



Nikon

Innovations in precision
and optical technologies

annual report 2001

Contents

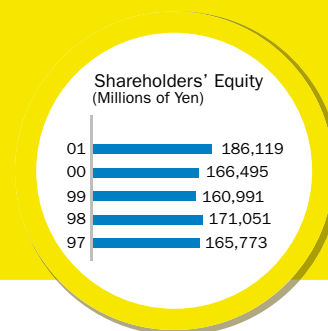
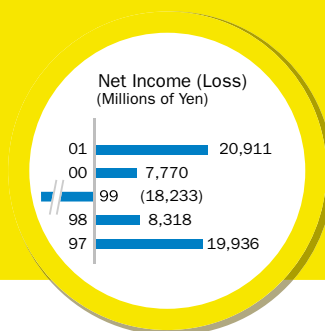
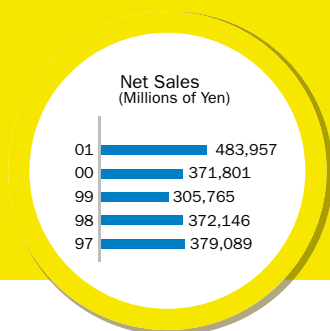
Financial Highlights	1
To Our Shareholders	2
Review of Operations	5
Five-Year Summary	13
Management's Discussion and Analysis of Operations	13
Consolidated Balance Sheets	16
Consolidated Statements of Income	18
Consolidated Statements of Shareholders' Equity	19
Consolidated Statements of Cash Flows	20
Notes to Consolidated Financial Statements	21
Independent Auditors' Report	35
Organization of Nikon Group	36
Nikon's Global Presence	37
Directors, Auditors and Officers	38
Investor Information	39

Profile

Since our establishment in 1917, Nikon Corporation has been a leading pioneer in optical glass manufacturing in Japan, achieving worldwide recognition for an extensive range of high-quality optical equipment. In addition to our unique lineup of conventional film and digital cameras, Nikon manufactures a diverse range of industrial instruments, including steppers and other semiconductor manufacturing-related equipment, microscopes and measuring instruments.

In response to the rapidly changing environment and the demands of the modern age, Nikon has introduced a new in-house company system, as well as an executive officer system in an endeavor to strengthen corporate structure. In line with these is Nikon Vision 21, pointing the way for the next decade with the objectives of further increasing growth and profitability.

With an emphasis on creating a fresh and exciting Nikon for the 21st century and by integrating the core competencies of the entire Nikon Group, we will continue to strive to meet the changing needs of consumers and industries globally in the years to come.



Financial Highlights

Nikon Corporation and Consolidated Subsidiaries
Years ended March 31, 2001 and 2000

	Millions of Yen		Millions of	%
	2001	2000	U.S. Dollars	
For the year			2001	Increase
Net sales	¥ 483,957	¥ 371,801	\$ 3,906	30.2%
Operating income	61,423	18,434	496	
Net income	20,911	7,770	169	
Per share of common stock (Yen and U.S. dollars):				
Net income	¥ 56.53	¥ 21.01	\$ 0.46	
Cash dividends applicable to the year	8.00	5.00	0.06	60.0%
At year-end				
Total assets	¥ 593,454	¥ 502,175	\$ 4,790	18.2%
Shareholders' equity	186,119	166,495	1,502	11.8%

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 ¥123.90 to U.S. \$1.00, the exchange rate at March 31, 2001.



(Right)
Shoichiro Yoshida
Chairman of the Board and
Chief Executive Officer

(Left)
Teruo Shimamura
President, Member of the Board and
Chief Operating Officer

To Our Shareholders

Business Results Overview

The fiscal year ended March 31, 2001 produced very strong results for the Nikon Group, with sales rising 30.2% year-on-year to ¥484.0 billion. Our precision equipment and instruments businesses experienced increased demand due to expansion in the markets for semiconductor-related devices. These divisions posted growth of 36.3% and 15.9%, with sales rising to ¥234.8 billion and ¥59.0 billion, respectively. Our imaging products business benefited from a continued expansion in the digital camera market, both in Japan and overseas. With an array of successful new product introductions, this division generated sales growth of 31.2% over the previous year, recording sales of ¥180.1 billion.*

Profits also grew strongly during the year. Greater economies of scale from higher production levels combined with a Group-wide focus on raising profitability to produce growth in operating income of 233.2%, to ¥61.4 billion. Net income soared 169.1% to ¥20.9 billion. Both figures marked record highs.

We decided to accelerate the amortization of transitional obligation that arose as a result of a new accounting standard for employees' retirement benefits. The sum, determined as of the beginning of year, is being amortized over two years instead of the initially planned three-year period.

Planning for Stable Growth in the 21st Century


Despite the strong performance of the year, future growth prospects remain unclear. The US economy continues to stagnate, while European and Asian economies seem likely to produce at best sluggish growth. Within Japan, there are no indications that a robust economic recovery will materialize soon. In addition, the relatively high exposure of the Nikon Group to the highly cyclical semiconductor sector means that cutbacks in capital investment by semiconductor manufacturers constitute a clear sign of danger. We are therefore cautious about the road ahead.

How can we plan for strong, stable earnings growth in this new century? We must proactively strengthen our organization, become ever more nimble in response to market changes, and based on our core technical base, develop new technologies and undertake business initiatives that meet the needs of the age. Inaction is not an option. Below, we outline some of the moves the Nikon Group has been taking and is planning to take to prepare for the challenges ahead.

In-house company system firmly in place

Since October 1999, the Nikon Group has adopted an in-house company system that delegates responsibility for sales and earnings growth to specific business units. No member of the Group is exempt from this fundamental focus on bottom-line performance. This fiscal year saw progress towards the full

* Beginning with the year ended March 2001, financial results are reported in accordance with the Nikon Group's in-house company system. Previously, just two divisions, Consumer Products and Industrial Instruments, were the basis for reporting. There are now four business segments within the Nikon Group: Precision Equipment, Imaging Products, Instruments, and Other.



realization of this system. In addition to the extensive revision of each company's objectives and management structures within Japan, similar consolidation efforts proceeded in America and Europe.

In the United States, the instruments, and ophthalmic frames and sunglasses businesses of local sales subsidiary Nikon Inc. have been spun off into two new sales companies. Nikon Inc. will continue to provide sales and service support for our imaging products. On October 1, 2000, the holding company that controls these subsidiaries and others, Nikon Americas Inc., took on the additional responsibilities of capital funding, management and operations, as well as the supervision of consolidated tax compliance in America. In Europe, Nikon Holdings Europe B.V. started operations on October 1, 2000 to act as a holding company for assets in Europe, to conduct effective financing, and to provide tax compliance support for Nikon Group companies in that region.

Medium- and long-term strategic plans formulated

While the Nikon Group in-house company system is helping to devolve decision-making power closer to the market, we simultaneously and thoroughly implement the Nikon Group's medium- and long-term strategic plans. Our vision statement, Vision Nikon 21, which was unveiled in March 2000, points the way for the next decade. In October 2000, a decisive list of actions for the next six years was formulated with the Nikon Group Six-Year Plan in a move towards realization of this vision. To achieve the growth and profitability targets of these plans, we also fixed a set of specific numerical targets. These are specified in terms of three-year goals, also drawn up over this fiscal year.

Introduction of an executive officer system and stock option program

In line with strengthening the Nikon Group's management and administration system came the introduction of an executive officer system on June 28, 2001. The initiatives were to increase speed of decision-making and execution of operational strategies by the Board of Directors, as well as to ensure consistent management in each company of the Group. It is hoped that this new structure will further strengthen the division and delegating powers with regard to decision-making and the execution of operational strategies, while being able to provide the opportunity to deploy the right personnel into the most suitable positions.

Along with this change, Shoichiro Yoshida leads the new Board of Directors as Chairman of the Board and CEO. Kenji Enya serves as Vice Chairman of the Board and CFO, while Teruo Shimamura has been appointed President, Member of the Board and COO.

We have also established a stock option program. Timed to coincide with the changes in executive officer system, the program explicitly links shareholder value to individual motivation to produce better results.

New Technologies, New Products in Development

Creating products that define new trends

Nikon has as one of its missions the creation of products that literally define their markets through cutting-edge research and development. Our Precision Equipment Company has continued the production of ArF excimer steppers for mass-production. Its task next year is the commercialization of our new EB stepper for R&D use, which uses an electron beam as a light source to realize resolution of less than 70 nanometers.

In our Instruments Company, in response to the needs of semiconductor manufacturers to produce ultra-fine chip, we have fashioned new kinds of measuring and inspection equipment such as overlay measuring system and automatic macro inspection system.

Neither will our Imaging Company rest on its laurels after the successes of its single-lens reflex (SLR) camera development. We will continue to ride the wave of the digital era, and make full use of our expertise to produce highly innovative products.

New business initiatives

This fiscal year, Nikon has made the decision to enter the chemical mechanical polishing (CMP) system market, which is targeted at semiconductor manufacturers. CMP systems polish and planarize the surfaces of LSI chips formed on silicon wafers. As semiconductor devices become more precise, this system will only grow in importance. We have been able to use our years of research in precision optical polishing, mechanical process, and optical measurement technologies to create this new product, and we firmly believe that this Nikon initiative will spur the evolution of the next generation of LSIs.

The 21st Century: Ever Greater Heights for the Nikon Group

The business world that we survey as we stand at the entrance to this new century is full of challenges. Technology advances at an ever-quicken pace. Business activities are increasingly global in scale. The links between industries are now highly complex and interdependent. Nothing in the previous century could have prepared us for the degree and speed of change that we face today.

Yet we have three major assets that we believe will see us through these challenges. The first of these is our core base in world-class opto-electronics and precision technologies, plus the strength of the Nikon brand name that is trusted the world over. Building on this core as we go forward, our continued development of the stepper will lead to steady advancement and cultivation of nanotechnology. Cameras built the Nikon brand and we will continue to nurture it as our corporate brand. In addition, we will aggressively cross industrial sector boundaries and form alliances with partners in semiconductors, life sciences, and optical communications.

The Nikon of the 21st century is ours to imagine, and to build. That is why the people of Nikon form our second major asset. As the new Vision Nikon 21 mindset permeates our Group, they will build on our technology and teamwork to build a fresher, younger, more exciting company, as well as a corporate culture that creates high employee satisfaction and motivation.

As our third asset, we have the power of management to turn new ideas and technology quickly into market-leading products. We would like to construct a Nikon Group corporate management system suitable to the times, which includes the implementation of various reforms such as the comprehensive execution of the in-house company system, and the possible establishment of a holding company.

We ask for the continued support of all our shareholders as we embark on this mission.

