiconductors at 45 nm node and below, and has been shipped to all of the major regions of the world where leading-edge devices are manufactured. We also worked to expand sales of the NSR-S308F model of ArF scanners. Further, to strengthen product competitiveness we launched the NSR-SF150 scan field i-line stepper with vastly improved precision and throughput, as well as the NSR-SF155 model, based on the NSR-SF150 but with faster operating speed at the wafer stage. We also developed the NSR-S310F model, a cutting-edge ArF scanner capable of mass production

of semiconductors of 65 nm or less, as well as the high-productivity NSR-S210D KrF scanner. These models will be given a full-scale market launch in the year ending March 2009.

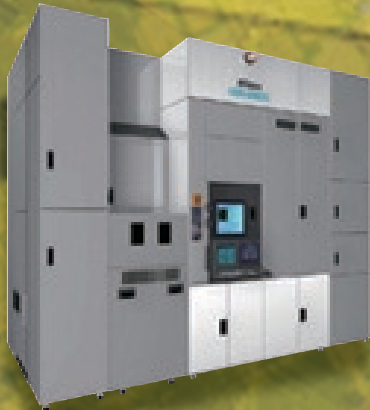
In the LCD steppers and scanners field, we took steps to increase sales of existing models, such as the FX-83S compatible with 8th generation glass plates, and began accepting orders for new models such as the FX-803M and FX-903N, which are ideal for high-definition, small to mid-sized LCD panels.



Nikon's cutting-edge scanners are recognized for their technological superiority—

we posted expanded shipments of the

NSR-S610C ArF immersion scanner worldwide,
and increased sales of the **NSR-S308F ArF scanner**.



Nikon's unit sales of ArF scanners

rose to **73 units**

for the year ended March 2008

from **40** the previous year.

ATTAINING THE LEADING MARKET SHARE FOR ArF IMMERSION SCANNERS

With the shift from NAND flash memory to DRAM and logic LSI, which use immersion as part of the production process, a considerable reduction in defects will be required. Nikon's ArF immersion scanners with Local Fill Nozzle have emerged as clearly superior in eliminating defects.

The Local Fill Nozzle is an advanced design that helps to eliminate immersion-induced defects caused by bubbles, water spots, or particle contamination. The prevention of evaporation of immersion fluid and accompanying generation of vaporization heat also provides greater alignment accuracy. Local Fill Nozzle is also compatible with the topcoat-less resist (photoresist) process, reducing the number of processes and cutting manufacturing costs.

Nikon's distinctive Tandem Stage improves productivity by separating the production process into two stages with different functions—Exposure and Calibration. This allows for high throughput

and alignment accuracy, the two most crucial performance aspects in scanners.

Nikon's scanners comprise highly independent modular units. This allows for stable, long-term operation, while also making maintenance significantly easier, and minimizing the downtime of the scanner.

Nikon is meeting these high level demands with superior technological capabilities that outstrip those of its competitors, and is seeking the leading market share for cutting-edge models of ArF immersion scanners.

ADAPTING TO CHANGES IN THE SEMICONDUCTOR MARKET

Attaining the leading market share for cutting-edge scanner models will demonstrate Nikon's technical capabilities. At the same time, we will enhance competitiveness for i-line steppers, KrF scanners for non-critical layers, in addition to cutting-edge ArF scanners including immersion-type in order to secure high earnings and a large market share.



KAZUO USHIDA
Director, Member of the Board &
Senior Executive Officer
President of Precision Equipment Company

Securing the leading market share for high-end models will also lessen the risk of the silicon investment cycle, the market fluctuations peculiar to the semiconductor industry. It will provide a further benefit in terms of the cutbacks in capital expenditures by semiconductor makers, since the trend toward investment in cutting-edge models is likely to continue as manufacturers place priority on investment in device shrinkage to produce high-value-added semiconductors.

MULTI-LENS PROJECTION OPTICAL SYSTEM ALLOWS LCD SCANNERS TO ADAPT TO THE 10TH GENERATION

The key to the market for LCD steppers and scanners is for the most part the trend toward larger LCD televisions. Manufacturing of panels 50 inches or larger will be more efficient using 10th generation large glass plates. As LCD panels become larger, Nikon is able to develop and manufacture equipment that easily adapts to the larger glass plates by using a multi-lens projection optical system. This system has allowed Nikon to capture a substantial share of the market for lithography equipment compatible with 7th and 8th generation plates. This competitive advantage will not change with the progress to the next generation.

LAUNCH PLANNED FOR PRODUCTS FOR THE NEW DOUBLE PATTERNING TECHNIQUE

Double patterning is a technique to enhance resolution by dividing the exposure into two separate processes, and is increasingly looked to as the technology for mass production of semiconductors at 30 nm level node. The exposure requires a higher alignment accuracy than with conventional techniques. Improvement in the throughput is also essential to maintain productivity with the double exposure.

Nikon is currently developing an ArF immersion scanner for double patterning, the improved NSR-S610C model, with significantly enhanced alignment accuracy and faster stage operating speed to raise throughput. We plan to bring this new model to market in the year ending March 2009.

As we develop this new technology we are also looking to further reduce costs by utilizing a simplified design to minimize manufacturing time and effort by reviewing the production process, and have adopted a platform in which the modules are shared among models as much as possible.

PRECISION EQUIPMENT SEGMENT ANALYSIS

STRENGTHS

The main strengths of the Precision Equipment Company are the precision and optical technologies Nikon has acquired over many years. These technologies have led to the development of such products and techniques as the NSR-S609B (NA 1.07) ArF immersion scanner, the world's first scanner to use immersion technology to overcome the physical limitation of an NA value over 1.0 (the physical

limitation with air as the imaging medium), the Local Fill Nozzle to eliminate defects caused by immersion, and the Tandem Stage that provides for both high throughput and high precision. We have been conducting research and development on completely new exposure technologies, such as EUVL (extreme ultraviolet lithography), which uses light with a wavelength 14 times shorter than the ArF lasers.

OPPORTUNITIES

New markets for digital products, including mobile phones, MP3 players, digital cameras, personal computers and high-definition televisions, are continually being created, and develop rapidly in short periods of time. Greater semiconductor shrinkage has of course contributed to this development, and will continue to produce new functions, products and industries.

Further device shrinkage means that equipment to achieve this will be necessary for market development. Responding to these needs for device shrinkage will be a large key to the success of the IC steppers and scanners business. Nikon has continued to pursue and develop technology for shorter wavelengths and higher NA values, creating i-line steppers, KrF scanners, as well as immersion-type and other ArF scanners. In the year ending March 2009 we will bring to market equipment for the double

patterning process, continuing to meet customer needs for device shrinkage.

In the LCD steppers and scanners business, a timely response to the increasing size of LCD panels is necessary. Television images are improving dramatically due to advancements in the technology and performance of both broadcasting and receiving equipment. The amount of broadcasting and other media content to take advantage of this technology is also increasing. As screen quality improves and content expands, consumer needs for larger screens will grow. The expansion of the market for large, flat-screen televisions is expected to drive demand for equipment using 10th generation large glass plates. This trend toward larger LCD panels will further enhance the competitive advantage of Nikon's LCD steppers and scanners using the multi-lens projection optical system.

CHALLENGES

The main issue in the IC steppers and scanners business is attaining a leading market share for cutting-edge ArF immersion scanners, while in the LCD steppers and scanners business the focus is on a timely response to larger LCD panels.

Capital expenditures in both markets is heavily influenced by prices and demand for memory and panels, and we consider it essential to establish a strong and flexible business foundation able to respond to changes in the market environment.

Imaging Company

SUCCESS OF THE “FULL LINEUP” STRATEGY, ADDING THE FLAGSHIP MODEL D3 AND D300 TO THE ENTRY-LEVEL MODEL D40, WHICH OPENED THE MARKET, GENERATED SIGNIFICANT INCREASES IN REVENUE AND EARNINGS.

Sales rose for new digital SLR cameras of D3, D300 and D60 and new compact digital cameras including the COOLPIX S510, as well as for existing products such as the D80, D40, and D40X.

As a result, segment sales rose 30.6% from the year ended March 2008 to ¥586,147 million, with operating income up 83.8% to ¥83,974 million.

