

## FIVE-YEAR SUMMARY

Nikon Corporation and Consolidated Subsidiaries  
Years ended March 31

	Millions of Yen					Thousands of U.S. Dollars
	2000	1999	1998	1997	1996	2000
<b>For the year</b>						
Net sales	¥ 371,801	¥ 305,765	¥ 372,146	¥ 379,089	¥332,799	\$ 3,502,599
Cost of sales	247,473	205,984	224,546	219,791	188,727	2,331,350
SG&A expenses	105,894	108,522	120,123	112,385	94,793	997,587
Operating income (loss)	18,434	(8,741)	27,477	46,913	49,279	173,662
Income (loss) before income taxes and minority interest	11,479	(17,447)	18,929	36,740	35,317	108,136
Net income (loss)	7,770	(18,233)	8,318	19,936	18,581	73,201
<b>Per share of common stock (Yen and U.S. dollars):</b>						
Net income (loss)	¥ 21.01	¥ (49.29)	¥ 22.48	¥ 53.89	¥ 50.23	\$ 0.20
Cash dividends applicable to the year	5.00	3.00	8.00	8.00	6.50	0.05
<b>Capital expenditures</b>	¥ 13,881	¥ 20,719	¥ 26,168	¥ 33,757	¥ 17,206	\$ 130,769
Depreciation and amortization	17,251	20,110	18,407	15,635	13,715	162,515
R&D costs	17,798	18,729	21,633	19,681	16,951	167,667
<b>At year-end</b>						
Total assets	¥ 502,175	¥ 474,965	¥ 507,326	¥ 460,271	¥425,083	\$ 4,730,801
Shareholders' equity	166,495	160,991	171,051	165,773	148,657	1,568,485

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 ¥106.15 to U.S. \$1.00, the exchange rate at March 31, 2000.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATIONS

### OPERATING ENVIRONMENT

In fiscal 2000, the financial year ended March 31, 2000, economic conditions remained somewhat mixed. The U.S. economy continued to grow strongly, boosted by buoyant consumer spending and supported by high levels of capital investment. In Europe, exports recovered on the back of the weakness of the euro, and conditions were generally favorable. In Asia, rising exports helped to support higher levels of manufacturing activity, and many economies in the region staged a firm recovery.

In Japan, however, overall business conditions remained harsh. The effects of stalled consumer spending resulting from income stagnation and persistent worries on the part of workers over job security continued to be compounded by lackluster private-sector capital investment. Even so, signs of a recovery in the latter emerged during the second half of the year, and there were indications of gradual improvement in the economy.

The Nikon Group's business was not unduly affected by the adverse conditions in Japan. While sales of consumer products in Japan suffered amid the ongoing downturn in consumer spending, sales in overseas markets prospered despite the strength of the yen. Worldwide sales of industrial instruments rose appreciably, benefiting from a sharp recovery in the market for semiconductor-related equipment.

### Net Sales by Industry Segment

For the years ended March 31, 2000 and 1999

	(Millions of Yen, %)	
	2000	1999
Consumer products	¥150,288	¥139,204
Share of net sales	40.4%	45.5%
Industrial instruments	221,513	166,561
Share of net sales	59.6	54.5
Total	¥371,801	¥305,765

## OPERATIONAL REVIEW AND ANALYSIS

Nikon implemented a number of initiatives during the year designed to boost consolidated earnings. The introduction of an in-house company system made individual firms within the Nikon Group more accountable for financial performance by delegating management responsibilities. The company's surveying instruments operations-development, production and sales functions-were unified and incorporated as a separate company. In addition, the ophthalmic lens business was merged into an international joint venture to aid its expansion and development. Nikon developed and launched a number of new products designed to appeal to market trends. Resources were also reallocated to shift management focus to prioritized areas.

Net consolidated sales in fiscal 2000 rose 21.6%, or ¥66.0 billion, to ¥371.8 billion. Net income recovered from a loss in fiscal 1999 to reach ¥7.8 billion.

In terms of performance by industry segment, net sales of consumer products increased 8.0% to ¥150.3 billion, largely as a result of buoyant sales of digital cameras. Operating income rose sharply, to ¥8.9 billion. With sales of steppers recovering strongly, consolidated net sales of industrial instruments rose 33.0% to ¥221.5 billion, producing operating income of ¥9.5 billion.

Splitting out the performance by region, sales in Japan were boosted by a swift recovery in the market for semiconductor-related equipment. Domestic revenues surged 21.4% to ¥333.3 billion, producing operating income of ¥9.4 billion. Overseas, sales of consumer products-especially digital cameras-and steppers and other industrial equipment advanced both in the United States and in Europe. Sales in the United States rose 20.3% to ¥97.0 billion, resulting in operating income of ¥6.0 billion. Sales in Europe soared 35.1% to ¥49.0 billion, leading to operating income of ¥0.3 billion. In Asia, principally due to continued price erosion in the consumer products sector, sales dipped 4.2% to ¥10.9 billion, producing operating income of ¥1.6 billion.