July 2001



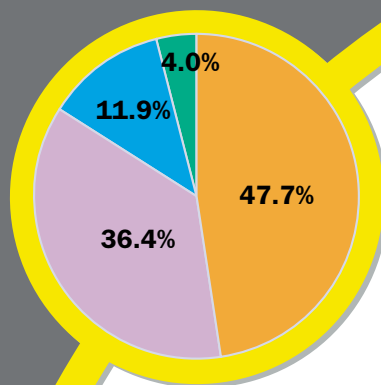
Shoichiro Yoshida
Chairman of the Board and
Chief Executive Officer



Teruo Shimamura
President, Member of the Board and
Chief Operating Officer

Review of Operations

Beginning with the year ended March 2001, financial results are reported in accordance with the Nikon Group's in-house company system. There are now four business segments within the Nikon Group: Precision Equipment, Imaging Products, Instruments and Other.



Net sales for Outside Customers by Industry Segment

Major Products in Industry Segment

■ Precision equipment

IC and LCD steppers

■ Imaging products

Single-lens reflex (SLR) cameras, compact cameras, interchangeable camera lenses, digital cameras, film scanners

■ Instruments

Biological microscopes, industrial microscopes, measuring instruments, inspection equipment

■ Other

Binocular & telescope products, surveying instruments, ophthalmic frames and sunglasses

Continuous efforts are being made on the development of next-generation lithography technology.

Precision Equipment

In the fiscal year ended March 2001, capital investment by semiconductor manufacturers, both in Japan and abroad, reached a very high level. Towards the end of the year, however, a slowdown in sales of personal computers and mobile phones implied signs of an impending cyclical downturn. Total segment net sales increased by 36.3% to ¥234,808 million, while operating income soared 386.3%, to ¥44,487 million.

IC steppers led the strong sales performance. In particular, excimer steppers were the industry's choice for cutting-edge DRAM and microprocessor production applications, while i-line steppers met the needs of flash memory chip fabrication. The commercialization of a new KrF excimer stepper, the NSR-S205C, allowed manufacturers to mass produce advanced devices featuring line widths of less than 0.15 micrometers.

The Nikon Group also made additional investments in facilities at the Kumagaya Plant, substantially boosting production capacity. With the creation of a local subsidiary in Singapore to facilitate support for sales and customer service throughout Southeast Asia, and the strengthening of a more performance-oriented management structure, the Group was able to realize significant progress over the previous year's results.

LCD steppers also contributed to the strong showing. LCD panel manufacturers invested heavily to keep pace with changing market needs as LCD display applications expanded and substrate sizes continued to increase. Nikon in turn also raised its production capacity to respond to customer demand, while also developing new products with improved performance profiles. Featuring a new projection optical system and a scanning exposure mechanism designed to increase exposure area and improve throughput, the FX-21S LCD stepper provided a stellar performance. Overall, the entire LCD stepper product line posted substantial sales gains.

With semiconductor manufacturers likely to cut back the pace of capital investment, the short-term outlook is not so bright. The Nikon Group is committed to increasing production of the ArF excimer stepper, while development efforts on next-generation stepper technologies continues apace. The accumulated number of units of Nikon stepper systems shipped around the world exceeded 6,500. The Nikon Group is expanding after-sales businesses for these systems. Such businesses are expected to generate steady sales growth over many years to come.



**ArF Excimer Stepper
NSR-S305B**



**KrF Excimer Stepper
NSR-S205C**



**i-line Stepper
NSR-SF100**



**LCD Stepper
FX-21S**

Optical expertise together
with digital technology will
create new phases of imaging
businesses.

Imaging Products

The traditional film camera market, encompassing single-lens reflex (SLR) cameras, compact cameras, and interchangeable camera lenses, contracted over this year, but the digital camera market continued to grow at a ferocious pace. Total segment sales grew by 31.2% to ¥180,112 million. Operating income rose 35.6% to ¥10,503 million.

The high-performance, easy to use Nikon F80 (N80 in the United States) SLR series was a top seller both in Japan and abroad, along with the Nikon U (F65 overseas, except the United States/N65 in the United States) model for the consumer market, which was launched in the domestic market in the latter half of the year. As a result, sales were able to exceed those of the previous year. Nikon interchangeable lenses especially zoom lenses showed improved sales, coupled with a rise in sales of SLR cameras. Compact cameras also posted gains, on the strength of new products like the Light-Touch Zoom 120ED QD. The Nikon S3 Year 2000 Limited Edition performed strongly, exceeding expectations. In digital cameras, the COOLPIX 990 and COOLPIX 880 models sold well in many markets.

The Nikon D1 digital SLR camera received high marks from the European Imaging and Sound Association (EISA). For the way in which “its high-speed image processing and superior ease of use have redefined the digital camera experience,” EISA named it “Best Digital Professional Product 2000-2001.” The same group also cited the COOLPIX 990 for its superior overall imaging performance, conferring upon it the title of “Best Digital Compact Camera 2000-2001.”

Among other moves, Nikon opened the Nikon Plaza Shinjuku in Tokyo. This will hold photographic exhibitions, introduce the Nikon line-up, and deliver after-sales service to Nikon customers. In Malaysia, a local subsidiary, Nikon (Malaysia) Sdn. Bhd., was established to handle local sales and provide after-sales customer services. The Nikon Group also made investments to expand production capacity and make other improvements at overseas manufacturing bases.

Demand in the traditional film camera market seems likely to continue the current downward trend, while the digital camera market is set to expand further. SLR-type digital cameras with even heightened D1 functions such as the D1x and D1h, and digital cameras such as the COOLPIX 995 and COOLPIX 775 (announced to the US market in April, 2001) illustrate the broad market range of Nikon products, catering to the photography professional as well as the average consumer. As Nikon continues to expand its product range, it plans to place a greater emphasis on the role of the Internet in developing new, deeper, and more productive relationships with its customer base.





**Digital Camera
COOLPIX 995**



**Digital Camera
COOLPIX 775**



**35mm/IX240
Film Scanner
COOLSCAN IV ED**

The modern age requires expertise to accrue more precision in measuring and inspection equipment.

Instruments

The microscope market grew slightly during the year, spurred on by growth in the semiconductor and electronic components markets. Total segment net sales rose 15.9% to ¥59,008 million, while operating income swelled to ¥5,190 million, a 535.0% increase over the previous year.

In the biological microscopes field, the new DXM1200 high-resolution digital camera for microscopes, which delivers an approximately 12-million-pixel-output ultrahigh resolution image, helped the Nikon Group to post sales gains. In industrial microscopes, LSI inspection microscopes and stereoscopic microscopes also sold well. In measuring instruments, sales of measuring microscopes and computerized numerical control (CNC) video measuring systems were buoyed by a robust electronic components market. IC wafer inspection system sold extremely well, both in Japan and overseas markets. Overlay measuring system also began to enjoy broad market support domestically. Total sales figures easily surpassed those of last year as a result.

The Nikon Group worked diligently to restructure its sales and service network in the United States with the establishment of Nikon Instruments Inc., a new local subsidiary. Production systems were also strengthened.

While the impending downturn in capital investment by semiconductor firms is of some concern, the sales success of overlay measuring system and automatic macro inspection system enhances prospects for continued sales growth in the semiconductor measuring and inspection market segments.



**Biological Microscope
ECLIPSE E200**



**IC Inspection
Microscope
ECLIPSE L150**



**CNC Video
Measuring System
NEXIV VMR-3020**



**Automatic Macro
Inspection System
AMI-2000**

Reorganization and restructuring
will put Nikon closer to the
diverse market needs.

Other

Total segment sales rose 39.6% to ¥43,610 million. Operating income grew 98.0% to ¥1,729 million.

Year-on-year sales advances in binocular and telescope products were led by the Sportstar III compact folding binocular series, which garnered a strong response from the American market. Customized Products Division secured an order for an optical system to be used in satellite projects, while the new business division generated increased sales for its line of stampers, which are used as precise master plate in optical disc production.

The production and sales activities of surveying instruments are now contained within a separate subsidiary, which is working to raise sales. While market competition forced unit prices lower during the year, the impact on profits was nullified by reductions in fixed costs and operating expenses.

In the ophthalmic frames and sunglasses business, market conditions proved harsh, reflecting sluggish consumer spending and market price erosion.

The Nikon Group has entered the CMP (chemical mechanical polishing) system market, augmenting expectations of sales growth. Nikon's binocular and telescope products' operations were spun off in May 2001 into a new Japanese subsidiary Nikon Vision Co., Ltd., which has a mandate to generate profitable performance while more quickly and flexibly meeting the needs of its customers.

*Pulse Laser Station NPL-350 in overseas markets



**Sportstar III
8X25DCF**



**Total Station
NST-200N***



**Sunglasses
Earthic**

FIVE-YEAR SUMMARY

Nikon Corporation and Consolidated Subsidiaries
Years ended March 31

	Millions of Yen					Thousands of U.S. Dollars
	2001	2000	1999	1998	1997	2001
For the year						
Net sales	¥ 483,957	¥ 371,801	¥ 305,765	¥ 372,146	¥379,089	\$ 3,906,026
Cost of sales	301,759	247,473	205,984	224,546	219,791	2,435,499
SG&A expenses	120,775	105,894	108,522	120,123	112,385	974,782
Operating income (loss)	61,423	18,434	(8,741)	27,477	46,913	495,745
Income (loss) before income taxes and minority interest	29,827	11,479	(17,447)	18,929	36,740	240,738
Net income (loss)	20,911	7,770	(18,233)	8,318	19,936	168,770
Per share of common stock (Yen and U.S. dollars):						
Net income (loss)	¥ 56.53	¥ 21.01	¥ (49.29)	¥ 22.48	¥ 53.89	\$ 0.46
Cash dividends applicable to the year	8.00	5.00	3.00	8.00	8.00	0.06
Capital expenditures	¥ 25,996	¥ 13,881	¥ 20,719	¥ 26,168	¥ 33,757	\$ 209,815
Depreciation and amortization	16,007	17,251	20,110	18,407	15,635	129,197
R&D costs	22,794	17,798	18,729	21,633	19,681	183,972
At year-end						
Total assets	¥ 593,454	¥ 502,175	¥ 474,965	¥ 507,326	¥460,271	\$ 4,789,778
Shareholders' equity	186,119	166,495	160,991	171,051	165,773	1,502,171

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 ¥123.90 to U.S. \$1.00, the exchange rate at March 31, 2001.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATIONS

OPERATING ENVIRONMENT

The fiscal year ended March 31, 2001 witnessed a sharp slowdown in the American economy as a tumbling stock market led to stalled consumer spending and significant adjustments in levels of production and inventory. In Europe, solid economic growth was hit by interest rate hikes and high oil prices, both of which put a significant damper on performance in the second half of the year. Consistent export-led growth in Asian economies also began to show signs of tapering off as the business environment in key export markets deteriorated.