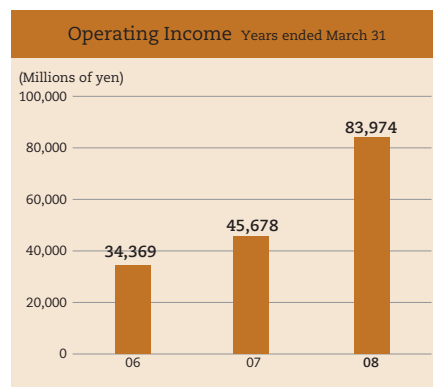
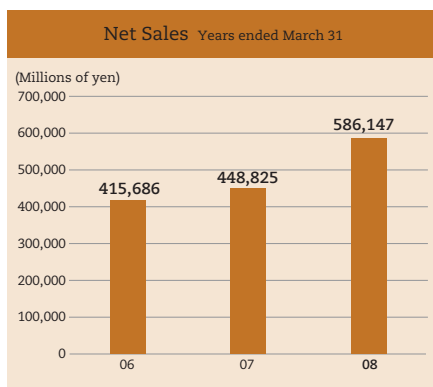
REVIEW OF THE YEAR ENDED MARCH 2008

Sales of digital SLR cameras grew steadily as the result of lineup expansion. New models included the D3, the Nikon FX-format flagship model with the in-house developed large CMOS image sensor, providing superior picture quality, wide sensitivity range and high-speed performance; the D300, the top-of-the-line Nikon DX-format model with an even more advanced features and functions; and the D60, offering plenty of features such as advanced built-in dust reduction technologies and a comprehensive set of creative options. Sales of existing products also rose considerably, including the mid-range model D80, the entry-level model D40, and its sister model D40X. Sales of interchangeable lenses were also steady with sales of digital SLR camera kits and high-priced lenses. Production figures for NIKKOR SLR

interchangeable lenses surpassed 40 million in July 2007. For the COOLPIX series, Nikon aggressively launched a total of 17 new models on the market, including the COOLPIX S510 with the world’s fastest power-up response time¹ and smallest body.²

Notes:

1. Among competing 8 effective megapixel class compact digital cameras equipped with optical vibration reduction as of August 30, 2007 (according to research conducted by Nikon Corporation), when set to “Response priority” mode.
2. Among competing models with optical vibration reduction as of August 30, 2007 (according to research conducted by Nikon Corporation).



Nikon's share of worldwide shipments of digital SLR cameras

rose to **40%**

for the year ended March 2008

from **35%** the previous year.



Sales of both new and existing products increased as we expanded our lineup with the launch of

the flagship **D3** and **D300** models, and the **D60** compact body camera.

MAINTAINING OUR POSITION AS THE LEADING COMPANY FOR DIGITAL SLR CAMERAS

Nikon had a 40% share worldwide of shipments of digital SLR cameras during the year ended March 2008. We recognize that this is the result of our efforts to meet customer expectations with a wide variety of products, from high-end to entry-level models.

The entry-level model D40, launched in December 2006, was the trigger for Nikon's gain in momentum, as it provides more people to enjoy photography with digital SLR cameras. The D40, with its affordable price, has helped expand the market due to its popularity among those who use digital SLR cameras for the first time. In November 2007, Nikon launched the D3, the flagship model of the Nikon FX-format camera, and D300, the flagship model of the Nikon DX-format camera. The "full lineup" product strategy is to strengthen the Nikon brand with flagship models, while also broadening

the market and new customers with greater sales of entry-level models. Nikon is expanding in both directions, maintaining its position as the leading imaging company. We plan to continue developing more attractive products, and further strengthen our lineup.

ESTABLISHING A BRAND IMAGE FOR COOLPIX COMPACT DIGITAL CAMERAS

Brand awareness for COOLPIX still lags behind that for digital SLR cameras. One of the issues involved in increasing this awareness is generating a premium for the COOLPIX brand. To accomplish this requires novel and innovative ideas for each product category, and the development of unique features. Nikon will continue to develop new products with advanced basic performance and original functions, such as models equipped with a wireless LAN (Wi-Fi) feature to link the camera to the Internet.

ACCELERATING PRODUCT DEVELOPMENT

Nikon creates project teams for digital camera planning and development that cut across the design, marketing and production departments. We categorize customers throughout the world into detailed segments, drawing on sales data and customer surveys from around the world to develop products for each segment, or to quickly determine the segment for which a product is best suited and commercialize it.

HELPING PEOPLE ENJOY PICTURES MORE

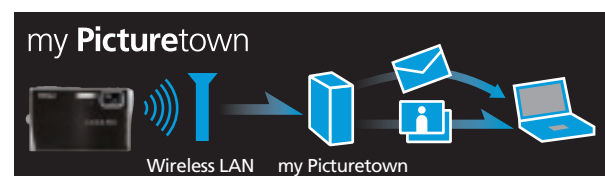
The way people enjoy images and photography has changed radically with the transition from film to digital, technological advancements such as the Internet and large-screen flat-panel televisions, and shifts in lifestyles. Nikon has continued to develop products aimed at allowing more people to easily take beautiful photos.

In August 2007 Nikon launched “my Pictown,” an image storage and sharing site that allows users to enjoy digital images anytime and anywhere. The platform integrates storage, viewing and transmission of user photographs, and provides for greater enjoyment. We intend to utilize both current and future technology to design cameras based on new and innovative concepts.

my Pictown

Nikon began exploring the possibility of deploying a new global service that would organically link digital cameras, computers, and mobile phones. Developed through the use of Wi-Fi technology improved by a number of original Nikon refinements, my Pictown enables the direct transfer of pictures to the Internet and supports picture transfer to various imaging devices as well as Internet services. Photos taken with a digital camera can now be stored by connecting directly to the Internet without using a computer, and uploaded pictures can be viewed with mobile phones and

shown by posting them to blogs or social networking services (SNS). Nikon thus proposes a service that allows users to enjoy photos “anytime, anywhere” through the simple and stress-free use of these functions.





MAKOTO KIMURA
Director, Member of the Board &
Senior Executive Officer
President of Imaging Company

IMAGING PRODUCTS SEGMENT ANALYSIS

STRENGTHS

The main strengths of the Imaging Company are optical technologies, best represented by the high-quality lenses forged in history and backed by tradition; expertise in camera development; image processing technology; and employees with an intimate knowledge of all things related

to cameras. Nikon draws on these strengths to create products that provide a kind of “camera-ness,” that ineffable feeling—distinct from the technological capabilities and advanced feature—that users sense when holding a Nikon.

OPPORTUNITIES

The market for digital SLR cameras during the year ended March 2008 reached the same level as the peak for film SLR cameras. There is still the potential for further growth for digital SLR cameras, however, due to the ease of use afforded by digitalization, diversity in product concepts, and growth in emerging markets. Film cameras functions were limited to picture-shooting, but the shift to digital has broadened the field for development to post-photography image processing and viewing. This allows for camera

concepts with greater appeal and a broader range of functions. New products are also constantly being introduced due to the acceleration of technological innovation inherent in digital products, significantly shortening the product replacement cycle compared to film SLR cameras.

Moreover, during the market peak for film SLR cameras most sales were in developed countries. Sales regions will widen considerably with the growth in markets following economic development in emerging countries.

CHALLENGES

Nikon had a 40% share worldwide of shipments of digital SLR cameras during the year ended March 2008, while the growth rate for shipments of compact digital cameras and interchangeable lenses exceeded the market average. However, we are not content with this short-term success. Market share is just one part of our goal, and there is still

ample room for improvement in sales, profitability and other performance factors. We are seeking to advance to the next level, establishing a corporate culture that consistently takes on new challenges and produces products that exceed market expectations.

Instruments Company

BIOLOGICAL MICROSCOPES AND MEASURING INSTRUMENTS: A STEPPING STONE TO FURTHER GROWTH.

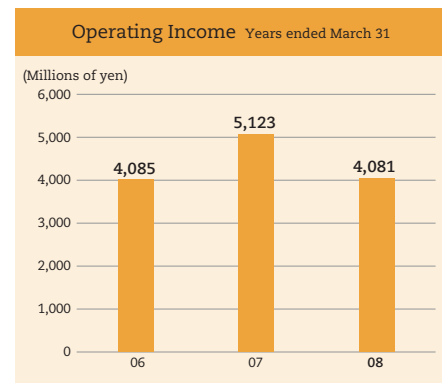
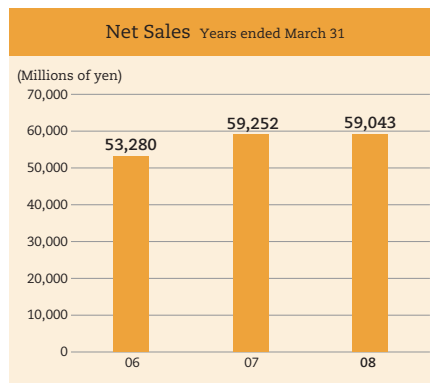
The Instruments Company posted growth in biological microscopes and measuring instruments, but this was insufficient to compensate for the slowdown in semiconductor inspection equipment in the industrial instruments business. As a result, segment sales declined 0.4% from the previous fiscal year to ¥59,043 million, while operating income fell 20.3% to ¥4,081 million.

REVIEW OF THE YEAR ENDED MARCH 2008

In the bioscience business, for fields working with live cells Nikon introduced system products including the inverted research microscope ECLIPSE Ti, and the high-speed, high-resolution imaging confocal microscope A1. We also worked to expand sales of the BioStation series of integrated cell culture observation systems. In the industrial instruments business, we concentrated on marketing of the NEXIV series of CNC video measuring systems and the new AMI-3400 model of automatic macro inspection systems, and announced the APM-3000 series of automated pattern profile monitoring systems.

FOCUS ON SALES OF HIGH-END MICROSCOPES

Nikon offers microscopes for a wide range of uses, including educational, medical and industrial applications. In the bioscience field, live cell observation is a high-visibility area of research, for which Nikon has developed several high-end products. We are focused particularly on expanding sales of the inverted research microscope ECLIPSE Ti and the confocal microscope A1, enhancing the value of our microscope brand. Recognition of Nikon as a premium brand is rising rapidly, and we are



Nikon is increasingly recognized
as a premium brand in cutting-edge research fields
dealing with live cells.

