

five-year summary

NIKON CORPORATION AND CONSOLIDATED SUBSIDIARIES
YEARS ENDED MARCH 31

	Millions of Yen					Thousands of U.S. Dollars
	2004	2003	2002	2001	2000	2004
For the year						
Net sales	¥ 506,378	¥ 468,959	¥ 482,975	¥ 483,957	¥ 371,801	\$ 4,791,163
Cost of sales	346,898	307,503	306,793	301,759	247,473	3,282,220
SG&A expenses	155,805	157,269	153,943	120,775	105,894	1,474,172
Operating income	3,675	4,187	22,239	61,423	18,434	34,771
Income (loss) before income taxes and minority interest	9,490	(11,128)	2,755	29,827	11,479	89,787
Net income (loss)	2,410	(8,143)	(6,004)	20,911	7,770	22,802
Per share of common stock (Yen and U.S. dollars):						
Basic net income (loss)	¥ 6.52	¥ (22.03)	¥ (16.23)	¥ 56.53	¥ 21.01	\$ 0.06
Diluted net income	6.02					0.06
Cash dividends applicable to the year	4.00		4.00	8.00	5.00	0.04
Capital expenditures	¥ 22,267	¥ 20,226	¥ 33,546	¥ 25,996	¥ 13,881	\$ 210,681
Depreciation and amortization	20,213	20,435	17,917	16,007	17,251	191,249
R&D costs	30,165	27,506	27,313	22,794	17,798	285,413
At year-end						
Total assets	¥ 606,513	¥ 576,912	¥ 561,276	¥ 593,454	¥ 502,175	\$ 5,738,605
Shareholders' equity	171,194	162,464	176,961	186,119	166,495	1,619,776

- 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 ¥105.69 to U.S. \$1.00, the exchange rate at March 31, 2004.
3. Diluted net income per share for the year ended March 31, 2003 and 2002 is not disclosed because of the Company's net loss position.
Diluted net income per share for the year ended March 31, 2001 and 2000 is not disclosed because it was anti-dilutive.

management's discussion and analysis of operations

OPERATING ENVIRONMENT

In the fiscal year ended March 31, 2004, upward momentum in the market for semiconductors spurred gradual revitalization in capital investment, while the digital camera market continued to expand.

With regard to Nikon Group business segments, basic recovery in the semiconductor market drove new product launches and increased sales of existing products in Precision Equipment. Brisk business was also seen in Imaging Products as expansion in the digital camera market prompted the introduction of new products. In contrast, the ongoing downturn in the semiconductor market in the United States had a negative impact on sales in Instruments, where harsh business conditions continued to prevail.

Net Sales by Industry Segment

Years ended March 31, 2004 and 2003

	Millions of Yen, %		Thousands of U.S. Dollars
	2004	2003	2004
Precision Equipment	¥ 158,054	¥ 133,102	\$ 1,495,449
Share of net sales	31.2%	28.4%	
Imaging Products	284,713	271,956	2,693,845
Share of net sales	56.2	58.0	
Instruments	47,992	49,872	454,087
Share of net sales	9.5	10.6	
Other	39,643	41,875	375,091
Share of net sales	7.8	8.9	
Total	¥ 530,402	¥ 496,805	\$ 5,018,472
(Elimination)	(24,024)	(27,846)	(227,309)
	(4.7)	(5.9)	
Consolidated	¥ 506,378	¥ 468,959	\$ 4,791,163

OPERATIONAL REVIEW AND ANALYSIS

During the year, the Nikon Group pursued policies aimed at structural reform and the fundamental enhancement of profitability. Together with a focus on reducing variable and fixed costs, efforts were made to improve the turnover of accounts receivable and inventories. The Group also aggressively carved out new business territories to further expand existing businesses - while continuing to increase the overseas network of production, marketing and service bases, new products that catered to market needs were developed. Consolidated net sales totaled ¥506,378 million, up ¥37,419 million, or 8.0%, relative to the previous year. The Nikon Group recorded consolidated net income of ¥2,410 million.

Breaking down the results by business segment, Precision Equipment posted ¥158,054 million in net sales, a year-on-year increase of 18.7%, and an operating loss of ¥20,806 million. In IC steppers, Nikon not only led the world with the introduction of immersion lithography exposure tools, it commenced full-fledged development of next-generation extreme ultraviolet lithography (EUVL) systems. Sales of existing products grew, including CCD sensors, on the back of a market upturn. In LCD steppers, assertive efforts aimed at increasing sales ensured that performances considerably exceeded the previous year.

Imaging Products recorded net sales of ¥284,713 million, a 4.7% gain, while operating income amounted to ¥25,222 million. Despite lower sales of traditional film cameras due to a contracting market, new single-lens reflex (SLR) cameras and an expanded COOLPIX line propelled a steady increase in sales of digital cameras.