In Japan, consumer spending continued to lack vitality. Despite a gentle recovery in the first half supported by private-sector capital investment, the drop-off in exports in the second half had a negative impact on industrial production. Uncertainty over the prospects of any recovery in private-sector business investment cast a dark cloud over many parts of the economy.

Despite harsh business conditions, the Nikon Group's businesses performed well. Precision Equipment and Instruments benefited from strong demand due to expansion in the semiconductor equipment market and posted solid gains. Imaging Products also produced a good performance on the back of strong growth in the digital camera market.

Net Sales by Industry Segment Years ended March 31, 2001 and 2000

	Millions of Yen, %		Thousands of U.S. Dollars
	2001	2000	2001
Precision Equipment	¥ 234,808	¥ 172,261	\$ 1,895,139
Share of net sales	48.5%	46.3%	
Imaging Products	180,112	137,247	1,453,686
Share of net sales	37.2	36.9	
Instruments	59,008	50,905	476,257
Share of net sales	12.2	13.7	
Other	43,610	31,241	351,979
Share of net sales	9.0	8.4	
Total	¥ 517,538	¥ 391,654	\$ 4,177,061
(Eliminations)	(33,581)	(19,853)	(271,035)
	(6.9)	(5.3)	
Consolidated	¥ 483,957	¥ 371,801	\$ 3,906,026

OPERATIONAL REVIEW AND ANALYSIS

During the year, the Nikon Group worked to further promote its in-house company system, thus ensuring consistent business unit focus and creating a structure for stronger consolidated revenue and profit growth. In Europe, a new holding company was established to strengthen the regional management structure while realizing new efficiencies in resource allocation. Research and development spending and new capital investment were concentrated in those areas that showed the greatest potential for future growth. In addition, a new Customized Products Division was established to leverage Nikon's core technological base by responding to specific trends in customer demand. This approach promises to lead to the development of new, next-generation technologies and novel business opportunities.

Consolidated net sales in fiscal 2001 totaled ¥484.0 billion, a gain of ¥112.2 billion, or 30.2%, over the previous year. Consolidated net income rose substantially, to ¥20.9 billion. Both figures marked record highs.

Breaking down results by business segment, Precision Equipment posted ¥234.8 billion in net sales, a gain of 36.3%, and ¥44.5 billion in operating income. Strong sales of IC and LCD steppers contributed markedly to these numbers. Imaging Products benefited from continued growth in the digital camera market, posting a gain in net sales of 31.2% to ¥180.1 billion, alongside operating income of ¥10.5 billion. Instruments recorded net sales of ¥59.0 billion, a 15.9% increase over the previous year, thanks to strong sales of microscopes. Operating profit for the segment amounted to ¥5.2 billion.

In Japan, Precision Equipment capitalized on high levels of capital investment by semiconductor manufacturers to achieve strong sales of IC and LCD steppers. Instruments generated strong sales of industrial microscopes, while Imaging Products expanded its sales as a result of the continued expansion of the digital camera market and the launch of several new products, including accessories for single-lens reflex (SLR) cameras. Total sales in Japan increased by 27.3% to ¥424.2 billion, while operating income amounted to ¥54.7 billion.

In both North America and Europe, sales of IC steppers and other semiconductor-related equipment, as well as imaging products such as digital cameras, pushed sales revenues higher. In North America, sales grew by 48.7% to ¥144.3 billion, with operating income of ¥8.0 billion. In Europe, sales were up 58.4% to ¥77.6 billion, with operating income soaring to ¥4.4 billion. In Asia, a strong performance by newly launched SLR camera models contributed to substantial gains at Imaging Products. Regional sales rose 130.1% to ¥25.0 billion, while operating income grew to ¥3.9 billion.

Income Analysis

Years ended March 31, 2001 and 2000

	(% of Net Sales)	
	<u>2001</u>	<u>2000</u>
Net sales	100.0%	100.0%
Cost of sales	(62.4)	(66.6)
Gross profit	37.6	33.4
SG&A expenses	(24.9)	(28.5)
Operating income	12.7	4.9
Net interest expense and dividend income	(0.6)	(1.1)
Net other income (expenses)	(5.9)	(0.7)
Income before income taxes and minority interest	6.2	3.1
Income taxes	(1.9)	(1.0)
Minority interest	(0.0)	(0.0)
Net income	<u>4.3</u>	<u>2.1</u>

Note: All expenses and subtractive amounts are in parentheses.

Balance Sheet Analysis

March 31, 2001 and 2000

	(% of Total Assets)	
	<u>2001</u>	<u>2000</u>
Total assets	100.0%	100.0%
Total current assets	70.1	66.2
Inventories	33.7	30.6
Property, plant and equipment	16.5	17.8
Investments and other assets	13.4	<u>16.0</u>
Total current liabilities	54.5	47.4
Short-term borrowings	14.0	17.0
Long-term debt, less current portion	12.1	19.1
Shareholders' equity	<u>31.4</u>	<u>33.2</u>

FINANCIAL REVIEW AND ANALYSIS

At fiscal year-end, total assets amounted to ¥593.5 billion, up ¥91.3 billion, or 18.2% from the previous fiscal year-end. These figures reflected strong semiconductor-related demand, increased production levels and higher sales across the company, all of which substantially boosted levels of trade receivables and inventories. Current assets increased by ¥83.6 billion, or 25.2% over the previous year-end.

Interest-bearing liabilities decreased over the year, but these reductions were offset by higher payables incurred by expanded production levels, together with an increase in the liability for employees' retirement benefits. Overall, total liabilities increased by ¥71.5 billion.

Final cash dividend payments in 2001 totaled ¥2.4 billion. Net income for the year amounted to ¥20.9 billion. After accounting for an increase of ¥0.1 billion in the adjustment of retained earnings for newly consolidated subsidiaries and other factors, the net increase in total shareholders' equity amounted to ¥19.6 billion.

In terms of cash flows, cash and cash equivalents at year-end amounted to ¥33.7 billion. Measures taken to boost earnings and profitability, reform management structures, and strengthen the Nikon Group's development, production, and sales functions contributed to a solid increase in income before income taxes and minority interest, to ¥29.8 billion—a new record. Net cash provided by operating activities totaled ¥34.9 billion. In terms of cash outflows, net cash used in investing activities to fund capital expenditure and other factors amounted to ¥15.7 billion, while net cash used in financing activities for repayments related to both corporate bonds and borrowings was ¥20.6 billion. After a positive foreign currency translation adjustment on cash and cash equivalents of ¥1.5 billion, cash and cash equivalents rose ¥0.1 billion higher than at the previous year-end.

Net Sales (¥ Billion)

2001	484.0
2000	371.8
1999	305.8
1998	372.1
1997	379.1

Operating Income (Loss) (¥ Billion)

2001	61.4
2000	18.4
1999	(8.7)
1998	27.5
1997	46.9

Net Income (Loss) (¥ Billion)

2001	20.9
2000	7.8
1999	(18.2)
1998	8.3
1997	19.9

Net Income (Loss) per Share (¥)

2001	56.5
2000	21.0
1999	(49.3)
1998	22.5
1997	53.9

Capital Expenditures (¥ Billion)

2001	26.0
2000	13.9
1999	20.7
1998	26.2
1997	33.8

R&D Costs (¥ Billion)

2001	22.8
2000	17.8
1999	18.7
1998	21.6
1997	19.7

Shareholders' Equity (¥ Billion)

2001	186.1
2000	166.5
1999	161.0
1998	171.1
1997	165.8

Return on Equity (%)

2001	11.9
2000	4.7
1999	(11.0)
1998	4.9
1997	12.7

CONSOLIDATED BALANCE SHEETS

Nikon Corporation and Consolidated Subsidiaries
March 31, 2001 and 2000

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2001	2000	2001
ASSETS			
Current assets			
Cash and cash equivalents	¥ 33,732	¥ 32,574	\$ 272,256
Notes and accounts receivable — trade (Note 5):			
Customers	140,587	122,285	1,134,679
Unconsolidated subsidiaries and associated companies	763	680	6,158
Allowance for doubtful receivables	(2,623)	(2,116)	(21,173)
Inventories (Note 4)	199,798	153,847	1,612,573
Deferred tax assets (Note 8)	26,693	12,521	215,440
Other current assets (Note 3)	16,952	12,514	136,826
Total current assets	<u>415,902</u>	<u>332,305</u>	<u>3,356,759</u>
Property, plant and equipment			
Land	15,867	13,736	128,061
Buildings and structures	84,893	81,999	685,173
Machinery and equipment	101,271	97,079	817,363
Furniture and fixtures	51,795	51,613	418,042
Construction in progress	11,518	6,243	92,961
Total	<u>265,344</u>	<u>250,670</u>	<u>2,141,600</u>
Accumulated depreciation	(167,108)	(161,245)	(1,348,737)
Net property, plant and equipment	<u>98,236</u>	<u>89,425</u>	<u>792,863</u>
Investments and other assets			
Investment securities (Notes 3 and 5)	53,214	49,368	429,488
Investments in unconsolidated subsidiaries and associated companies	4,757	5,643	38,390
Long-term loans:			
Employees and other	739	808	5,966
Unconsolidated subsidiaries and associated companies	35	78	282
Allowance for doubtful receivables	(83)	(48)	(676)
Software	5,598	6,523	45,182
Deposit	3,605	3,554	29,100
Deferred tax assets (Note 8)	5,370	4,141	43,340
Foreign currency translation adjustments		7,107	
Other	6,081	3,271	49,084
Total investments and other assets	<u>79,316</u>	<u>80,445</u>	<u>640,156</u>
Total	<u>¥593,454</u>	<u>¥ 502,175</u>	<u>\$4,789,778</u>

See Notes to Consolidated Financial Statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2001	2000	2001
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Short-term borrowings (Note 5)	¥ 82,996	¥ 85,558	\$ 669,864
Current portion of long-term debt (Note 5)	25,351	15,439	204,610
Notes and accounts payable — trade:			
Suppliers	113,800	86,685	918,479
Unconsolidated subsidiaries and associated companies	1,044	1,103	8,427
Income taxes payable	22,023	3,175	177,745
Accrued expenses	38,886	30,194	313,849
Other current liabilities (Note 5)	39,303	16,083	317,220
Total current liabilities	<u>323,403</u>	<u>238,237</u>	<u>2,610,194</u>
Long-term liabilities			
Long-term debt (Note 5)	71,804	95,728	579,529
Liability for employees' retirement benefits (Note 6)	10,024	1,349	80,904
Other long-term liabilities	1,928	355	15,561
Total long-term liabilities	<u>83,756</u>	<u>97,432</u>	<u>675,994</u>
Minority interest	<u>176</u>	<u>11</u>	<u>1,419</u>
Commitments and Contingent liabilities (Notes 10, 11 and 12)			
Shareholders' equity			
Common stock (Note 7):			
¥50 par value per share			
Authorized — 1,000,000,000 shares			
Issued and outstanding — 369,927,584 shares in 2001 and 2000	36,661	36,661	295,891
Additional paid-in capital (Note 7)	51,910	51,910	418,964
Retained earnings (Notes 7 and 13)	96,560	77,950	779,339
Unrealized gain on available-for-sale securities	4,715		38,059
Foreign currency translation adjustments	(3,726)		(30,075)
	<u>186,120</u>	<u>166,521</u>	<u>1,502,178</u>
Treasury stock, at cost :			
632 shares in 2001 and 6,658 shares in 2000	(1)	(26)	(7)
Total shareholders' equity	<u>186,119</u>	<u>166,495</u>	<u>1,502,171</u>
Total	<u>¥593,454</u>	<u>¥502,175</u>	<u>\$4,789,778</u>