### ***Income Analysis***

**For the years ended March 31, 2000 and 1999**

	(% of Net Sales)	
	<u>2000</u>	1999
Net sales	<b>100.0%</b>	100.0%
Cost of sales	<b>(66.6)</b>	(67.4)
Gross profit	<b>33.4</b>	32.6
SG&A expenses	<b>(28.5)</b>	(35.5)
Operating income (loss)	<b>4.9</b>	(2.9)
Net interest expense and dividend income	<b>(1.1)</b>	(1.4)
Net other income (expenses)	<b>(0.7)</b>	(1.4)
Income (loss) before income taxes and minority interest	<b>3.1</b>	(5.7)
Income taxes	<b>(1.0)</b>	(0.3)
Minority interest	<b>(0.0)</b>	0.0
Net income (loss)	<b><u>2.1</u></b>	<u>(6.0)</u>

Note: All expenses and subtractive amounts are in parentheses.

### ***Balance Sheet Analysis***

**At March 31, 2000 and 1999**

	(% of Total Assets)	
	<u>2000</u>	1999
Total assets	<b>100.0%</b>	100.0%
Total current assets	<b>66.2</b>	65.0
Inventories	<b>30.6</b>	31.7
Property, plant and equipment	<b>17.8</b>	21.4
Investments and other assets	<b>16.0</b>	13.6
Total current liabilities	<b>47.4</b>	44.1
Short-term borrowings	<b>17.0</b>	22.5
Long-term debt, less current portion	<b>19.1</b>	21.7
Shareholders' equity	<b><u>33.2</u></b>	<u>33.9</u>

## FINANCIAL REVIEW AND ANALYSIS

At fiscal year-end, total assets amounted to ¥502.2 billion, up ¥27.2 billion, or 5.7%, from the previous fiscal year-end. This was primarily due to a rise in accounts receivable caused by a sharp increase in sales of industrial instruments towards the end of the year. As a result, current assets increased by 7.8%, or ¥23.9 billion.

On the liabilities side, while accounts payable rose sharply as a consequence of heightened production levels arising from increased sales, a slight drop in borrowings resulted in total liabilities increasing by just ¥21.7 billion.

Dividends paid in fiscal 2000 amounted to ¥2.0 billion. Although an increase in the number of consolidated subsidiaries caused retained earnings to fall by ¥0.2 billion, the return to profitability at the net income level boosted shareholders' equity by ¥7.8 billion. In net terms, total shareholders' equity increased by ¥5.5 billion.

Cash and cash equivalents at the year-end amounted to ¥32.6 billion. As a result of the various measures taken to boost earnings, to reform management structures and to strengthen Nikon's development, production and sales functions, net income for the year before income taxes and minority interest recovered from the previous year's loss to a relative high of ¥11.5 billion.

In terms of cash flows, net cash provided by operating activities increased by ¥15.4 billion to ¥37.5 billion, while net cash used in investing activities fell from ¥23.5 billion to ¥4.4 billion. As a result of a net reduction in the issuance of commercial paper, net cash used in financing activities amounted to ¥22.8 billion, compared with ¥5.5 billion provided by financing activities in the previous year. As a result, after accounting for a ¥1.1 billion decrease due to the effect of exchange rate changes, cash and cash equivalents rose ¥9.2 billion over the previous year.

### Net Sales (¥ Billion)

2000	371.8
1999	305.8
1998	372.1
1997	379.1
1996	332.8

### Operating Income (Loss) (¥ Billion)

2000	18.4
1999	(8.7)
1998	27.5
1997	46.9
1996	49.3

### Net Income (Loss) (¥ Billion)

2000	7.8
1999	(18.2)
1998	8.3
1997	19.9
1996	18.6

### Net Income (Loss) per Share (¥)

2000	21.0
1999	(49.3)
1998	22.5
1997	53.9
1996	50.2

### Capital Expenditures (¥ Billion)

2000	13.9
1999	20.7
1998	26.2
1997	33.8
1996	17.2

### R&D Expenditures (¥ Billion)

2000	17.8
1999	18.7
1998	21.6
1997	19.7
1996	17.0

### Shareholders' Equity (¥ Billion)

2000	166.5
1999	161.0
1998	171.1
1997	165.8
1996	148.7

### Return on Equity (%)

2000	4.7
1999	(11.0)
1998	4.9
1997	12.7
1996	13.2