Sales of biological microscopes

rose at a rate that
outstripped the market,

including the inverted research microscope ECLIPSE Ti,
and the BioStation series.



looking to increase our share of high-end products in major markets throughout the world. We will also develop systems that combine various high-end devices to provide substantial added value, and enhance profitability.

Nikon's technology for the high-profile field of live cell observation is unrivaled. Our products combine superior operability with short image data acquisition times, and the ability to stably acquire data over long periods. We also offer the Perfect Focus System to automatically correct the focus drift of a sample during extended observation, freeing researchers from previously unavoidable long hours of data acquisition.

RISING DEMAND ANTICIPATED FOR THE HIGHLY RELIABLE BIOSTATION SERIES

Nikon offers the BioStation CT (Cell Tracking), cell culture observation systems that simplifies stable cultivation and quality control for live cells, as well as the BioStation IM (cell IMaging), a time-lapse imaging system that takes images of live cells at

fixed intervals, and combines them to allow for observation of the cell as a moving image. Both of these systems facilitate highly reliable data management. Up to now, cultivated cells could be damaged when removed from the incubator for observation, due to the change in the environment at the observation stage. The BioStation CT, because it allows for observation for cultivation of numerous samples without altering the environment, makes possible efficient data acquisition over extended periods. It also has a remote observation feature, allowing for operation and observation via a networked computer. Nikon will focus on expanding business fields for the promising BioStation series.

INTENSE DEVELOPMENT OF INDUSTRIAL PRODUCTS TO OPEN NEW MARKETS

In the industrial instruments business, Nikon has a large proportion of sales to the semiconductor industry, so scaling back of investment has a significant impact. We are also focusing efforts



HISAO IZAWA
Operating Officer
President of Instruments Company

on the automotive industry in order to strengthen our earnings base and broaden our business scale, and striving to expand sales of the NEXIV series of CNC video measuring systems for use in various inspection processes in automotive industry. Nikon's measuring systems are non-contact, and are distinctive in their ability to measure height as well as surface area. We are currently developing instruments to measure automotive and other components in short periods of time. These devices utilize optical sensor and image processing technology to determine whether components have been produced to the exact precision of the design. Such high speed and precision in component inspection will allow Nikon to make strong entries into fields other than automotive, and achieve significant earnings growth.

Semiconductor inspection equipment is mainly for examining wafers after exposure, but with increasing device shrinkage the industry has begun pattern inspection of cutting-edge semiconductors at 40 nm node. Surveying of the entire wafer allows for a high capture rate of problem areas and close examination with scanning electron microscopes (SEMs) is increasingly becoming the standard method. Nikon's automatic macro inspection systems (AMI series) and automated pattern profile monitoring systems (APM series) shorten the time

required to find problem areas, and help improve semiconductor manufacturer yields.

SHARPENING SKILLS WITH SALES TRAINING

Microscopes today are controlled by computer, while biological microscopes required specialized knowledge in bioscience and familiarity with IT. Nikon hires persons with professional backgrounds, and trains sales specialists by creating skill maps that show the level of proficiency of sales personnel, and provides them with the appropriate training.

STABLE GROWTH AND BUSINESS EXPANSION OPERATING IN TANDEM

The Instruments Company will further develop and expand sales in the major markets of bioscience and industrial instruments. In bioscience we will focus on products with new functions like the BioStation series while seeking stable growth, while in industrial instruments we will add to our lineup of products to expand our business fields.



INSTRUMENTS SEGMENT ANALYSIS

STRENGTHS

The main strengths of the Instruments Company are the control, image processing and optical technologies Nikon has acquired over many years. Building on a foundation of more than eight decades of microscope production, the Instruments Company applies the technology developed by

Nikon, such as precision control that brings the high-speed, moving stage to a standstill with exceptional precision to produce the products as IC steppers and scanners, and image processing derived from digital cameras.

OPPORTUNITIES

In the bioscience business Nikon is focusing on sales of high-end microscopes and the BioStation series, targeting global markets. Sales are rising centered on the United States and Europe. In Asia as well, countries such as China and South Korea have a particularly large number of organizations conducting advanced research in a variety of fields,

and we will work to further expand sales in these markets. In the industrial instruments business, we will develop measuring devices highly suited for general-purpose use, expanding our scope of business from the semiconductor industry to a variety of fields.

CHALLENGES

Broadening of business fields and bolstering internal structures is necessary to accelerate business growth. To achieve this, the Instruments Company will monitor market trends, strengthening marketing capabilities to allow for proactive product development, and establishing a

flexible development capability that does not focus exclusively on existing products and processes. We will foster the creation of an internal structure that not only responds to market changes, but generates demand.

Other

STARTED SALES OF OWN MANUFACTURING PHOTOMASK SUBSTRATES FOR LCD IN GLASS BUSINESS.

Segment sales declined 13.3% year on year to ¥19,788 million, but operating income rose 73.0% to ¥3,636 million.

REVIEW OF THE YEAR ENDED MARCH 2008

Developments in the main businesses comprising this segment were as follows.

1. The customized products business achieved an increase in sales through expanded marketing of solid-state lasers, optical components and special order items.
2. The sport optics products business recorded higher sales from growth in the North American market.
3. The glass-related business, despite stagnation in the market, managed to increase sales by acquiring new customers for LCD photomask substrates, and improving quality.
4. The ophthalmic frames and sunglasses business continued to face a harsh market environment. Nikon decided to withdraw from this business to optimize Group management, and sales activities ceased on March 31, 2008.

ABSOLUTE ENCODER MAR-MK32A

(LAUNCHED IN APRIL 2007)

Encoders are measuring instruments used to determine the angle of shaft rotation and number of rotations as a digital quantity, and are increasingly being utilized as a sensor to detect the position and speed of a motor, and transmit that information to control components. They are widely used in a range of production machinery, including industrial robots on automobile assembly lines.

The MAR-MK32A was developed to meet customer needs for an encoder able to withstand the vibration and other stresses of a punishing usage environment, in a modular design (bearingless) that allows the encoder to be replaced on the factory floor. Nikon's unique optical technology and innovative design eliminated the need for signal coordination (alignment using an oscilloscope) required for previous models of modular encoders.



Laser Rangefinder
Laser 550AS



Nikon Rayfact IL Series of
Low-Magnification Industrial Lenses

Absolute Encoder
MAR-MK32A



NIKON RAYFACT IL SERIES OF LOW-MAGNIFICATION INDUSTRIAL LENSES IDEALLY SUITED FOR EXTERNAL AND OTHER TYPES OF INSPECTIONS (LAUNCHED IN APRIL 2007)

The Nikon Rayfact IL Series is a lineup of low-magnification lenses of 0.1 to 0.5 times, specially designed for external inspection equipment. Low-magnification lenses allow a single image to be taken of a wide area for inspection. Because such lenses improve inspection throughput, they are ideally suited for external inspection of printed sheets and other surfaces, printed circuit boards, and other broad, flat items.

The series incorporates a number of features requested by users of industrial lenses, including the use of metal lens tubes to enhance durability and rigidity, and a lock mechanism that allows the aperture to be set to a fixed value.

LASER RANGEFINDER LASER 550AS ABLE TO MEASURE HORIZONTAL DISTANCE AND VERTICAL SEPARATION AS WELL AS LINEAR DISTANCE (LAUNCHED IN OCTOBER 2007)

Portable laser rangefinders emit an infrared laser toward a target object, using the time taken for the beam to reflect back to instantaneously measure the distance to the target.

The Laser 550AS was developed to meet the needs of golfers who want to determine the vertical separation (difference in height between two points) on a sloped course. It incorporates a highly stable angle detection system that enables it to measure horizontal distance and vertical separation in addition to actual distance. The Laser 550AS allows users to select between two measurement modes according to the type of measurement and conditions. The First Target Priority is used for a golf approach or on a short hole where the user is aiming directly for the flagstick, while the Distant Target Priority mode is used during summary surveys at construction sites or in woods to determine the distance to a target object at the farthest point.

CSR-Oriented Management

Nikon's CSR Initiatives

The Nikon Group seeks to contribute to the conservation of the global environment and the sustainable development of society. We pursue management emphasizing corporate social responsibility (CSR), centered on our CSR Committee, to strengthen the relationship of trust with stakeholders.

CSR MEDIUM-TERM PLAN

The Nikon Group believes that CSR activities are what will allow it to realize its corporate philosophy of "Trustworthiness and Creativity" and management vision of "Meeting needs. Exceeding expectations." We continue to take on new challenges, conscious of responding to the trust placed in us by society and all stakeholders, ensuring that business is conducted with sincerity and sound practices, and creating value that exceeds expectations.

The medium-term management plan formulated in 2006 included "CSR-oriented management" as one of its priority measures, and we undertook a variety of measures intended to achieve this. The medium-term plan that began from fiscal 2009 (April 2008 through March 2009) also emphasizes measures to counter global warming and diversity in the workplace. We will continue to develop a compliance structure for the Group globally, seeking highly transparent, fair and good-faith management emphasizing CSR in order to be an "excellent company" in the truest sense.