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Nikon Corporation and Consolidated Subsidiaries
Years ended March 31, 2001 and 2000

	Thousands	Millions of Yen					
	Outstanding Number of Shares of Common Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Unrealized Gain on Available-for- sale Securities	Foreign Currency Translation Adjustments	Treasury Stock
BALANCE, APRIL 1, 1999	369,928	¥ 36,661	¥ 51,910	¥ 72,424	¥	¥	¥ (4)
Net income				7,770			
Cash dividends, ¥5.5 per share				(2,034)			
Adjustment of retained earnings for newly consolidated subsidiaries				(229)			
Adjustment of retained earnings for additional application of equity method				19			
Increase in treasury stock							(22)
BALANCE, MARCH 31, 2000	369,928	¥ 36,661	¥ 51,910	¥ 77,950			¥ (26)
Net income				20,911			
Cash dividends, ¥6.5 per share				(2,405)			
Bonuses to directors and corporate auditors				(30)			
Adjustment of retained earnings for newly consolidated subsidiaries				134			
Unrealized gain on available-for-sale securities					4,715		
Foreign currency translation adjustments						(3,726)	
Decrease in treasury stock							25
BALANCE, MARCH 31, 2001	369,928	¥ 36,661	¥ 51,910	¥ 96,560	¥ 4,715	¥ (3,726)	¥ (1)

	Thousands of U.S. Dollars (Note 1)					
	Common Stock	Additional Paid-in Capital	Retained Earnings	Unrealized Gain on Available-for- sale Securities	Foreign Currency Translation Adjustments	Treasury Stock
BALANCE, MARCH 31, 2000	\$ 295,891	\$ 418,964	\$ 629,134	\$	\$	\$ (207)
Net income			168,770			
Cash dividends, U.S.\$0.05 per share			(19,407)			
Bonuses to directors and corporate auditors			(242)			
Adjustment of retained earnings for newly consolidated subsidiaries			1,084			
Unrealized gain on available-for-sale securities				38,059		
Foreign currency translation adjustments					(30,075)	
Decrease in treasury stock						200
BALANCE, MARCH 31, 2001	\$ 295,891	\$ 418,964	\$ 779,339	\$ 38,059	\$ (30,075)	\$ (7)

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Nikon Corporation and Consolidated Subsidiaries
Years ended March 31, 2001 and 2000

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2001	2000	2001
Operating activities:			
Income before income taxes and minority interest	¥ 29,827	¥ 11,479	\$ 240,738
Adjustments for:			
Income taxes-paid	(8,592)	(2,561)	(69,348)
Depreciation and amortization	16,007	17,251	129,197
Provision for employees' retirement benefits	10,024		80,903
Loss on sales or disposal of property, plant and equipment	1,251	1,004	10,094
Gain on sales of property, plant and equipment	(4,575)	(736)	(36,925)
Other-net	7,938	608	64,070
Change in assets and liabilities:			
Increase in notes and accounts receivable — trade	(12,633)	(27,372)	(101,958)
Increase in inventories	(41,944)	(7,311)	(338,531)
Increase in notes and accounts payable — trade	22,534	38,874	181,876
Other-net	15,087	6,248	121,764
Total adjustments	5,097	26,005	41,142
Net cash provided by operating activities	34,924	37,484	281,880
Investing activities:			
Capital expenditures	(18,184)	(11,161)	(146,762)
Proceeds from sales of property, plant and equipment	5,452	2,682	44,006
Purchases of investments in securities	(5,090)	(5,630)	(41,078)
Proceeds from sales of investments in securities	2,203	1,282	17,781
Net decrease (increase) in loans receivable	3,250	(3,961)	26,228
Other-net	(3,325)	12,362	(26,837)
Net cash used in investing activities	(15,694)	(4,426)	(126,662)
Financing activities:			
Net decrease in short-term borrowings	(2,943)	(19,033)	(23,755)
Proceeds from long-term debt	1,317	10,629	10,629
Repayments of long-term debt	(16,617)	(12,340)	(134,119)
Dividends paid	(2,392)	(2,037)	(19,303)
Other-net	1	(28)	9
Net cash used in financing activities	(20,634)	(22,809)	(166,539)
Foreign currency translation adjustments on cash and cash equivalents	1,495	(1,081)	12,066
Net increase in cash and cash equivalents	91	9,168	745
Cash and cash equivalents of newly consolidated subsidiaries at beginning of year	1,067	39	8,609
Cash and cash equivalents of exclusive consolidated subsidiaries at end of year		(52)	
Cash and cash equivalents at beginning of year	32,574	23,419	262,902
Cash and cash equivalents at end of year	¥ 33,732	¥ 32,574	\$ 272,256
Non-cash investing and financing activities			
Assets increased by consolidation of subsidiaries previously unconsolidated	¥ 16,258	¥ 159	\$ 131,217
Liabilities increased by consolidation of subsidiaries previously unconsolidated	231	62	1,861

See Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Nikon Corporation and Consolidated Subsidiaries
Years ended March 31, 2001 and 2000

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Securities and Exchange Law of Japan and its related accounting regulations, and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Accounting Standards. The consolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

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 accordance with accounting procedures generally accepted in Japan, certain comparative disclosures are not required to be and have not been presented herein.

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 rate of ¥123.90 to U.S.\$1, the rate of exchange at March 31, 2001. 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.

Certain reclassifications have been made in 2000 financial statements to conform to classification used in 2001.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Consolidation

The consolidated financial statements as of March 31, 2001 include the accounts of the Company and its 41 significant (33 in 2000) 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.

An investment in 1 associated company (3 unconsolidated subsidiaries and 1 associated company in 2000) is 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 differences between the cost and underlying net equity of investments in consolidated subsidiaries and an associated company accounted for by the equity method at acquisition ("Goodwill") are insignificant and are charged to income when incurred.

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) 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, certificate of deposits, commercial paper and mutual funds investing in bonds that represent short-term investments, all of which mature or become due within three months of the date of acquisition.

(c) Marketable and Investment Securities

Prior to April 1, 2000, marketable securities and investments in securities were stated principally at cost as determined using the average method. Effective April 1, 2000, the Group adopted a new accounting standard for financial instruments, including marketable and investment securities. The standard requires all applicable securities to be classified and accounted for, depending on management's intent, as follows:

- i) Trading securities, which are held for the purpose of earning capital gains in near term are reported at fair value, and the related unrealized gains and losses are included in the earnings,
- ii) 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 method and
- iii) Available-for-sale securities, which are not classified as either of the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of shareholders' equity.

Available-for-sale securities whose fair value is not readily determinable are stated principally at moving-average cost method.

(d) Inventories

Inventories of the Company and its domestic subsidiaries are stated at cost as determined principally using the average method, except for work in process which is determined by the specific identification method. Inventories of foreign subsidiaries are stated at the lower of cost or market as determined principally using the first-in, first-out method.

(e) Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation of the Company and 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 structures, from 5 to 10 years for machinery and equipment.

Accounting Change - In 2000, the Company and domestic subsidiaries adopted the straight-line method of depreciation for the buildings (excluding facilities incidental to buildings), which, previously, had been depreciated by the declining-balance method. This change was made to more accurately allocate the cost of the buildings in light of the operations of the Group.

The effect of this change was to decrease depreciation expenses by ¥520 million and to increase income before income taxes by ¥388 million for the year ended March 31, 2000.

(f) Retirement and Pension Plans

The Company and major subsidiaries have non-contributory funded pension plans covering substantially all of its employees. Certain foreign subsidiaries also have contributory pension plans.

Prior to April 1, 2000, the amounts contributed to the fund of the Company and major domestic subsidiaries were charged to income when paid. And other domestic subsidiaries have unfunded retirement benefit plans and set up a liability for retirement allowance at 40% of the amount which would be required if all employees voluntarily terminated their employment at the balance sheet date.

Effective April 1, 2000, the Group adopted the new accounting standard for employees' retirement benefits and accounted for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date.

The full amount of the transitional obligation of ¥26,203 million (\$211,482 thousand) less securities contributed to the pension fund of ¥6,711 million (\$54,168 thousand), determined as of the beginning of year, are amortized over two years commencing from the current period. As a result of adopting this new standard, net periodic benefit costs as compared with the prior method, increased by ¥14,232 million (\$114,867 thousand) and income before income taxes and minority interests decreased by ¥12,882 million (\$103,967 thousand).

(g) Research and Development Costs

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

(h) 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.

(i) Income Taxes

The Group adopts the accounting method for interperiod allocation of income taxes based on the asset and liability method.

Deferred income taxes are recorded to reflect the impact of temporary differences between assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes. These deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

(j) Appropriations of Retained Earnings

Appropriations of retained earnings at each year-end are reflected in the consolidated financial statements in the following year upon shareholder's approval.

(k) Foreign Currency Transactions

Prior to April 1, 2000, short-term receivables and payables denominated in foreign currencies, except for those hedged by forward exchange contracts, were translated into Japanese yen at the current exchange rates at each balance sheet date, while long-term receivables and payables denominated in foreign currencies were translated at historical rates. Foreign currency balances hedged by forward exchange contracts are translated into Japanese yen at the contracted rates.

Effective April 1, 2000, the Group adopted the revised accounting standard for foreign currency transactions. All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the current exchange rates in effect at each balance sheet date. The foreign exchange gains and losses from translation are recognized in the income statement to the extent that they are not hedged by forward exchange contracts. The adoption of the revised accounting standard for foreign currency transactions did not have a material effect on the Companies' consolidated financial statements.

(l) Foreign Currency Financial Statements

The balance sheet accounts and revenue and expense accounts of the foreign subsidiaries are translated into Japanese yen at the current exchange rates except for shareholders' equity, which is translated at the historical exchange rate.

