

Five-Year Summary

Nikon Corporation and Consolidated Subsidiaries
Years ended March 31

	Millions of Yen					Thousands of U.S. Dollars
	2002	2001	2000	1999	1998	2002
For the year						
Net sales	¥482,975	¥ 483,957	¥371,801	¥ 305,765	¥ 372,146	\$ 3,624,582
Cost of sales	306,793	301,759	247,473	205,984	224,546	2,302,387
SG&A expenses	153,943	120,775	105,894	108,522	120,123	1,155,295
Operating income (loss)	22,239	61,423	18,434	(8,741)	27,477	166,900
Income (loss) before income taxes and minority interest	2,755	29,827	11,479	(17,447)	18,929	20,678
Net income (loss)	(6,004)	20,911	7,770	(18,233)	8,318	(45,056)
Per share of common stock (Yen and U.S. dollars):						
Net income (loss)	¥ (16.23)	¥ 56.53	¥ 21.01	¥ (49.29)	¥ 22.48	\$ (0.12)
Cash dividends applicable to the year	4.00	8.00	5.00	3.00	8.00	0.03
Capital expenditures	¥ 33,546	¥ 25,996	¥ 13,881	¥ 20,719	¥ 26,168	\$ 251,749
Depreciation and amortization	17,917	16,007	17,251	20,110	18,407	134,463
R&D costs	27,313	22,794	17,798	18,729	21,633	204,977
At year-end						
Total assets	¥561,276	¥ 593,454	¥502,175	¥ 474,965	¥ 507,326	\$ 4,212,202
Shareholders' equity	176,961	186,119	166,495	160,991	171,051	1,328,036

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 ¥133.25 to U.S. \$1.00, the exchange rate at March 31, 2002.

Management's Discussion and Analysis of Operations

OPERATING ENVIRONMENT

In the fiscal year ended March 31, 2002, strong consumer spending helped support the U.S. economy amid fears that the terrorist attacks would prompt a sharper slowdown. Signs emerged by the end of the year that the economy had bottomed and was already recovering. In Europe, however, recessionary trends intensified as both exports and capital investment faltered. Economic growth was also weak overall in Asia.

In Japan, consumer spending remained lackluster, while capital investment tumbled sharply. Harsh business conditions prevailed as the economy tipped back into recession.

An unprecedented slump in the market for semiconductors impacted both the Precision Equipment and Instruments of the Nikon Group business. Exceptionally poor business conditions prevailed as the market underwent widespread structural changes. In contrast, the Imaging Products benefited as the digital camera market continued to expand briskly.

Net Sales by Industry Segment

Years ended March 31, 2002 and 2001

	Millions of Yen, %		Thousands of U.S. Dollars
	2002	2001	2002
Precision Equipment	¥ 198,991	¥ 234,808	\$ 1,493,369
Share of net sales	41.2%	48.5%	
Imaging Products	221,577	180,112	1,662,870
Share of net sales	45.9	37.2	
Instruments	46,641	59,008	350,028
Share of net sales	9.6	12.2	
Other	48,176	43,610	361,545
Share of net sales	10.0	9.0	
Total	¥ 515,385	¥ 517,538	\$ 3,867,812
(Elimination)	(32,410)	(33,581)	(243,230)
	(6.7)	(6.9)	
Consolidated	¥ 482,975	¥ 483,957	\$ 3,624,582

OPERATIONAL REVIEW AND ANALYSIS

During the year, the Nikon Group worked to further promote its in-house company system. Together with an enhanced focus on consolidated management of operations within each company, this helped to fortify the Group earnings structure. Efforts focused on providing products and services to deliver customer satisfaction, on reducing costs as far as possible, and on squeezing inventories and trade receivables. However, the sheer scale of the downturn in the semiconductor market—the most severe ever recorded historically—inevitably had a strongly negative impact on the Nikon Group business. Consolidated net sales totaled ¥483.0 billion, a decline of ¥1.0 billion, or 0.2%, relative to the previous year. Nikon recorded a consolidated net loss of ¥6.0 billion.

Breaking down the results by business segment, Precision Equipment posted ¥199.0 billion in net sales, a decrease of 15.3%, and ¥3.6 billion in operating income. Although sales of LCD steppers remained roughly on a par with the previous year, sales of IC steppers fell sharply as semiconductor manufacturers made huge cuts in their capital spending budgets. Imaging Products benefited from continued growth in the digital camera market, posting an increase in net sales of 23.0% to ¥221.6 billion, alongside operating income of ¥16.1 billion. Instruments recorded net sales of ¥46.6 billion, a 21.0% decrease relative to the previous year, principally as a result of poor sales of industrial microscopes. Operating profit for the segment amounted to ¥0.5 billion.