CSR MANAGEMENT STRUCTURE

The Nikon Group had previously conducted CSR activities through individual committees concerned with business conduct, the environment or social contributions. A CSR Committee, chaired by the president, was established in January 2006 for genuinely transparent management, coordinating the activities of various committees and making CSR activity more efficient, effective and timely. In July 2007, we established the Integrated Disaster Prevention and BCM (Business Continuity Management) Committee as the seventh subcommittee of the CSR Committee.



Management

In line with the objective of the trust of society through highly transparent management with fair and sound business practices, the Nikon Group conducts a range of management initiatives with a strong sense of awareness as a corporate citizen.

CORPORATE GOVERNANCE

With the business environment increasingly global, Nikon is strengthening its corporate governance and upgrading its internal control systems to increase the management efficiency and transparency that enhance the bonds of trust with stakeholders. Bodies established to support

corporate governance include the Board of Directors, the Executive Committee, and the Board of Corporate Auditors. Nikon has also adopted the in-house company system to provide for more decentralized management. We have established regulations stipulating the rights and responsibilities of management positions and within

organizations, and for Group companies provide guidance and administration according to prescribed standards for both domestic and overseas subsidiaries. These regulations and systems provide for more structured and efficient conduct of business operations.

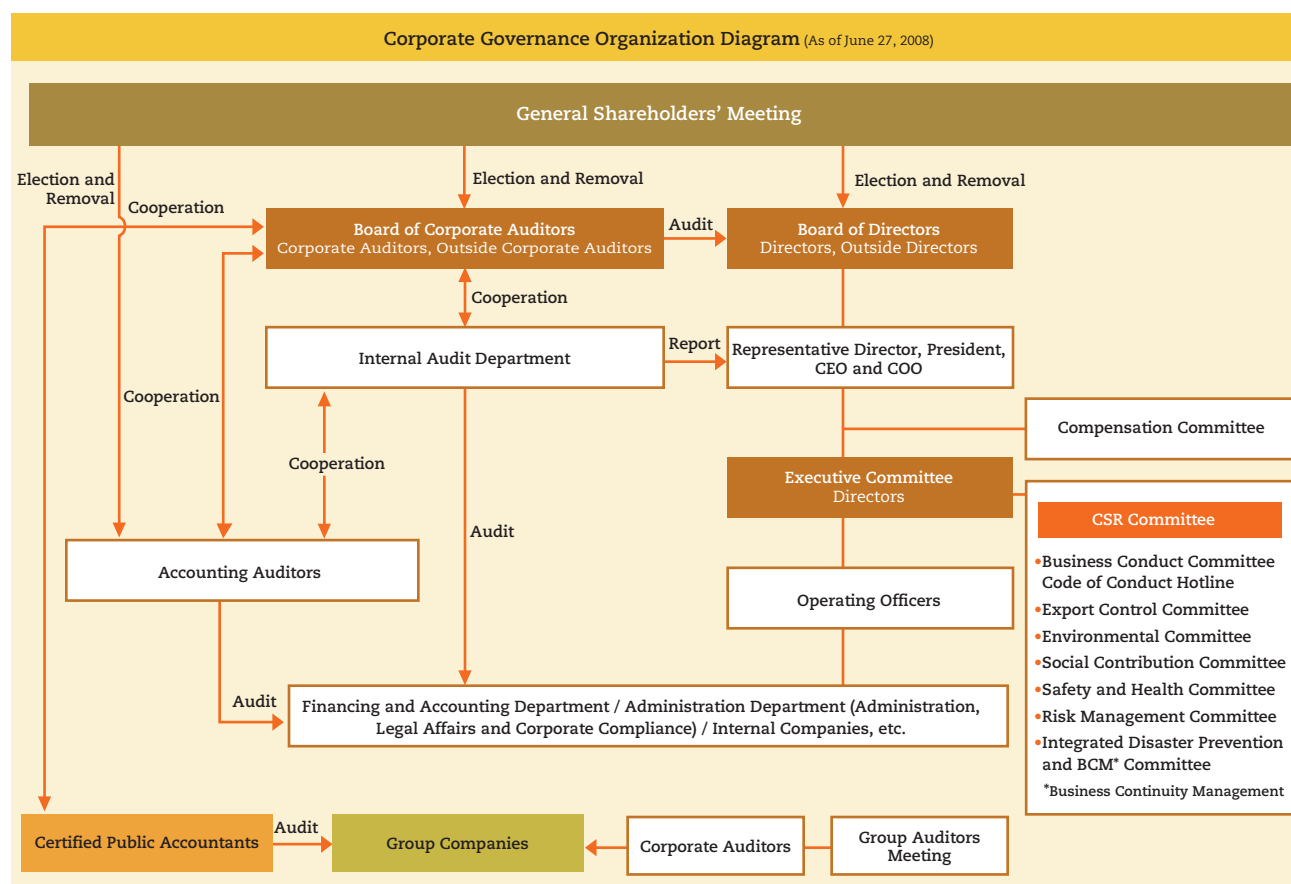
INTERNAL CONTROL SYSTEM

In 2005, Nikon further overhauled the structure of the Executive Committee engaged in the deliberation, resolution, communication and reporting of business matters and recreated rules related to the delegation of authority in divisions in order to further enhance the Group's internal controls. An Internal Audit Department, under direct supervision of the president and independent of all operational divisions, was also established to conduct internal audits. During fiscal 2008, this department conducted internal audits within each Group company of the implementation and operational status of company-wide internal controls applicable to the Company Law and to Japan's Financial Instruments and Exchange (J-SOX) Act, as well as the impact on the corporate culture and organizational environment. A thorough review of network access

authority to be conducted within the Group was also begun from April 2007.

BUSINESS CONDUCT (COMPLIANCE)

The Nikon Group undertakes a range of measures to create an environment in which every employee is able to act properly with full awareness of compliance. The Nikon Code of Conduct was created to provide a standard for such actions, and the Nikon Business Conduct Committee has been established to further its adoption and use. Under the guidance of this committee, a full-time Compliance Section conducts compliance-related activities in conjunction with a Code of Conduct Coordinator appointed for each division and domestic Group subsidiary. The principal activities of this office during fiscal 2008 included revisions to the Nikon Code of Conduct and activities to ensure that it is understood and followed, the unification of information through a new intranet site, and the conduct of a survey on compliance awareness among Nikon Group employees in Japan, and feedback of its results to them.



RISK MANAGEMENT

A Risk Management Committee has been established to provide comprehensive risk management, with the goal of sustainable development for the Nikon Group. The Risk Management Committee was established in April 2006 to provide a comprehensive assessment and response to the risks the Nikon Group is facing. It examines and evaluates risks within the Group, formulates strategies to counter risks that could have an impact on business performance, and conducts training to minimize the damage from such risks. It also regularly monitors risks, and establishes plan-do-check-act (PDCA) protocols.

Nikon has also strengthened its management of information resources with the establishment of an Information Security Subcommittee, which controls the use of computers and other equipment, provides long-term storage of e-mail, and engages in other activities. For the protection of personal information, Nikon has guidelines for the Group to ensure compliance with relevant laws and regulations, and a high standard for its management structure. We have also established an Integrated Disaster Prevention and BCM Committee in preparation for major earthquakes or other disasters.

ENVIRONMENTAL CONSERVATION

Nikon established the Nikon Basic Environmental Management Policy in 1992, and under the guidance of the Environmental Committee has pursued environmental conservation measures based on the principles of recycling and coexistence with nature. We consider the immediate issue of countering global warming to be an important management issue, and conscious of the Kyoto Protocol in October 2007 established a Global Warming Prevention Project Team led by the executive vice president. This team sets specific numerical targets for energy conservation, reductions in CO₂ emissions and other environmental indices, and implements these throughout the Group. Going forward, to improve the efficiency of its activities this team will formulate, establish and implement measures centered on the Precision Equipment, Imaging Products, Instruments, and Glass businesses.

The Environmental Committee evaluates results against the environmental targets set for each fiscal year, identifies any issues, and makes revisions. It is now formulating a new three-year plan for environmental action, the Nikon Environmental Action Plan, and setting Environmental Targets. Moreover, Nikon is enhancing environmental responsiveness at the purchasing stage

for raw materials and other commodities in cooperation with business partners. To promote environmental friendliness throughout the lifecycle of a product, Nikon utilizes the Nikon Product Assessment protocol during development and design in all product fields. This helps to encourage the reuse and recycling of used products, and lessen the environmental burden from packaging and in distribution.

SOCIAL CONTRIBUTIONS

Nikon's social contribution activities encompass a wide range of fields that extends beyond business-related areas. We place a high value on coexisting with local communities, conducting clean-up activities in the areas around our plants in Japan, and participating in various community events. In the imaging and technology fields in which the Nikon Group specializes, we make available technology and products, sponsor photo exhibitions, and conduct other activities that contribute to the rich development of society. During fiscal 2008, to commemorate the 90th anniversary of its founding Nikon launched the Nikon Scholarship Program to benefit children in Thailand, and took other proactive measures to support the international community.