Prior to April 1, 2000, differences arising from such translation were shown as "Foreign currency translation adjustments" as either all asset or liability in the balance sheet. Effective April 1, 2000, such differences are shown as "Foreign currency translation adjustments" in a separate component of shareholder's equity in accordance with the revised accounting standard for foreign currency transactions.

(m) Derivatives and Hedging Activities

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

Effective April 1, 2000, the Group adopted the new accounting standard for derivative financial instruments and revised accounting standard for foreign currency transactions. All derivatives be recognized principally as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the income statements unless the instrument qualifies for hedge accounting. For derivatives used for hedging purpose, 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 the fair value and the unrealized gains / losses are recognized in income. Forward contracts applied for forecasted transactions are also measured at the fair value but the unrealized gains / losses on qualifying hedges are deferred until the underlying transactions are completed. The foreign currency swaps for long-term debt denominated in foreign currencies used to hedge the foreign currency fluctuations are measured at the fair value and the unrealized gains / losses are included in the carrying amounts of the debt. The interest rate swaps are remeasured at market value and the differential paid or received under the swap agreements are recognized in income.

As a result of adopting this new standard, income before income taxes and minority interests increased by ¥478 million (\$3,861 thousand).

(n) Revenue recognition

The Securities and Exchange Commission ("SEC") in the United States of America issued Staff Accounting Bulletin No. 101 ("SAB 101"), "Revenue Recognition in Financial Statements", which clarified delivery criteria. Certain foreign subsidiaries adopted the provisions of SAB 101 from the year ended March 31, 2001. As a result of adopting SAB 101, net sales decreased by ¥22,146 million (\$178,741 thousand).

(o) Per Share Information

Net income per share is computed based on the weighted average number of shares of common stock outstanding during each year. The average number of common shares used in the computation was 369,924,491 shares for 2001 and 369,918,890 shares for 2000.

Cash dividends per share shown in the consolidated statements of income are presented on an accrual basis and include interim dividends paid and year ended dividends to be approved after the balance sheet date.

3. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities at March 31, 2001 and 2000 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	2001
Current:			
Marketable equity securities	¥	¥ 2	\$
Bank debentures and other		10	14
Total	¥ 2	¥ 12	\$ 14
Non-Current:			
Equity securities	¥ 52,378	¥ 49,266	\$ 422,744
Trust bonds, debentures and other	836	102	6,744
Total	¥ 53,214	¥ 49,368	\$ 429,488

The carrying amounts and aggregate fair values of marketable and investment securities at March 31, 2001 were as follows:

March 31, 2001	Millions of Yen			Fair Value
	Cost	Unrealized Gains	Unrealized Losses	
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 39,766	¥ 11,090	¥ 2,961	¥ 47,895
Debt securities	786	1	0	787
Held-to-maturity	0	0	0	0
Total	¥ 40,552	¥ 11,091	¥ 2,961	¥ 48,682

March 31, 2001	Thousands of U.S. Dollars			Fair Value
	Cost	Unrealized Gains	Unrealized Losses	
Securities classified as:				
Available-for-sale:				
Equity securities	\$ 320,949	\$ 89,507	\$ 23,898	\$ 386,558
Debt securities	6,342	9	0	6,351
Held-to-maturity	0	0	0	0
Total	\$ 327,291	\$ 89,516	\$ 23,898	\$ 392,909

Available-for-sale securities whose fair value is not readily determinable as of March 31, 2001 were as follows:

	Carrying Amount	
	Millions of Yen	Thousands of U.S. Dollars
Available-for-sale:		
Equity securities	¥ 4,483	\$ 36,186
Other securities	50	406
Total	¥ 4,533	\$ 36,592

Proceeds from sales of available-for-sale securities for the year ended March 31, 2001 were ¥2,203 million (\$17,781 thousand). Gross realized losses on these sales, computed on the moving average cost basis, were ¥1,668 million (\$13,462 thousand).

The carrying values of debt securities by contractual maturities for securities classified as available-for-sale and held-to-maturity at March 31, 2001 are as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	Available for Sale	Held to Maturity	Available for Sale	Held to Maturity
Due in one year or less	¥	¥ 0	\$	\$ 0
Due after one year through five years	4		36	
Total	¥ 4	¥ 0	\$ 36	\$ 0

Carrying amounts and aggregate market values of current and non-current marketable equity securities included in marketable securities and investment securities at March 31, 2000 were as follows:

	Millions of Yen		
	Carrying Amount	Aggregate Market Value	Net Unrealized Gain
Current	¥ 2	¥ 3	¥ 1
Non-current	44,856	58,975	14,119
Total	¥ 44,858	¥ 58,978	¥ 14,120

The difference between the above carrying value and the amounts shown in the accompanying consolidated balance sheets principally consists of non-marketable securities for which there is no readily-available market from which to obtain or calculate the market value thereof.

4. INVENTORIES

Inventories at March 31, 2001 and 2000 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	2001
Finished and semi-finished products	¥ 72,893	¥ 55,072	\$ 588,321
Work in process	110,752	85,213	893,886
Raw materials and supplies	16,153	13,562	130,366
Total	¥ 199,798	¥ 153,847	\$ 1,612,573

5. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at March 31, 2001 and 2000 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	2001
Short-term loans, principally from banks:			
2001: 0.4247%-7.9700%			
2000: 0.4402%-7.3840%	¥ 50,996	¥ 71,558	\$ 411,592
Commercial paper:			
2001: 0.0092%-0.4050%			
2000: 0.0709%-0.1235%	32,000	14,000	258,272
Total	¥ 82,996	¥ 85,558	\$ 669,864

Long-term debt at March 31, 2001 and 2000 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	2001
Loans, principally from banks and insurance companies:			
2001: 0.70%-9.220% due 2001-2006			
2000: 1.18%-9.185% due 2000-2006	¥ 17,155	¥ 21,167	\$ 138,459
Bonds	80,000	90,000	645,680
Total	97,155	111,167	784,139
Less: Current portion	(25,351)	(15,439)	(204,610)
Long-term debt, less current portion	¥ 71,804	¥ 95,728	\$ 579,529

The following is a summary of the terms of bonds which the Company may at any time purchase at any price in the open market or otherwise.

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	To be redeemed in	Millions of Yen		Thousands of U.S. Dollars
			2001	2000	2001
4.85% Euro-Yen Unsecured Bonds	September 1994	December 2001	¥ 10,000	¥ 10,000	\$ 80,710
4.4% Yen Unsecured Bonds	January 1995	January 2001		10,000	
2.95% Yen Unsecured Bonds	February 1996	February 2003	10,000	10,000	80,710
2.7% Yen Unsecured Bonds	February 1996	February 2002	10,000	10,000	80,710
2.45% Yen Unsecured Bonds	March 1997	March 2004	10,000	10,000	80,710
2.7% Yen Unsecured Bonds	June 1997	June 2003	10,000	10,000	80,710
2.5% Yen Unsecured Bonds	November 1997	November 2007	10,000	10,000	80,710
2.575% Yen Unsecured Bonds	April 1998	April 2005	10,000	10,000	80,710
1.76% Yen Unsecured Bonds	August 1999	August 2004	10,000	10,000	80,710
Total			¥ 80,000	¥ 90,000	\$ 645,680

The aggregate annual maturities of long-term debt for the years following March 31, 2001 are as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2002	¥ 25,351	\$ 204,610
2003	16,810	135,668
2004	22,268	179,729
2005	10,455	84,379
2006	12,255	98,910
Thereafter	10,016	80,843
Total	¥ 97,155	\$ 784,139

At March 31, 2001, the following assets were pledged as collateral for the short-term borrowings, long-term debt and other liabilities.

	Millions of Yen	Thousands of U.S. Dollars
Notes and accounts receivable-trade	¥ 12,219	\$ 98,624
Investment securities	8,979	72,470
Total	¥ 21,198	\$ 171,094

Liabilities secured by the above assets were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Other current liabilities	¥ 94	\$ 759
Long-term debt, including current portion	5,674	45,791
Total	¥ 5,768	\$ 46,550

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 Company has never been requested to provide any additional collateral.

6. RETIREMENT AND PENSION PLANS

The Company and major subsidiaries have non-contributory funded pension plans covering substantially all of its employees. Certain foreign subsidiaries also have contributory pension plans.

Effective April 1, 2000, the Group adopted a new accounting standard for employees' retirement benefits.

The liability for employees' retirement benefits at March 31, 2001 consisted of the following:

	Millions of Yen	Thousands of U.S. Dollars
Projected benefit obligation	¥95,988	\$ 774,721
Fair value of plan assets	(63,942)	(516,075)
Unrecognized actuarial gain	(12,279)	(99,104)
Unrecognized transitional obligation	(9,743)	(78,638)
Net Liability	<u>¥10,024</u>	<u>\$ 80,904</u>

The components of net periodic benefit costs for the year ended March 31, 2001 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Service cost	¥ 3,861	\$ 31,161
Interest cost	3,190	25,750
Expected return on plans assets	(2,477)	(19,992)
Amortization of transitional obligation	16,459	132,843
Net periodic benefit costs	<u>¥21,033</u>	<u>\$ 169,762</u>

Assumptions used for the year ended March 31, 2001 were principally set forth as follows:

Discount rate	3.0%
Expected rate of return on plans assets	4.0%
Recognition period of actuarial gain (loss)	10 years
Amortization period of transitional obligation	2 years

7. SHAREHOLDERS' EQUITY

The Japanese Commercial Code (the "Code") requires at least 50% of the issue price of new shares, with a minimum of the par value thereof, to be designated as stated capital as determined by resolution of the Board of Directors. Proceeds in excess of amounts designated as stated capital are credited to additional paid-in capital. The Code also requires companies to appropriate from retained earnings to legal reserve an amount equal to at least 10% of all cash payments which are made as an appropriation of retained earnings until such reserve equals 25% of stated capital. The Company may transfer portions of additional paid-in capital and legal reserve to stated capital by resolution of the Board of Directors. The Company may also transfer portions of unappropriated retained earnings, available for dividends, to stated capital by resolution of the shareholders.

Under the Code, the Company may issue new shares of common stock to existing shareholders without consideration as a stock split pursuant to resolution of the Board of Directors. The Company may make such a stock split to the extent that the aggregate par value of the shares outstanding after the stock split does not exceed the stated capital. However, the amount calculated by dividing the total amount of shareholders' equity by the number of outstanding shares after the stock split shall not be less than ¥50.

Dividends are approved by the shareholders at a meeting held subsequent to the fiscal year to which the dividends are applicable. Interim dividends may also be paid upon resolution of the Board of Directors, subject to certain limitations imposed by the Code.

Under the Code, the Company may resolve to repurchase its treasury stock for retirement and related reduction of retained earnings pursuant to resolution of the Board of Directors, subject to approval by the shareholders.