Instruments registered net sales of ¥47,992 million, dipping 3.8% relative to the previous year, alongside operating income of ¥2,685 million. Depressed sales in the United States outweighed robust sales in Japan and Asia through the launch of new products, notably the digital microscope COOLSCOPE and the advanced research microscope Eclipse80i.

Breaking down results by geographic segment, sales increased in Japan as steady growth in LCD products offset slumping sales of steppers despite a mild recovery in the semiconductor market. Continued expansion in the digital camera market also had positive spillover effects. Although sales in Japan rose by 9.2% to ¥435,189 million, an operating loss of ¥3,822 million was recorded.

Overseas, despite strong growth in sales of digital cameras, sales in North America dropped 5.4% to ¥151,817 million as the sluggish recovery in the semiconductor market forced a slowdown in sales. Operating income stood at ¥5,610 million.

In Europe, a gradual pickup in sales of steppers coupled with higher sales of digital cameras due to the booming market resulted in sales surging 23.7%, to ¥124,763 million. The region recorded operating income of ¥863 million.

In Asia, robust economic growth led to increased sales of digital products, industrial microscopes and semiconductor inspection equipment. The rising cost of sales, however, pushed up operating expenses. Regional sales jumped 23.5% to ¥55,890 million, while operating income totaled ¥2,148 million.

Income Analysis

Years ended March 31, 2004 and 2003

	(% of Net Sales)	
	2004	2003
Net sales	100.0%	100.0%
Cost of sales	(68.5)	(65.6)
Gross profit	31.5	34.4
SG&A expenses	(30.8)	(33.5)
Operating income	0.7	0.9
Net interest expense and dividend income	(0.3)	(0.3)
Net other income (expenses)	1.5	(2.9)
Income (loss) before income taxes and minority interest	1.9	(2.3)
Income taxes	(1.4)	0.6
Minority interest	0.0	(0.0)
Net income (loss)	0.5	(1.7)

Note: All expenses and subtractive amounts are in parentheses.

Balance Sheet Analysis

March 31, 2004 and 2003

	(% of Total Assets)	
	2004	2003
Total assets	100.0%	100.0%
Total current assets	67.5	67.3
Inventories	39.2	39.3
Property, plant and equipment	17.6	19.2
Investments and other assets	14.9	13.5
Total current liabilities	41.1	44.1
Short-term borrowings	7.2	10.4
Long-term debt, less current portion	27.0	24.1
Shareholders' equity	28.2	28.2

FINANCIAL REVIEW AND ANALYSIS

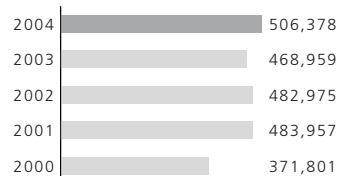
At fiscal year-end, total assets amounted to ¥606,513 million, up ¥29,601 million, or 5.1%, relative to the previous fiscal year-end. This increase primarily reflected higher levels of accounts receivable and inventories. Current assets totaled ¥409,331 million, up 5.4%.

An increase in accounts payable was the main reason for total liabilities rising by ¥20,848 million.

The combined effects of net income for the year of ¥2,410 million and an unrealized gain on available-for-sale securities resulted in a net increase in total shareholders' equity of ¥8,730 million.

In terms of cash flows, cash and cash equivalents at year-end amounted to ¥16,099 million. Net cash provided by operating activities totaled ¥1,400 million, mainly owing to an increase in accounts payable, which offset increases in accounts receivable and inventories. Net cash used in investing activities to fund capital expenditure, mainly related to payments for property, plant and equipment, and other factors, amounted to ¥8,328 million. Net cash used in financing activities totaled ¥184 million mainly due to a decrease in commercial paper and expenses from bond retirement, which countered revenue from bond issuance.

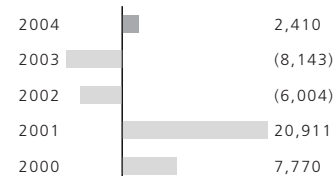
NET SALES (¥ Million)



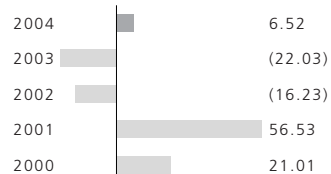
OPERATING INCOME (¥ Million)



NET INCOME (LOSS) (¥ Million)



BASIC NET INCOME (LOSS) PER SHARE (¥)



DILUTED NET INCOME PER SHARE (¥)



CAPITAL EXPENDITURES (¥ Million)



R&D COSTS (¥ Million)



SHAREHOLDERS' EQUITY (¥ Million)



RETURN ON EQUITY (%)

