

FIVE - YEAR SUMMARY

Nikon Corporation and Consolidated Subsidiaries
Years ended March 31

	Millions of Yen					Thousands of U.S. Dollars
	2003	2002	2001	2000	1999	2003
For the year						
Net sales	¥ 468,959	¥ 482,975	¥ 483,957	¥ 371,801	¥ 305,765	\$ 3,901,487
Cost of sales	307,503	306,793	301,759	247,473	205,984	2,558,264
SG&A expenses	157,269	153,943	120,775	105,894	108,522	1,308,396
Operating income (loss)	4,187	22,239	61,423	18,434	(8,741)	34,827
Income (loss) before income taxes and minority interest	(11,128)	2,755	29,827	11,479	(17,447)	(92,578)
Net income (loss)	(8,143)	(6,004)	20,911	7,770	(18,233)	(67,744)
Per share of common stock (Yen and U.S. dollars):						
Net income (loss)	¥ (22.03)	¥ (16.23)	¥ 56.53	¥ 21.01	¥ (49.29)	\$ (0.18)
Cash dividends applicable to the year	0.00	4.00	8.00	5.00	3.00	0.00
Capital expenditures	¥ 20,226	¥ 33,546	¥ 25,996	¥ 13,881	¥ 20,719	\$ 168,265
Depreciation and amortization	20,435	17,917	16,007	17,251	20,110	170,010
R&D costs	27,506	27,313	22,794	17,798	18,729	228,832
At year-end						
Total assets	¥ 576,912	¥ 561,276	¥ 593,454	¥ 502,175	¥ 474,965	\$ 4,799,597
Shareholders' equity	162,464	176,961	186,119	166,495	160,991	1,351,608

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 ¥120.20 to U.S. \$1.00, the exchange rate at March 31, 2003.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATIONS

OPERATING ENVIRONMENT

In the fiscal year ended March 31, 2003, the slowdown in the U.S. economy became more pronounced as growth in consumer spending tapered off. European economies also continued to stagnate amid generally poor export conditions. In contrast, Asia experienced a mild economic expansion, with growth still vigorous in China.

In Japan, persistently lackluster consumer spending combined with depressed levels of capital investment, housing investment and public-works spending. Harsh business conditions continued to prevail.

The ongoing downturn in the market for semiconductors continued to have a negative impact on both the Precision Equipment and Instruments segments of the Nikon Group business, resulting in extremely poor business conditions. In contrast, the Imaging Products segment benefited from the continued expansion of the digital camera market.

Net Sales by Industry Segment

Years ended March 31, 2003 and 2002

	Millions of Yen, %		Thousands of U.S. Dollars
	2003	2002	2003
Precision Equipment	¥ 133,102	¥ 198,991	\$ 1,107,336
Share of net sales	28.4%	41.2%	
Imaging Products	271,956	221,577	2,262,527
Share of net sales	58.0	45.9	
Instruments	49,872	46,641	414,905
Share of net sales	10.6	9.6	
Other	41,875	48,176	348,380
Share of net sales	8.9	10.0	
Total	¥ 496,805	¥ 515,385	\$ 4,133,148
(Elimination)	(27,846)	(32,410)	(231,661)
	(5.9)	(6.7)	
Consolidated	¥ 468,959	¥ 482,975	\$ 3,901,487

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OPERATIONAL REVIEW AND ANALYSIS

During the year, the Nikon Group worked hard to fortify the Group earnings structure. Besides an attempt to trim headcount through an expanded early retirement program for employees, efforts focused on liquidating unprofitable subsidiaries and on cost-reduction initiatives to lower costs further. While continuing to expand the overseas network of production and service bases, the Group also sought to develop new businesses based on proprietary technology and to complete timely launches of new products. Consolidated net sales totaled ¥469.0 billion, a decline of ¥14.0 billion, or 2.9%, relative to the previous year. The Nikon Group recorded a consolidated net loss of ¥8.1 billion for the year.

Breaking down results by business segment, Precision Equipment posted ¥133.1 billion in net sales, a year-on-year decrease of 33.1%, and an operating loss of ¥24.6 billion. Sales of IC steppers declined as the markets in both Japan and the United States contracted, while sales of LCD steppers fell sharply in volume terms as manufacturers cut capital spending related to the production of smaller LCD panels. Imaging Products benefited from continued rapid growth in the digital camera market, posting an increase in net sales of 22.7% to ¥272.0 billion, alongside operating income of ¥27.7 billion. Instruments recorded net sales of ¥49.9 billion, a 6.9% gain relative to the previous year, as sales of instruments rose across the board. Segment operating income amounted to ¥1.8 billion.