At the general shareholders' meeting held on June 29, 1999, the Company's shareholders approved that the Company was authorized to repurchase, at management's discretion, up to 35 million shares of the Company's stock for the purpose of canceling the shares by charging repurchased amounts to retained earnings.

Under the Code, the amount available for dividends is based on retained earnings as recorded on the Company's books. At March 31, 2001, retained earnings as recorded on the Company's books were ¥64,681 million (\$522,041 thousand), which was available for future dividends subject to the approval of the shareholders and legal reserve requirements.

8. 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 42% for the years ended March 31, 2001 and 2000.

The tax effects of significant temporary differences which result in deferred tax assets and liabilities at March 31, 2001 and 2000, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	2001
Deferred tax assets:			
Inventories	¥ 16,581	¥ 4,649	\$ 133,826
Warranty reserve	2,120	1,209	17,116
Liability for employees' retirement benefits	5,433		43,854
Depreciation and amortization	7,927	6,118	63,976
Other	10,166	7,178	82,049
Total	<u>¥ 42,227</u>	<u>¥ 19,154</u>	<u>\$ 340,821</u>
Deferred tax liabilities :			
Deferred profits on sales of property to be replaced	2,468	2,141	19,923
Unrealized gain on available-for-sale securities	3,414		27,556
Undistributed earnings of associated companies	2,545		20,539
Other	1,974	494	15,932
Total	<u>¥ 10,401</u>	<u>¥ 2,635</u>	<u>\$ 83,950</u>
Net deferred tax assets	<u>¥ 31,826</u>	<u>¥ 16,519</u>	<u>\$ 256,871</u>

Valuation allowance of ¥2,764 million (\$22,311 thousand) in 2001 and ¥3,451 million in 2000 were deducted from the amounts calculated above, respectively.

A reconciliation between the normal effective statutory tax rate for the years ended March 31, 2001 and 2000, and the actual effective tax rates reflected in the consolidated statements of income were as follows:

	Year ended March 31,	
	2001	2000
Normal statutory tax rate	42%	42%
Nontaxable consolidated adjustment	(16.7)	13.9
Undistributed earnings of associated companies	8.5	
Other-net	(4.0)	(23.6)
Actual effective tax rate	<u>29.8%</u>	<u>32.3%</u>

9. RESEARCH AND DEVELOPMENT COSTS

Research and development costs incurred were ¥22,794 million (\$183,972 thousand) and ¥17,798 million for the years ended March 31, 2001 and 2000, respectively.

10. 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 ¥3,492 million (\$ 28,190 thousand) and ¥3,479 million for the years ended March 31, 2001 and 2000, respectively.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, obligation under finance lease, and depreciation expense of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2001 and 2000 was as follows:

	Millions of Yen			Thousands of U.S. Dollars		
	2001			2001		
	Machinery and Equipment	Furniture and Fixtures	Total	Machinery and Equipment	Furniture and Fixtures	Total
Acquisition cost	¥ 8,490	¥ 9,730	¥18,220	\$68,529	\$78,530	\$147,059
Accumulated depreciation	5,439	5,550	10,989	43,902	44,798	88,700
Net leases property	¥ 3,051	¥ 4,180	¥ 7,231	\$24,627	\$33,732	\$ 58,359

	Millions of Yen		
	2000		
	Machinery and Equipment	Furniture and Fixtures	Total
Acquisition cost	¥ 6,002	¥ 9,036	¥15,038
Accumulated depreciation	2,815	4,974	7,789
Net leases property	¥ 3,187	¥ 4,062	¥ 7,249

Obligations under finance leases at March 31, 2001 and 2000 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	2001
Due within one year	¥ 3,023	¥ 2,811	\$ 24,399
Due after one year	4,208	4,438	33,961
Total	¥ 7,231	¥ 7,249	\$ 58,360

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 ¥3,492 million (\$28,190 thousand) and ¥3,479 million for the years ended March 31, 2001 and 2000, respectively.

The minimum rental commitments under noncancellable operating leases at March 31, 2001 and 2000 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2001	2000	2001
Due within one year	¥ 1,001	¥ 732	\$ 8,079
Due after one year	1,645	1,034	13,275
Total	¥ 2,646	¥ 1,766	\$ 21,354

11. DERIVATIVES

The Group enters into derivative financial instruments ("derivatives"), 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 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 those derivatives 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, 2001 and 2000 were as follows:

	Millions of Yen			Thousands of U.S. Dollars		
	2001		Net Unrealized Gain (Loss)	2001		Net Unrealized Gain (Loss)
Contract or Notional Amount	Fair Value			Contract or Notional Amount	Fair Value	
Foreign Exchange Forward Contracts:						
Selling JPY	¥ 2,001	¥ 1,755	¥ 246	\$ 16,147	\$ 14,163	\$ 1,984
Selling USD	1,176	1,226	(50)	9,495	9,894	(399)
Selling EUR	6,247	6,816	(569)	50,422	55,013	(4,591)
Selling GBP	664	677	(13)	5,355	5,464	(109)
Buying JPY	21,793	18,125	(3,668)	175,893	146,291	(29,602)
Buying USD	156	162	6	1,261	1,305	44
Buying EUR	3,327	3,378	51	26,854	27,265	411
Buying DEM	1,926	1,914	(12)	15,547	15,450	(97)
Buying GBP	828	856	28	6,685	6,913	228
Total			¥ (3,981)			\$ (32,131)
Interest Rate Swaps:						
(fixed rate receipt, floating rate payment)	¥ 30,000	¥ 1,384	¥ 1,384	\$ 242,131	\$ 11,174	\$ 11,174
(fixed rate payment, floating rate receipt)	20,000	(876)	(876)	161,421	(7,073)	(7,073)
Total	¥ 50,000	¥ 508	¥ 508	\$ 403,552	\$ 4,101	\$ 4,101

	Millions of Yen	
	2000	
	Contract or Notional Amount	Net Unrealized Gain (Loss)
Foreign Exchange Forward Contracts:		
Selling USD	¥ 5,252	¥ 70
Selling EUR	6,016	266
Buying JPY	¥ 15,733	¥ 682
Buying EUR	3,691	(165)
Currency Option Contracts:		
Selling Call USD	¥ 1,073	¥
Option premiums	24	9
Buying Put USD	1,035	
Option premiums	24	(4)
Interest Rate Swaps:		
(fixed rate receipt, floating rate payment)	¥ 40,000	¥ 1,490
(fixed rate payment, floating rate receipt)	20,000	(460)
Total	¥ 60,000	¥ 1,030

Derivatives which qualified for hedge accounting for the year ended March 31, 2001 and such amounts which were assigned to the associated assets and liabilities and were recorded on the balance sheet at March 31, 2000, were excluded from disclosure of market value information.

12. CONTINGENT LIABILITIES

Contingent liabilities at March 31, 2001 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
As the endorser of trade notes receivable discounted with banks	¥ 688	\$ 5,556
As the guarantor of bank loans and indebtedness, principally of employees, unconsolidated subsidiaries and associated companies	11,594	93,579
	<u>¥ 12,282</u>	<u>\$ 99,135</u>

13. SUBSEQUENT EVENT

(a) Stock option plan

The plan provides for granting options to directors and administrative directors to purchase up to 60 thousand shares and 39 thousand shares of the Company's common stock, respectively, in the period from June 29, 2003 to June 28, 2011. The options will be granted at an exercise price of 5 percent of the fair market value of the Company's common stock at the prior month of the date of option grant. The Company plans to issue acquired treasury stock upon exercise of the stock options.

(b) On April 4, 2001, the Company, upon approval by the Board of Directors, issued 1.000% Yen Unsecured Bonds due 2008 in the amount of ¥10,000 million (\$80,710 thousand).

(c) On June 28, 2001, the Company's shareholders approved appropriations of retained earnings as follows:

	Millions of Yen	Thousands of U.S. Dollars
Cash dividends	¥ 1,480	\$ 11,943
Bonuses to directors and corporate auditors	50	404
	<u>¥ 1,530</u>	<u>\$ 12,347</u>

14. SEGMENT INFORMATION

Information about industry segments, geographic segments and sales to foreign customers of the Group for the years ended March 31, 2001 and 2000, was as follows:

(a) Industry Segments

	Millions of Yen					
	Precision Equipment	Imaging Products	Instruments	Other	Total	(Eliminations) or corporate Consolidated
For the year ended March 31, 2001						
Net sales						
Outside customers	¥ 230,566	¥ 176,220	¥ 57,792	¥ 19,379	¥ 483,957	¥ 483,957
Intersegment sales/transfer	4,242	3,892	1,216	24,231	33,581	(33,581)
Total	234,808	180,112	59,008	43,610	517,538	(33,581) 483,957
Operating expenses	190,321	169,609	53,818	41,881	455,629	(33,095) 422,534
Operating income	¥ 44,487	¥ 10,503	¥ 5,190	¥ 1,729	¥61,909	¥ (486) ¥ 61,423
Assets	¥ 312,964	¥ 87,307	¥ 41,454	¥ 43,604	¥ 485,329	¥ 108,125 ¥ 593,454
Depreciation and amortization	11,224	2,596	1,225	962	16,007	16,007
Capital expenditures	18,960	4,655	1,153	1,228	25,996	25,996
For the year ended March 31, 2000						
Net sales						
Outside customers	¥ 166,219	¥ 135,095	¥ 49,461	¥ 21,026	¥ 371,801	¥ 371,801
Intersegment sales/transfer	6,042	2,152	1,444	10,215	19,853	(19,853)
Total	172,261	137,247	50,905	31,241	391,654	(19,853) 371,801
Operating expenses	163,113	129,504	50,088	30,367	373,072	(19,705) 353,367
Operating income	¥ 9,148	¥ 7,743	¥ 817	¥ 874	¥ 18,582	¥ (148) ¥ 18,434
Assets	¥ 248,044	¥ 72,934	¥ 48,902	¥ 30,288	¥ 400,168	¥ 102,007 ¥ 502,175
Depreciation and amortization	11,865	2,854	1,099	1,433	17,251	17,251
Capital expenditures	8,266	2,104	611	2,900	13,881	13,881
Thousands of U.S. Dollars						
	Precision Equipment	Imaging Products	Instruments	Other	Total	(Eliminations) or corporate Consolidated
For the year ended March 31, 2001						
Net sales						
Outside customers	\$ 1,860,899	\$ 1,422,275	\$ 466,442	\$ 156,410	\$3,906,026	\$ 3,906,026
Intersegment sales/transfer	34,240	31,411	9,815	195,569	271,035	(271,035)
Total	1,895,139	1,453,686	476,257	351,979	4,177,061	(271,035) 3,906,026
Operating expenses	1,536,083	1,368,916	434,367	338,025	3,677,391	(267,110) 3,410,281
Operating income	\$ 359,056	\$ 84,770	\$ 41,890	\$ 13,954	\$ 499,670	\$ (3,925) \$ 495,745
Assets	\$ 2,525,942	\$ 704,661	\$ 334,576	\$ 351,922	\$3,917,101	\$ 872,677 \$ 4,789,778
Depreciation and amortization	90,587	20,952	9,888	7,770	129,197	129,197
Capital expenditures	153,029	37,572	9,304	9,910	209,815	209,815

Precision Equipment : IC steppers, LCD steppers, etc.