RESPECT FOR HUMAN RIGHTS

Initiatives for the respect of human rights are important in the international community. In July 2007, Nikon joined the Global Compact project sponsored by the United Nations. This program, advocated by former UN Secretary General Kofi Annan in 1999 and launched in 2000, calls on participating corporations and organizations to provide support by voluntarily adopting 10 principles relating to human rights, labor standards, protection of the environment, and anti-corruption measures. The measures in the Global Compact are consistent with the CSR-oriented management policies of the Nikon Group, and we have enhanced our CSR awareness in the spirit of these 10 principles. In December 2007, Nikon formulated the Nikon Procurement Partners' CSR Guidelines, calling on its procurement partners to also assist in widening CSR management to include respect for individuals and other initiatives.

Five-Year Summary

Nikon Corporation and Consolidated Subsidiaries
Years ended March 31

	Millions of Yen					Thousand of U.S. Dollars
	2008	2007	2006	2005	2003	2008
For the year						
Net sales	¥955,792	¥822,813	¥730,944	¥638,468	¥506,378	\$9,539,790
Cost of sales	551,551	494,663	468,944	429,143	346,898	5,505,047
SG&A expenses	269,072	226,143	195,413	178,780	155,805	2,685,613
Operating income	135,169	102,007	66,587	30,545	3,675	1,349,130
Income before income taxes and minority interests	116,704	87,813	40,925	33,443	9,490	1,164,827
Net income	75,484	54,825	28,945	24,141	2,410	753,407
Per share of common stock (Yen and U.S. dollars):						
Basic net income	¥ 189.00	¥ 146.36	¥ 78.16	¥ 65.19	¥ 6.52	\$ 1.89
Diluted net income	181.23	131.42	69.33	57.84	6.02	1.81
Cash dividends applicable to the year	25.00	18.00	10.00	8.00	4.00	0.25
Capital expenditures	¥ 39,829	¥ 30,432	¥ 25,817	¥ 22,459	¥ 22,267	\$ 397,536
Depreciation and amortization	25,678	22,625	20,760	19,705	20,213	256,298
R&D costs	58,373	47,218	37,139	33,561	30,165	582,628
At year-end						
Total assets	¥820,622	¥748,939	¥690,920	¥633,426	¥606,513	\$8,190,650
Total equity	393,126	348,445	243,122	196,030	171,194	3,923,797

Notes: 1. Per share of common stock is computed based on the weighted average number of shares outstanding during the year.
2. U.S. dollar figures are translated for reference only at ¥100.19 to U.S. \$1.00, the exchange rate at March 31, 2008.

Management's Discussion and Analysis

Nikon Corporation and Consolidated Subsidiaries
For the year ended March 31, 2008

OPERATING ENVIRONMENT

During fiscal 2008 (ended March 31, 2008) the macro-economic environment for Nikon's operations remained favorable in Europe, the United States, Asia and Japan during the first half, but uncertainty increased throughout the globe during the second half with the subprime loan problem in the United States, soaring prices for crude oil and other resources, and slumping stock markets, drawing concerns about the future.

Under these conditions, Nikon Group business segments saw mixed developments. The semiconductor market was firm on strong capital investment by manufacturers to meet the growing demand for NAND flash memories and DRAMs. On the other hand, the LCD panel market turned dull in reaction to the vibrant capital investment during the prior fiscal year. The digital camera market continued to expand with increased sales of SLR cameras, interchangeable lenses, and compact cameras.

BUSINESS PERFORMANCE

During the fiscal year under review, Nikon continued to pursue the key policies as stipulated in our medium term management plan (April 1, 2007–March 31, 2010) announced in March 2007. The plan calls for strengthening the competitiveness of core businesses by securing superiority in

state-of-the-art equipment and developing high-value-added products, boosting cost-competitiveness through manufacturing innovations, and creating new businesses, beginning with the glass business. During the year, Nikon also advanced measures to strengthen internal control systems, and implemented highly transparent management emphasizing CSR in accordance with the Nikon Corporate Social Responsibility Charter enacted in April 2007.

As a result of these efforts, during fiscal 2008 (ended March 31, 2008), Nikon posted record-high net sales,

Income Analysis Years ended March 31, 2008 and 2007		
	% of Net Sales	
	2008	2007
Net sales	100.0 %	100.0 %
Cost of sales	(57.7)	(60.1)
Gross profit	42.3	39.9
SG&A expenses	(28.2)	(27.5)
Operating income	14.1	12.4
Net interest expense and dividend income	0.2	0.0
Net other expenses	(2.1)	(1.7)
Income before income taxes and minority interests	12.2	10.7
Income taxes	(4.3)	(4.0)
Minority interests		0.0
Net income	7.9	6.7

Note: All expenses and subtractive amounts are in parentheses.

operating income and net income on a consolidated basis. Net sales increased ¥132,979 million, up 16.2% from the previous year to ¥955,792 million, operating income rose ¥33,162 million, up 32.5% to ¥135,169 million, and net income gained ¥20,659 million, up 37.7% to ¥75,484 million.

PERFORMANCE BY BUSINESS SEGMENT

In Precision Equipment Business, while sales of LCD stepers and scanners dropped by half in reaction to exceptional sales the previous year, increased sales of high-end IC scanners covered most of that decline. Overall Precision Equipment Business sales were down only slightly. Nikon also worked to reduce costs for both the LCD and IC businesses by adopting simplified design and common platforms, and shortening manufacturing periods. As a result, Precision Equipment Business segment net sales dropped 0.4% year on year to ¥290,814 million, while operating income declined 12.1% to ¥43,348 million.

In Imaging Products Business, the digital camera market continued to expand. Nikon gained the top share of the Japanese domestic market for digital SLR cameras in terms of the number of units sold with the introduction of the D60 and the high-end D3 and D300 models, rounding out our product lineup. The Company also actively introduced new compact digital cameras, providing the market with models that accurately grasp customer needs. As a result, Imaging Products Business segment net sales rose 30.6% year on year to ¥586,147 million, while operating income shot up 83.8% to ¥83,974 million.

In Instruments Business, in the bioscience business Nikon introduced system products and strove to expand sales of cell culture observation equipment and other devices. In the industrial instruments business, Nikon focused on sales of the NEXIV series of CNC video measuring systems and the AMI-3400 automatic macro inspection system. Nevertheless, as a result of weak sales in the Japanese market during the second half of the fiscal year, Instruments Business segment net sales slipped 0.4% year on year to ¥59,043 million, while operating income dropped 20.3% to ¥4,081 million.

In the Other Business segment, sales rose in the customized products, sport optics products, and glass businesses. Nikon reached a decision to withdraw from the ophthalmic frames and sunglasses business as of March 31, 2008 from the perspective of optimizing overall group management. As a result of this decision, Other Business segment

net sales declined 13.3% year on year to ¥19,788 million, while operating income rose 73.0% to ¥3,636 million.

PERFORMANCE BY REGION

In Japan, sales of ArF immersion scanners for advanced fields expanded, and sales of digital SLR cameras and compact digital cameras continued to rise. Sales of interchangeable lenses increased as well along with favorable sales of digital SLR camera bodies. Operating income also rose as a result of efforts to strengthen cost competitiveness through manufacturing innovations and other measures. Consequently, net sales in Japan rose 12.6% year on year to ¥379,990 million, with operating income of ¥104,038 million.

In North America, revenues increased with strong contributions from growing sales of digital SLR cameras and interchangeable lenses. As a result, net sales in North America rose 11.3% year on year to ¥240,591 million, with operating income of ¥12,318 million.

In Europe, sales of digital SLR cameras and interchangeable lenses increased firmly, while sales of compact digital cameras were also favorable. As a result, net sales in Europe rose 20.8% year on year to ¥214,215 million, with operating income of ¥7,598 million.

In Asia and Oceania, sales grew driven by digital SLR cameras in China and other regions. And Nikon Australia Pty Ltd. has been added as a Nikon consolidated affiliate. As a result, net sales in Asia and Oceania rose 31.7% year on year to ¥120,996 million, with operating income of ¥15,801 million.

FINANCIAL POSITION

As of March 31, 2008, on a consolidated basis, Nikon's total assets were ¥820,622 million, up ¥71,683 million from the end of the previous fiscal year. This was mostly the result of a ¥72,920 million rise in current assets, with increases in cash and cash equivalents, notes and accounts receivable—trade, and inventories.

Total liabilities reached ¥427,496 million, rising ¥27,002 million year on year. While the balance of short-term borrowings and current portion of long-term debt declined, notes and accounts payable—trade increased.

Equity rose by ¥44,681 million from the end of the previous fiscal year to ¥393,126 million. This mostly reflected the increase in retained earnings from the posting of net income for the fiscal year.