Breaking down results by geographic segment, sales rose in Japan as growth generated by newly launched models in the digital camera market offset the reduction in sales due to the harsh business conditions caused by an ongoing downturn in the semiconductor market. Although sales in Japan increased by 6.5% to ¥398.6 billion, an operating loss of ¥7.2 billion was recorded. Overseas, despite steady growth in sales of digital cameras, sales in North America plunged 22.1% to ¥160.4 billion as the semiconductor market downturn had a pronounced impact on sales. Operating income dipped to ¥5.7 billion. In Europe, although sales of steppers declined, strong growth in sales of digital cameras resulted in a year-on-year increase in sales of 20.9%, to ¥100.8 billion. Even so, the region posted an operating loss of ¥0.4 billion. In Asia, sharply increased sales promotion expenses pushed up operating costs, which blunted the impact of higher sales of digital imaging products. Regional sales rose 13.3% to ¥45.2 billion, generating operating income of ¥2.6 billion.

Income Analysis

Years ended March 31, 2003 and 2002

	(% of Net Sales)	
	<u>2003</u>	<u>2002</u>
Net sales	100.0%	100.0%
Cost of sales	(65.6)	(63.5)
Gross profit	34.4	36.5
SG&A expenses	(33.5)	(31.9)
Operating income	0.9	4.6
Net interest expense and dividend income	(0.3)	(0.5)
Net other expenses	(2.9)	(3.5)
Income (loss) before income taxes and minority interest	(2.3)	0.6
Income taxes	0.6	(1.8)
Minority interest	(0.0)	(0.0)
Net loss	(1.7)	(1.2)

Note: All expenses and subtractive amounts are in parentheses.

Balance Sheet Analysis

March 31, 2003 and 2002

	(% of Total Assets)	
	<u>2003</u>	<u>2002</u>
Total assets	100.0%	100.0%
Total current assets	67.3	65.5
Inventories	39.3	37.1
Property, plant and equipment	19.2	20.2
Investments and other assets	13.5	14.3
Total current liabilities	44.1	50.0
Short-term borrowings	10.4	19.9
Long-term debt, less current portion	27.7	14.5
Shareholders' equity	28.2	31.5

FINANCIAL REVIEW AND ANALYSIS

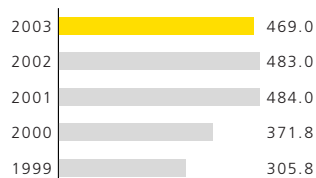
As of the fiscal year-end, total assets amounted to ¥576.9 billion, up ¥15.6 billion, or 2.8%, relative to the previous fiscal year-end. This increase mainly reflected higher inventories. Current assets rose by 5.6%, or ¥20.7 billion.

Increases in trade payables and interest-bearing liabilities resulted in an overall increase in total liabilities of ¥30.1 billion.

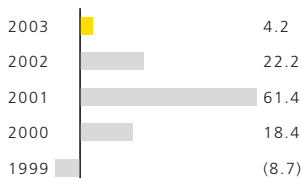
The combined effects of an unrealized loss on available-for-sale securities and a net loss for the year of ¥8.1 billion resulted in a net decrease in total shareholders' equity of ¥14.5 billion.

In terms of cash flows, cash and cash equivalents at year-end amounted to ¥23.7 billion. Despite an increase in inventories, higher depreciation and amortization and increased trade payables resulted in a net cash inflow due to operating activities of ¥9.4 billion. Net cash used in investing activities to fund capital expenditure, mainly related to expansion of production capacity, amounted to ¥18.5 billion. Net cash provided by financing activities amounted to ¥8.6 billion, principally due to issuance of straight bonds.

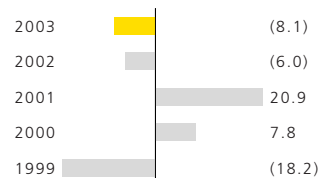
NET SALES (¥ Billion)



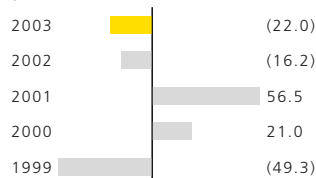
OPERATING INCOME (LOSS) (¥ Billion)



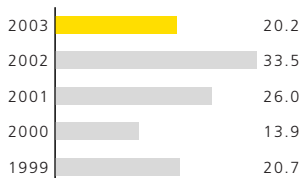
NET INCOME (LOSS) (¥ Billion)



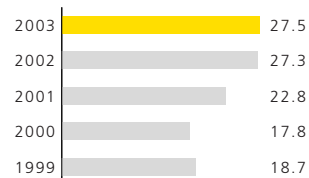
NET INCOME (LOSS) per Share (¥)



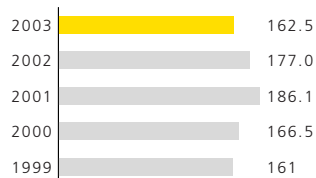
CAPITAL EXPENDITURES (¥ Billion)



R&D COSTS (¥ Billion)



SHAREHOLDERS' EQUITY (¥ Billion)



RETURN ON EQUITY (%)