Imaging Products : Cameras, Interchangeable camera lenses, Digital cameras, etc.

Instruments : Microscopes, Measuring instruments, etc.

Other : Binocular and telescope products, Ophthalmic frames, Surveying instruments, etc.

Notes: 1. Change in Business Classification

From fiscal 2001, in line with the empowerment of each company in order to construct a consistent accountability system and a decentralized management system, the Group Business classifications used until fiscal 2000, namely "Consumer Products" and "Industrial Instruments" changed to "Precision Equipment", "Imaging Products", "Instruments" and "Other". Along with this, a review of all companies' assets was carried out. This change was conducted in order to clarify the position of each business and also the change in management responsibility by way of reorganization of all companies in the Group and review of the standards for profit control.

2. The effect of the change in the accounting for employees' retirement benefits described in Note (f) was to increase operating income of Precision Equipment, Imaging Products, Instruments and Other for the year ended March 31, 2001, by ¥854 million (\$6,893 thousand), ¥320 million (\$2,584 thousand), ¥195 million (\$1,574 thousand), ¥12 million (\$102 thousand), respectively, from such segments in the prior year.

(b) Geographic Segments

	Millions of Yen						
	Japan	North America	Europe	Asia	Total	(Eliminations) or corporate	Consolidated
For the year ended March 31, 2001							
Net sales							
Outside customers	¥ 251,354	¥143,225	¥ 77,533	¥ 11,845	¥ 483,957	¥	¥ 483,957
Intersegment sales	172,854	1,065	111	13,162	187,192	(187,192)	
Total	424,208	144,290	77,644	25,007	671,149	(187,192)	483,957
Operating expenses	369,469	136,282	73,230	21,115	600,096	(177,562)	422,534
Operating income	¥ 54,739	¥ 8,008	¥ 4,414	¥ 3,892	¥ 71,053	¥ (9,630)	¥ 61,423
Assets	¥ 425,395	¥ 89,515	¥ 37,241	¥ 12,344	¥ 564,495	¥ 28,959	¥ 593,454

	Millions of Yen						
	Japan	North America	Europe	Asia	Total	(Eliminations) or corporate	Consolidated
For the year ended March 31, 2000							
Net sales							
Outside customers	¥ 219,188	¥ 96,699	¥ 48,926	¥ 6,988	¥ 371,801	¥	¥ 371,801
Intersegment sales	114,093	322	104	3,879	118,398	(118,398)	
Total	333,281	97,021	49,030	10,867	490,199	(118,398)	371,801
Operating expenses	323,878	91,002	48,702	9,261	472,843	(119,476)	353,367
Operating income	¥ 9,403	¥ 6,019	¥ 328	¥ 1,606	¥ 17,356	¥ 1,078	¥ 18,434
Assets	¥ 346,127	¥ 50,257	¥ 25,080	¥ 7,322	¥ 428,786	¥ 73,389	¥ 502,175

	Thousands of U.S. Dollars						
	Japan	North America	Europe	Asia	Total	(Eliminations) or corporate	Consolidated
For the year ended March 31, 2001							
Net sales							
Outside customers	\$ 2,028,686	\$ 1,155,976	\$ 625,766	\$ 95,598	\$ 3,906,026	\$	\$ 3,906,026
Intersegment sales	1,395,109	8,592	899	106,231	1,510,831	(1,510,831)	
Total	3,423,795	1,164,568	626,665	201,829	5,416,857	(1,510,831)	3,906,026
Operating expenses	2,981,994	1,099,936	591,041	170,416	4,843,387	(1,433,106)	3,410,281
Operating income	\$ 441,801	\$ 64,632	\$ 35,624	\$ 31,413	\$ 573,470	\$ (77,725)	\$ 495,745
Assets	\$ 3,433,373	\$ 722,474	\$ 300,573	\$ 99,630	\$ 4,556,050	\$ 233,728	\$ 4,789,778

Note : 1. The effect of the change in the accounting for employees' retirement benefits described in Note (f) was to increase operating income of Japan for the year ended March 31, 2001, by ¥1,382 million (\$11,155 thousand) from such segment in the prior year.

(c) Export Sales

For the years ended March 31, 2001 and 2000

	Millions of Yen, %				Thousands of
	<u>2001</u>	<u>(A)/(B)</u>	<u>2000</u>	<u>(A)/(B)</u>	<u>U.S. Dollars</u>
Export sales (A)					<u>2001</u>
North America	¥ 141,829	29.3%	¥ 95,557	25.7%	\$ 1,144,702
Europe	75,536	15.6	52,002	14.0	609,652
Asia	114,677	23.7	95,195	25.6	925,560
Other Area	4,643	1.0	4,436	1.2	37,476
Total	¥ 336,685	69.6%	¥ 247,190	66.5%	\$ 2,717,390
Net sales (B)	¥ 483,957		¥ 371,801		\$ 3,906,026

Note : 1. "Other Area" consists principally of South and Central America and Oceania.

Tohmatsu & Co.
MS Shibaura Building
13-23, Shibaura 4-chome,
Minato-ku, Tokyo 108-8530, Japan

Tel: +81-3-3457-7321
Fax: +81-3-3769-8508
www.tohmatsu.co.jp

**Deloitte
Touche
Tohmatsu**

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
NIKON CORPORATION:

We have examined the consolidated balance sheets of NIKON CORPORATION and consolidated subsidiaries as of March 31, 2001 and 2000, and the related consolidated statements of income, shareholders' equity, and cash flows for the years then ended, all expressed in Japanese yen. Our examinations were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the financial position of NIKON CORPORATION and consolidated subsidiaries as of March 31, 2001 and 2000, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan consistently applied during the period except for the changes, with which we concur, in the segmentation by industries made in 2001 as discussed in Note 14(a), and made as of April 1, 1999, in the accounting for the depreciation method of buildings as discussed in Note 2(e).

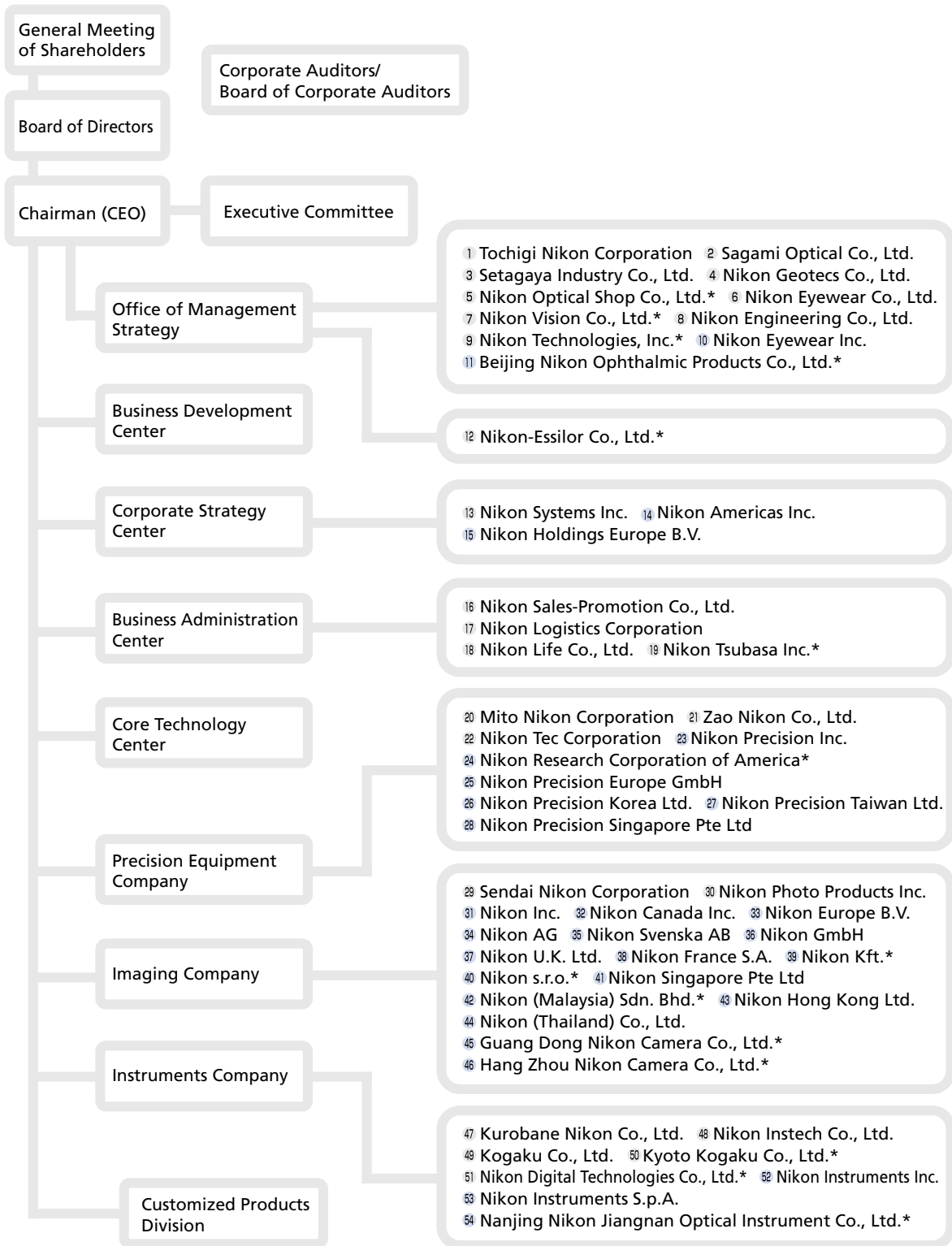
As discussed in Note 2(c), (f), (k), (l) and (m), effective April 1, 2000, the consolidated financial statements have been prepared in accordance with new accounting standards for employees' retirement benefits and financial instruments and a revised accounting standard for foreign currency transactions.

