

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)	
	2001	2000
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	4.3	2.1

Note: All expenses and subtractive amounts are in parentheses.

Balance Sheet Analysis

March 31, 2001 and 2000

	(% of Total Assets)	
	2001	2000
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	16.0
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	31.4	33.2

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