Net Sales by Industry Segment
Years ended March 31, 2008 and 2007

	Millions of Yen, %		Thousands of
	2008	2007	U.S. Dollars 2008
Precision Equipment	¥290,814	¥291,913	\$2,902,629
Share of net sales	30.4%	35.5%	
Imaging Products	586,147	448,825	5,850,350
Share of net sales	61.3	54.5	
Instruments	59,043	59,252	589,307
Share of net sales	6.2	7.2	
Other	19,788	22,823	197,504
Share of net sales	2.1	2.8	
Total	¥955,792	¥822,813	\$9,539,790

Balance Sheet Analysis
March 31, 2008 and 2007

	% of Total Assets	
	2008	2007
Total assets	100.0%	100.0%
Total current assets	72.6	69.9
Inventories	32.3	32.9
Property, plant and equipment	14.3	15.5
Investments and other assets	13.1	14.6
Total current liabilities	43.0	41.3
Short-term borrowings	1.0	2.1
Long-term debt, less current portion	7.3	9.1
Total equity	47.9	46.5

CASH FLOW ANALYSIS

During the fiscal year under review, net cash provided by operating activities totaled ¥120,840 million. While notes and accounts receivable—trade and inventories rose and income taxes—paid increased, income before income taxes and minority interests was at a high level, and notes and accounts payable—trade increased.

Net cash used in investing activities totaled ¥49,783 million, with expenditures for the purchase of property, plant and equipment and investment securities.

Net cash used in financing activities totaled ¥38,664 million with expenditures for the repayment of short-term borrowings and the redemption of corporate bonds.

As a result of these cash flows, cash and cash equivalents totaled ¥112,958 million at the end of the fiscal year, up ¥29,109 million from a year earlier.

BASIC DIVIDEND POLICY AND FISCAL 2008 AND 2009 DIVIDENDS

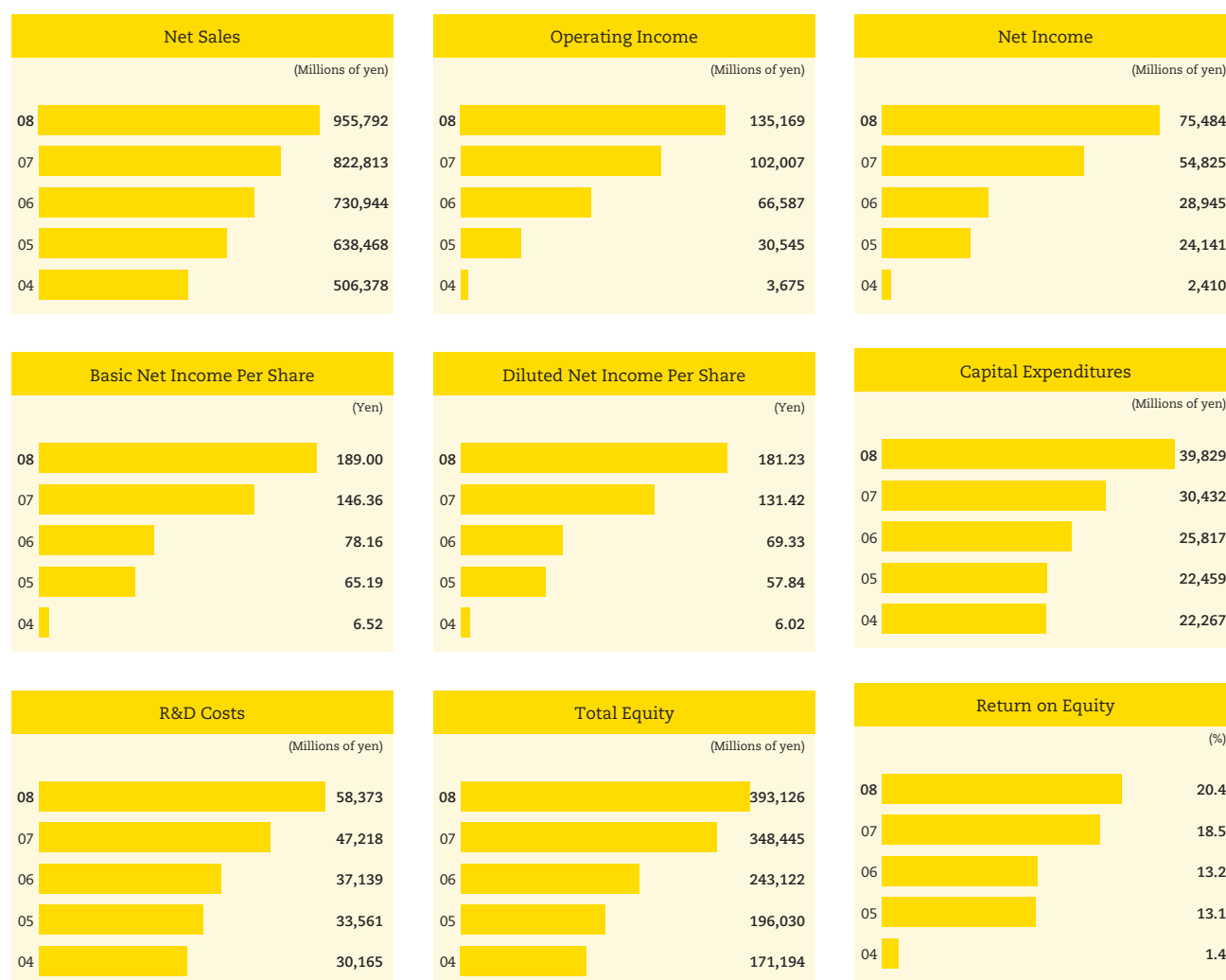
Nikon is expanding investments in business and technology development for future growth (capital expenditures and research and development costs) and working to enhance competitive strengths. While adopting the stable

distribution of dividends to shareholders as a basic policy, Nikon aims to better reflect business performance in shareholder compensation, returning profits to shareholders through dividend increases and other measures.

With the increase in earnings power and strengthening of Nikon's financial foundation in recent years, the time has come to enhance the return of profits to shareholders. Specifically, while continuing to actively invest for future growth as in the past based on management emphasizing cash flow and implementing stable dividends that better reflect consolidated performance, Nikon is now also acquiring treasury stock to boost capital efficiency and flexibly execute capital policies.

For the time being, we have set a target of a total return ratio of at least 25%.

Based on the above policy, Nikon issued a fiscal 2008 year-end dividend of ¥13.50 per share. Combined with the interim dividend of ¥11.50 per share, the total fiscal 2008 dividend was ¥25.00 per share, which was an increase of ¥7.00 per share over the previous fiscal year. The Company expects to issue a total dividend of ¥25.00 per share for fiscal 2009 (ending March 31, 2009), which includes an interim dividend of ¥12.50 per share.



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	<u>352,464</u>	<u>308,956</u>	<u>3,517,951</u>
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	<u>75,032</u>	<u>91,538</u>	<u>748,902</u>
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	<u>393,126</u>	<u>348,250</u>	<u>3,923,797</u>
Minority interests		195	
Total equity	<u>393,126</u>	<u>348,445</u>	<u>3,923,797</u>
Total	<u>¥820,622</u>	<u>¥748,939</u>	<u>\$ 8,190,650</u>

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
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

	Millions of Yen											
	Thousand 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

I. 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			Fair Value
	Cost	Unrealized Gains	Unrealized Losses	
<u>March 31, 2008</u>				
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			Fair Value
	Cost	Unrealized Gains	Unrealized Losses	
<u>March 31, 2007</u>				
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			Fair Value
	Cost	Unrealized Gains	Unrealized Losses	
<u>March 31, 2008</u>				
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 Available for sale	2007 Available for sale	2008 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		Thousands of
			2008	2007	U.S. Dollars
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
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	Thousands of
Investment securities	¥6,796	\$ 67,832

Liabilities secured by the above assets were as follows:

	Millions of Yen	Thousands of
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

9. EQUITY

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)					
<u>For the year ended March 31, 2007</u>						
<u>Non-vested</u>						
March 31, 2006-Outstanding			210,000	178,000		
Granted					99,000	
Canceled						
Vested			(210,000)			
March 31, 2007-Outstanding				178,000	99,000	
<u>Vested</u>						
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	
<u>For the year ended March 31, 2008</u>						
<u>Non-vested</u>						
March 31, 2007-Outstanding				178,000	99,000	
Granted						
Canceled						
Vested				178,000		
March 31, 2008-Outstanding					99,000	
<u>Vested</u>						
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%

II. 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		
	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		
	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 Weighted Average shares	Yen	U.S. Dollars
	Net Income		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					(Eliminations) or Corporate	Consolidated
	Precision Equipment	Imaging Products	Instruments	Other	Total		
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							
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					(Eliminations) or Corporate	Consolidated
	Precision Equipment	Imaging Products	Instruments	Other	Total		
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							
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					(Eliminations) or Corporate	Consolidated
	Precision Equipment	Imaging Products	Instruments	Other	Total		
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							
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					(Eliminations) or Corporate	Consolidated
	Japan	North America	Europe	Asia/ Oceania	Total		
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					(Eliminations) or Corporate	Consolidated
	Japan	North America	Europe	Asia/ Oceania	Total		
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					(Eliminations) or Corporate	Consolidated
	Japan	North America	Europe	Asia/ Oceania	Total		
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
	2008	(A)/(B)	2007	(A)/(B)	
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 AmericaU.S.A., Canada

EuropeThe Netherlands, Germany, United Kingdom, etc.