In Japan, Imaging Products successfully boosted its sales as a result of ongoing expansion in the digital camera market. Meanwhile Precision Equipment and Instruments deteriorated markedly as the sudden fall-off in demand within the semiconductor market led to major reductions in levels of capital investment by semiconductor manufacturers. As a result, total sales in Japan decreased by 11.7% to ¥374.5 billion, while operating income amounted to ¥5.7 billion.

In contrast, results in overseas markets improved. In North America, steady growth in the digital camera market combined with sales of IC steppers that held up relatively well. Overall, sales rose 42.6% to ¥205.8 billion, producing operating income of ¥6.9 billion. In Europe, although sales of IC steppers declined, this was offset by higher sales of digital cameras as Nikon launched new products into a growing market. In Europe, sales grew by 7.4% to ¥83.4 billion, although operating income dipped to ¥2.3 billion. In Asia, Nikon boosted production capacity at existing manufacturing bases within Imaging Products. The initiation of direct sales operations in Singapore and Malaysia made a significant contribution to sales growth. Overall, regional sales rose 59.7% to ¥39.9 billion, generating operating income of ¥2.9 billion.

Income Analysis

Years ended March 31, 2002 and 2001

	(% of Net Sales)	
	<u>2002</u>	<u>2001</u>
Net sales	100.0%	100.0%
Cost of sales	(63.5)	(62.4)
Gross profit	36.5	37.6
SG&A expenses	(31.9)	(24.9)
Operating income	4.6	12.7
Net interest expense and dividend income	(0.5)	(0.6)
Net other income (expenses)	(3.5)	(5.9)
Income before income taxes and minority interest	0.6	6.2
Income taxes	(1.8)	(1.9)
Minority interest	(0.0)	(0.0)
Net income (loss)	<u>(1.2)</u>	<u>4.3</u>

Note: All expenses and subtractive amounts are in parentheses.

Balance Sheet Analysis

March 31, 2002 and 2001

	(% of Total Assets)	
	<u>2002</u>	<u>2001</u>
Total assets	100.0%	100.0%
Total current assets	65.5	70.1
Inventories	37.1	33.7
Property, plant and equipment	20.2	16.5
Investments and other assets	14.3	13.4
Total current liabilities	50.0	54.5
Short-term borrowings	19.9	14.0
Long-term debt, less current portion	14.5	12.1
Shareholders' equity	<u>31.5</u>	<u>31.4</u>

FINANCIAL REVIEW AND ANALYSIS

At fiscal year-end, total assets amounted to ¥561.3 billion, down ¥32.2 billion, or 5.4%, relative to the previous fiscal year-end. This decline mainly reflected lower sales, which reduced trade receivables. Current assets decreased by ¥48.2 billion, or 11.6%.

A reduction in trade payables helped to offset a rise in interest-bearing liabilities. Overall, total liabilities decreased by ¥23.0 billion.

Final cash dividend payments in 2002 totaled ¥3.0 billion. Net loss for the year amount to ¥6.0 billion. After accounting for an increase of ¥0.7 billion in the adjustment of retained earnings for newly consolidated subsidiaries and other factors, the net decrease in total shareholders' equity amounted to ¥9.2 billion.

In terms of cash flows, cash and cash equivalents at year-end amounted to ¥24.6 billion. Net cash used by operating activities totaled ¥9.5 billion mostly caused by the payments of account receivables, income taxes and collection of account receivables. Net cash used in investing activities to fund capital expenditure, mainly related to expansion of production capacity, and other factors amounted to ¥25.9 billion. Net cash provided by financing activities generated a compensating inflow of ¥25.1 billion, principally due to increased issuance of commercial paper and higher short-term borrowings.

■ **Net Sales**
(¥ Billion)



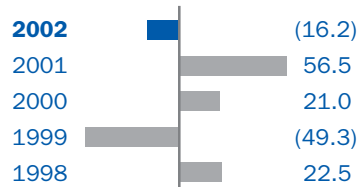
■ **Operating Income (Loss)**
(¥ Billion)



■ **Net Income (Loss)**
(¥ Billion)



■ **Net Income (Loss) per Share**
(¥)



■ **Capital Expenditures**
(¥ Billion)



■ **R&D Costs**
(¥ Billion)



■ **Shareholders' Equity**
(¥ Billion)



■ **Return on Equity (%)**