Our examinations 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 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu

June 28, 2001

ORGANIZATION OF NIKON GROUP

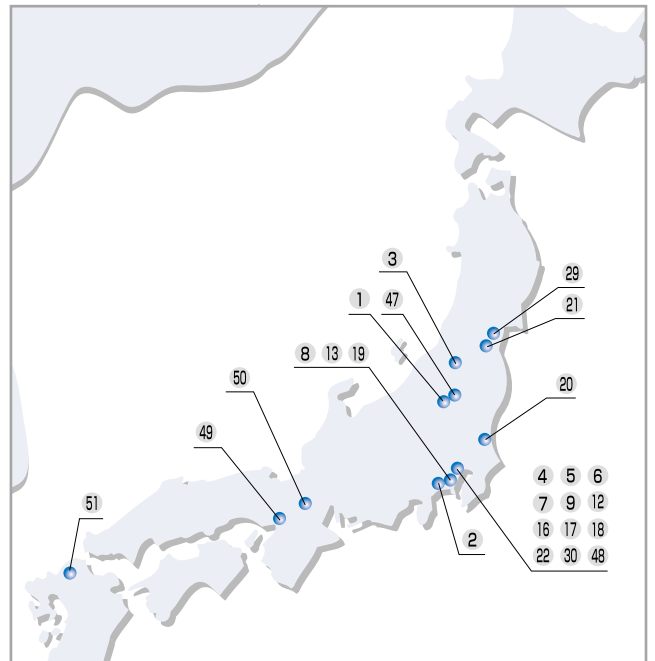
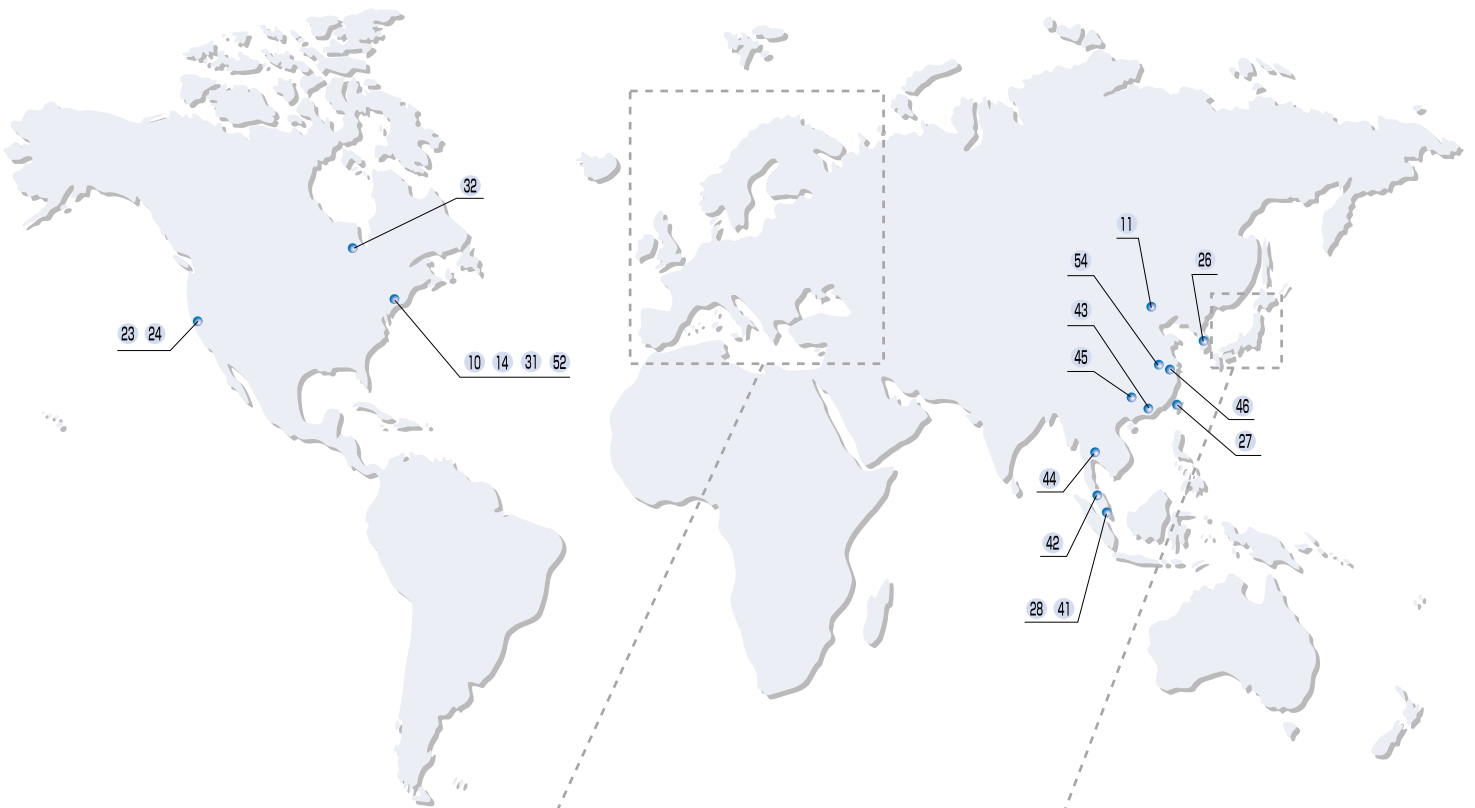


* represents unconsolidated companies as of March 31, 2001.

Grey represents companies in Japan, while blue represents foreign Group companies.

As of August 1, 2001

NIKON'S GLOBAL PRESENCE



Directors, Auditors and Officers

Board of Directors

Chairman of the Board & Chief Executive Officer*	Shoichiro Yoshida	
Vice Chairman of the Board & Chief Financial Officer*	Kenji Enya	
President, Member of the Board & Chief Operating Officer*	Teruo Shimamura	
Executive Vice President, Member of the Board*	Yasujiro Hara	Assistant of President, President of Business Administration Center
Managing Director, Member of the Board & Senior Executive Officer	Michio Kariya	President of Imaging Company
Managing Director, Member of the Board & Senior Executive Officer	Shinya Sasayama	President of Precision Equipment Company
Managing Director, Member of the Board & Senior Executive Officer	Yosuke Takahashi	President of Business Development Center & President of Core Technology Center
Managing Director, Member of the Board & Senior Executive Officer	Masami Kurosawa	President of Corporate Strategy Center
Director, Member of the Board	Terumichi Tsuchida	Senior Corporate Advisor, Meiji Life Insurance Company
Director, Member of the Board	Shunji Kono	Counselor, The Tokio Marine and Fire Insurance Co., Ltd.
Director, Member of the Board & Executive Officer	Kazumasa Tokoi	Vice President of Business Administration Center

Corporate Auditors

Standing Corporate Auditor	Yuji Obana	
Standing Corporate Auditor	Yoshiro Imagawa	
Corporate Auditor	Takuji Shidachi	Senior Advisor, The Mitsubishi Trust and Banking Corporation
Corporate Auditor	Mitsutake Okano	Corporate Advisor, Mitsubishi Corporation

Executive Officers

Executive Officer	Yoichi Nishida	President, Nikon-Essilor Co., Ltd.
Executive Officer	Takashi Tamori	President of Instruments Company
Executive Officer	Motosuke Otsuka	Vice President of Corporate Strategy Center & Vice President of Core Technology Center
Executive Officer	Hisayuki Shimizu	President, Nikon Precision Inc.
Executive Officer	Yuichi Umeda	General Manager of IC Equipment Division, Precision Equipment Company
Executive Officer	Norio Miyauchi	Divisional President of Office of Management Strategy
Executive Officer	Mamoru Kajiwara	Vice President of Business Administration Center
Executive Officer	Hidetoshi Mori	General Manager of LCD Equipment Division, Precision Equipment Company
Executive Officer	Takao Watanabe	Vice President of Core Technology Center
Executive Officer	Kyoichi Suwa	General Manager of Sales & Marketing Headquarters, Precision Equipment Company
Executive Officer	Yoshimichi Kawai	General Manager of Customized Products Division
Executive Officer	Makoto Kimura	General Manager of Strategic Planning Department, Imaging Company & General Manager of Marketing & Merchandising Management Department, Imaging Company
Executive Officer	Naoki Tomino	General Manager of Development Management Department, Imaging Company

*indicates representative director of the board

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

13,894

Common Stock

Authorized: 1,000,000,000 shares

Issued: 369,927,584 shares

¥36,661 million

Number of Shareholders

27,142

Major Shareholders

	Number of shares held (thousands)	Percentage of total shares issued
Meiji Life Insurance Company	23,050	6.23 %
The Mitsubishi Trust and Banking Corporation	17,176	4.64
The Bank of Tokyo-Mitsubishi, Ltd.	16,996	4.59
State Street Bank and Trust Company	15,463	4.18
The Chase Manhattan Bank, N.A. London Secs Lending Omnibus Account	15,345	4.15
The Tokio Marine and Fire Insurance Co., Ltd.	10,567	2.86
The Asahi Bank, Ltd.	9,013	2.44
Nippon Life Insurance Company	8,689	2.35
Boston Safe Deposit BSDT Treaty Clients Omnibus	8,109	2.19
The Toyo Trust and Banking Company, Limited (Trust Account A)	6,218	1.68

Stock Exchange Listings

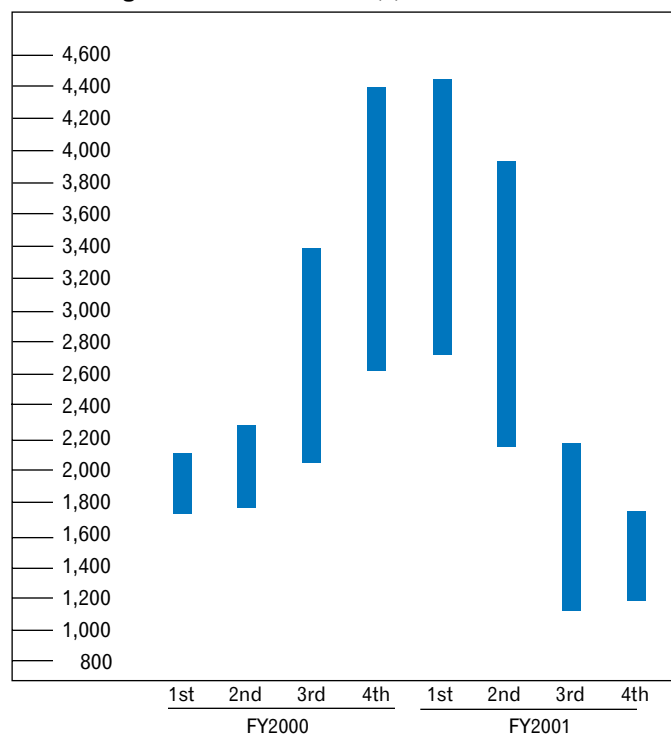
Tokyo, Osaka,
Fukuoka, Sapporo

Transfer Agent and Registrar

The Mitsubishi Trust and Banking Corporation
11-1, Nagatacho 2-chome, Chiyoda-ku,
Tokyo 100-8212, Japan

(As of March 31, 2001)

Price Range of Common Stock (¥)



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



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