Asia/OceaniaSouth 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 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

Deloitte.

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4-13-23, Shibaura
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Fax: +81(3)3457 1694
www.deloitte.com/jp

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.

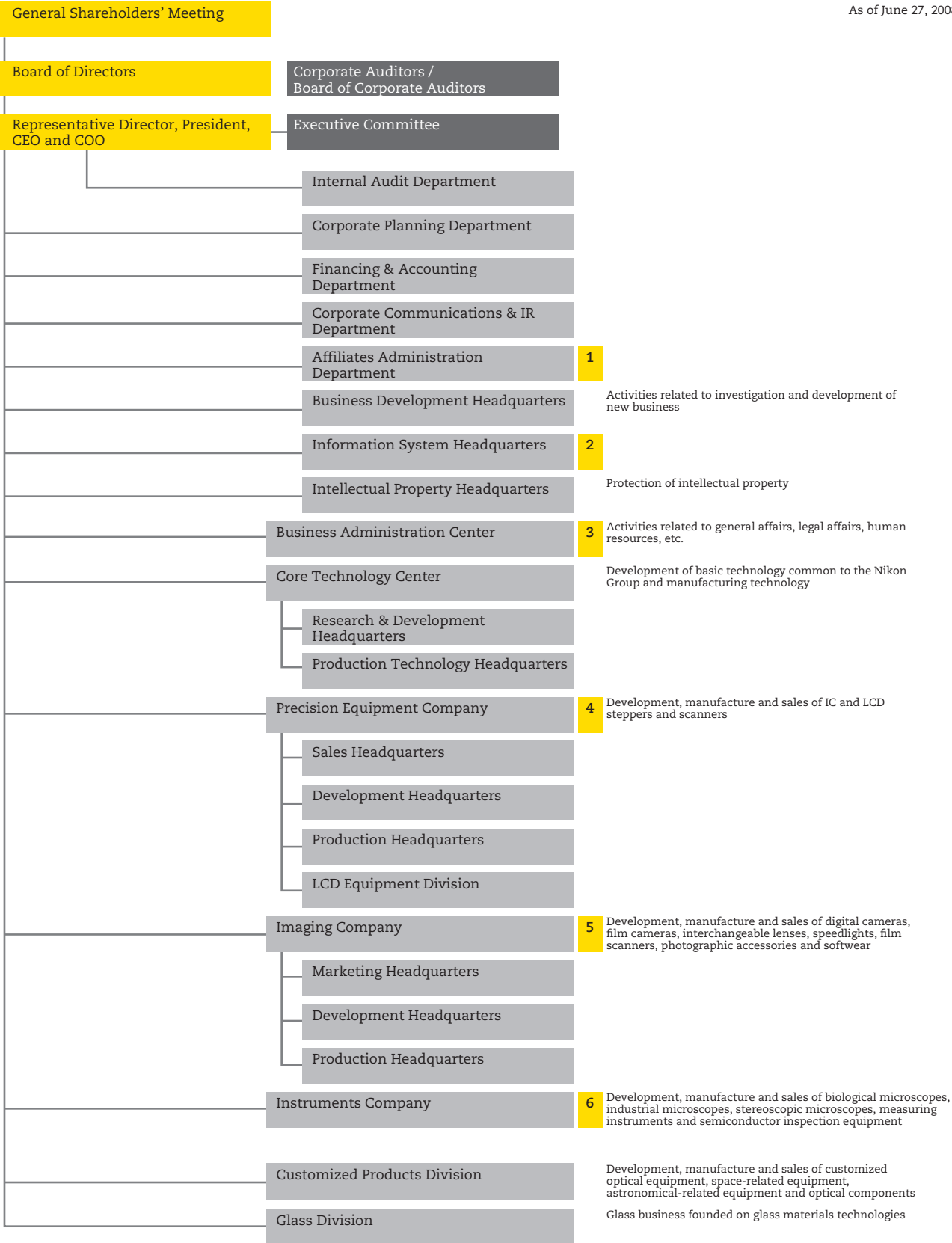
Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.



June 27, 2008

Organization of Nikon Group

As of June 27, 2008



Nikon Group Companies

MAJOR DOMESTIC COMPANIES

As of March 31, 2008

Name	Business
1 Hikari Glass Co., Ltd.	★ Manufacture and sales of optical glass and molded optical glass
Nikon Optical Shop Co., Ltd.	Retail sales of ophthalmic frames and lenses
Nikon Vision Co., Ltd.	★ Development, manufacture, sales and servicing of sport optics products
Nikon Engineering Co., Ltd.	★ Design, manufacture, and sales of microprocessing systems and customized microscopes
Nikon-Essilor Co., Ltd. ¹	Development, manufacture, sales and servicing of ophthalmic lenses
Nikon-Trimble Co., Ltd. ¹	Development, manufacture, sales and servicing of surveying instruments
2 Nikon Systems Inc.	★ Development and support of computer software
3 Nikon Business Service Co., Ltd.	★ Employee welfare activities, procurement, logistics, and activities related to intellectual property
Nikon Tsubasa Inc.	Processing, assembly and packing of parts for optical instruments
4 Mito Nikon Precision Corporation	★ Manufacture of devices for IC/LCD steppers and scanners
Zao Nikon Co., Ltd.	★ Manufacture of devices for IC/LCD steppers and scanners
Tochigi Nikon Precision Co., Ltd.	★ Manufacture of IC/LCD steppers and scanners, and lenses for IC/LCD steppers and scanners
Nikon Tec Corporation	★ Maintenance and servicing of IC/LCD steppers and scanners, sales of used steppers and scanners
5 Tochigi Nikon Corporation	★ Manufacture of interchangeable lenses and optical lenses
Sendai Nikon Corporation	★ Manufacture of cameras and devices for IC/LCD steppers and scanners
Nikon Imaging Japan Inc.	★ Sales and servicing of cameras
6 Kurobane Nikon Co., Ltd.	★ Manufacture of objective lenses for microscopes/measuring instruments/semiconductor inspection equipment, and optical components
Nikon Instech Co., Ltd.	★ Sales, maintenance and servicing of microscopes and measuring instruments

Note: Nikon-Trimble Co., Ltd. and Nikon-Essilor Co., Ltd. are equity-method companies.

MAJOR OVERSEAS COMPANIES

As of March 31, 2008

Name	Business
1 Nikon Americas Inc.	★ Centralized supply, administration and management of funds of affiliates in the U.S.
Nikon Holdings Europe B.V.	★ Centralized supply, administration and management of funds of affiliates in Europe
4 Nikon Precision Inc.	★ Import, sales, maintenance and servicing of IC steppers and scanners
Nikon Research Corporation of America	★ R&D for IC-related equipment
Nikon Precision Europe GmbH	★ Import, sales, maintenance and servicing of IC steppers and scanners
Nikon Precision Korea Ltd.	★ Maintenance and servicing of IC/LCD steppers and scanners
Nikon Precision Taiwan Ltd.	★ Maintenance and servicing of IC/LCD steppers and scanners
Nikon Precision Singapore Pte Ltd	★ Maintenance and servicing of IC/LCD steppers and scanners
Nikon Precision Shanghai Co., Ltd.	★ Maintenance and servicing of IC/LCD steppers and scanners
5 Nikon Inc.	★ Import, sales and servicing of cameras
Nikon Canada Inc.	★ Import, sales and servicing of cameras, microscopes, and measuring instruments
Nikon Europe B.V.	★ Import, sales and servicing of cameras
Nikon AG	★ Import, sales and servicing of cameras, microscopes, and measuring instruments
Nikon GmbH	★ Import, sales and servicing of cameras, microscopes, and measuring instruments
Nikon U.K. Ltd.	★ Import, sales and servicing of cameras, microscopes, and measuring instruments
Nikon France S.A.S.	★ Import, sales and servicing of cameras, microscopes, and measuring instruments
Nikon Nordic AB	★ Import, sales and servicing of cameras
Nikon Kft.	★ Import, sales and servicing of cameras
Nikon s.r.o.	★ Import, sales and servicing of cameras
Nikon Polska Sp.z o.o.	★ Import, sales and servicing of cameras
Nikon Hong Kong Ltd.	★ Import, sales and servicing of cameras
Nikon Singapore Pte Ltd	★ Import, sales and servicing of cameras, microscopes, and measuring instruments
Nikon (Malaysia) Sdn. Bhd.	★ Support for sales and servicing of cameras, microscopes, and measuring instruments
Nikon Imaging (China) Sales Co., Ltd.	★ Import, sales and servicing of cameras
Nikon Australia Pty Ltd	★ Import, sales and servicing of cameras
Nikon India Private Limited	Import, sales and servicing of cameras, and maintenance and servicing of measuring instruments
Nikon Imaging Korea Co., Ltd.	★ Import, sales and servicing of cameras
Nikon (Thailand) Co., Ltd.	★ Manufacture of digital cameras, interchangeable lenses and digital camera components
Nikon Imaging (China) Co., Ltd.	★ Manufacture of digital cameras and digital camera components
Nikon International Trading (Shenzhen) Co., Ltd.	Procurement of parts for digital cameras
Guang Dong Nikon Camera Co., Ltd.	Manufacture of digital camera components
Hang Zhou Nikon Camera Co., Ltd.	Manufacture of digital camera components
6 Nikon Instruments Inc.	★ Import, sales, maintenance and servicing of microscopes, measuring instruments and semiconductor inspection equipment
Nikon Instruments Europe B.V.	★ Import, sales, maintenance and servicing of microscopes and measuring instruments
Nikon Instruments S.p.A.	★ Import, sales, maintenance and servicing of microscopes and measuring instruments
Nikon Instruments (Shanghai) Co., Ltd.	Marketing, maintenance and servicing of microscopes, measuring instruments, and semiconductor inspection equipment
Nikon Instruments Korea Co., Ltd.	Sales, maintenance and servicing of microscopes and measuring instruments
Nanjing Nikon Jiangnan Optical Instrument Co., Ltd.	Manufacture of microscopes and objective lenses for microscopes

★ Consolidated as of March 31, 2008

Directors, Auditors and Officers

As of June 27, 2008

BOARD OF DIRECTORS		
Representative Director, President, CEO and COO	Michio Kariya	Company's operations
Representative Director, Executive Vice President and CFO	Ichiro Terato	Assistant of President, in charge of Corporate Planning Department, Corporate Communications & IR Department, Information System Headquarters and Intellectual Property Headquarters, in charge of overseeing Internal Audit Department and Instruments Company
Director, Member of the Board & Senior Executive Officer	Makoto Kimura	President of Imaging Company
Director, Member of the Board & Senior Executive Officer	Kyoichi Suwa	President of Core Technology Center, in charge of overseeing Glass Division
Director, Member of the Board & Senior Executive Officer	Kazuo Ushida	President of Precision Equipment Company
Director, Member of the Board & Executive Officer	Naoki Tomino	General Manager of Intellectual Property Headquarters, in charge of Business Development Headquarters
Director, Member of the Board & Executive Officer	Yoshimichi Kawai	President of Business Administration Center, in charge of Financing & Accounting Department and Affiliates Administration Department, in charge of overseeing Customized Products Division
Director, Member of the Board & Executive Officer	Masami Kumazawa	General Manager of Information System Headquarters, in charge of risk management and group consolidated management project
Director, Member of the Board	Shunji Kono	Honorary Advisor, Tokio Marine & Nichido Fire Insurance Co., Ltd.
Director, Member of the Board	Kenji Matsuo	President, Meiji Yasuda Life Insurance Company
CORPORATE AUDITORS		
Standing Corporate Auditor	Mamoru Kajiwara	
Standing Corporate Auditor	Yoshiyuki Nagai	
Corporate Auditor	Toyoshi Nakano	Senior Advisor, Mitsubishi UFJ Trust and Banking Corporation
Corporate Auditor	Susumu Kani	Corporate Advisor, Mitsubishi Corporation
Corporate Auditor	Masatoshi Kamijo	Certified Public Accountant
OFFICERS		
Operating Officer	Tetsuro Goto	Vice President of Imaging Company
Operating Officer	Koji Morishita	General Manager of Business Development Headquarters
Operating Officer	Toshiyuki Masai	President, Nikon Holdings Europe B.V. & President, Nikon Europe B.V.
Operating Officer	Norio Hashizume	General Manager of Financing & Accounting Department
Operating Officer	Yasuyuki Okamoto	President & CEO, Nikon Inc.
Operating Officer	Toshikazu Umatate	General Manager of Development Headquarters, Precision Equipment Company
Operating Officer	Hisao Izawa	President of Instruments Company
Operating Officer	Teruo Hashimoto	General Manager of Production Headquarters, Precision Equipment Company
Operating Officer	Masaaki Okajima	In charge of manufacturing reform project, Chairman, Tochigi Nikon Corporation & Chairman, Tochigi Nikon Precision Co., Ltd. & Chairman, Sendai Nikon Corporation & Chairman, Sendai Nikon Precision Corporation & Chairman, Nikon (Thailand) Co., Ltd.
Operating Officer	Kunio Kawabata	General Manager of LCD Equipment Division, Precision Equipment Company & General Manager of Sales Department of LCD Equipment Division, Precision Equipment Company
Operating Officer	Tsuneo Kosaka	General Manager of Production Headquarters, Imaging Company
Operating Officer	Kazuyuki Kazami	General Manager of Development Headquarters, Imaging Company
Operating Officer	Kenichi Kanazawa	President, Nikon (Thailand) Co., Ltd.
Operating Officer	Hiroshi Ohki	General Manager of Research & Development Headquarters, Core Technology Center & General Manager of Optical Research Laboratory of Research & Development Headquarters, Core Technology Center
Operating Officer	Takaharu Honda	General Manager of Business Planning Department, Imaging Company
Operating Officer	Tsuneyoshi Kon	General Manager of Sales Headquarters, Precision Equipment Company

Investor Information

Nikon Corporation

Fuji Bldg., 2-3, Marunouchi 3-chome,
Chiyoda-ku, Tokyo 100-8331, Japan
Tel: +81-3-3214-5311
Fax: +81-3-3216-1454

Date of Establishment

July 25, 1917

Number of Employees

25,342 (Consolidated)

Common Stock

Authorized:

1,000,000,000 shares

Issued:

400,101,468 shares

¥64,676 million

Number of Shareholders

18,580

Stock Exchange Listings

Tokyo, Osaka, Fukuoka, Sapporo

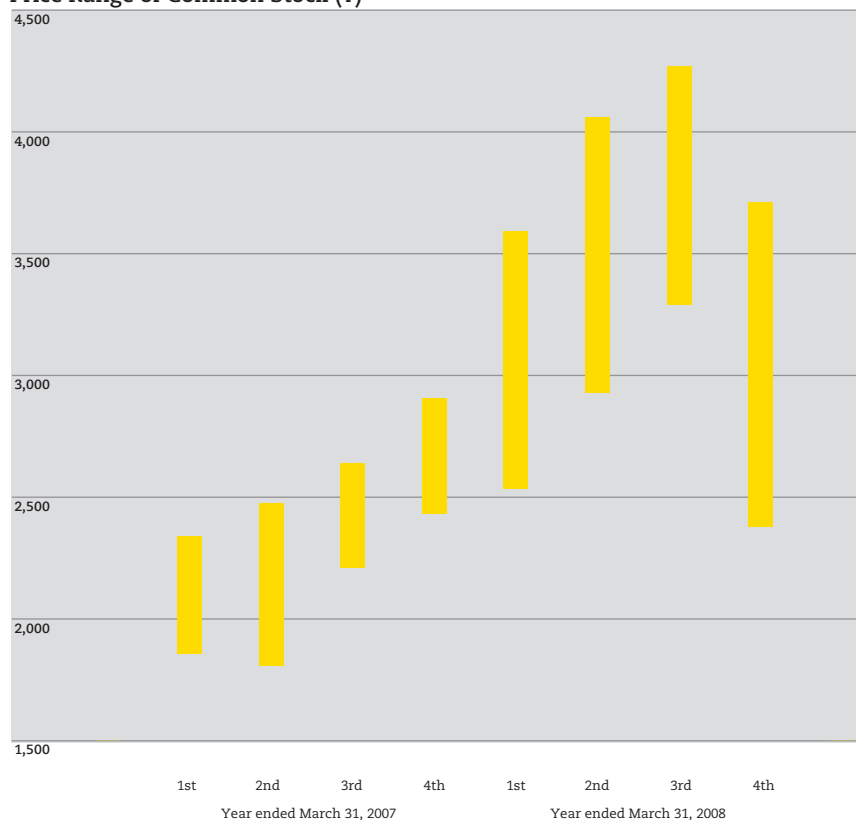
Share Registrar

Mitsubishi UFJ Trust and Banking
Corporation
Corporate Agency Division
4-5, Marunouchi 1-chome,
Chiyoda-ku, Tokyo 100-8212, Japan

(As of March 31, 2008)

Major Shareholders	Number of shares held (thousands)	Percentage of total shares issued
The Master Trust Bank of Japan, Ltd., Trust Account	44,926	11.2
Japan Trustee Services Bank, Ltd., Trust Account	24,312	6.1
Meiji Yasuda Life Insurance Company	20,565	5.1
State Street Bank and Trust Company	13,688	3.4
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	12,297	3.1
JPMorgan Chase Bank 380055	12,133	3.0
Tokio Marine & Nichido Fire Insurance Co., Ltd.	10,067	2.5
Mitsubishi UFJ Trust and Banking Corporation	9,134	2.3
Nippon Life Insurance Company	7,893	2.0
Trust & Custody Services Bank, Ltd., Trust Account Y	7,223	1.8

Price Range of Common Stock (¥)

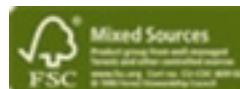


For further information or additional copies of this annual report, please contact the Corporate Communications & IR Department.

Homepage: Nikon has created a Web site specifically for investors containing released financial reports, fact books and other information.
<http://www.nikon.com/about/ir/>



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