

five-year summary

Nikon Corporation and Consolidated Subsidiaries Years ended March 31

	Millions of Yen					Thousands of U.S. Dollars
	2005	2004	2003	2002	2001	2005
For the year						
Net sales	¥ 638,468	¥ 506,378	¥ 468,959	¥ 482,975	¥ 483,957	\$ 5,945,324
Cost of sales	429,143	346,898	307,503	306,793	301,759	3,996,117
SG&A expenses	178,780	155,805	157,269	153,943	120,775	1,664,776
Operating income	30,545	3,675	4,187	22,239	61,423	284,431
Income (loss) before income taxes and minority interest	33,443	9,490	(11,128)	2,755	29,827	311,419
Net income (loss)	24,141	2,410	(8,143)	(6,004)	20,911	224,802
Per share of common stock (Yen and U.S. dollars):						
Net income (loss)	¥ 65.19	¥ 6.52	¥ (22.03)	¥ (16.23)	¥ 56.53	\$ 0.61
Diluted net income	57.84	6.02				0.54
Cash dividends applicable to the year	8.00	4.00		4.00	8.00	0.07
Capital expenditures	¥ 22,459	¥ 22,267	¥ 20,226	¥ 33,546	¥ 25,996	\$ 209,134
Depreciation and amortization	19,705	20,213	20,435	17,917	16,007	183,486
R&D costs	33,561	30,165	27,506	27,313	22,794	312,514
At year-end						
Total assets	¥ 633,426	¥ 606,513	¥ 576,912	¥ 561,276	¥ 593,454	\$ 5,898,374
Shareholders' equity	196,030	171,194	162,464	176,961	186,119	1,825,404

- 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 ¥107.39 to U.S. \$1.00, the exchange rate at March 31, 2005.
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 is not disclosed because it was anti-dilutive.

management's discussion and analysis of operations

MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATIONS OPERATING ENVIRONMENT

In the fiscal year ended March 31, 2005, the U.S. economy progressed strongly on the back of increased consumer spending, higher levels of capital investment and improved corporate performance. The European economy slowed on the whole, except for England, while the Asian economy continued to expand, particularly China.

Despite signs of a slowdown in the second half, the Japanese economy in general was on a track to recovery due to an upward trend in private capital investment and a gradual increase in consumer spending.

With regard to Nikon Group business segments, in Precision Equipment and Instruments, recovery in the semiconductor market and expansion of the LCD market spurred revitalized capital investment. In Imaging Products, the digital camera market continued to grow.

Net Sales by Industry Segment

Years ended March 31, 2005 and 2004

	Millions of Yen, %		Thousands of U.S. Dollars
	2005	2004	2005
Precision Equipment	¥ 214,326	¥ 158,054	\$ 1,995,772
Share of net sales	33.6%	31.2%	
Imaging Products	355,489	284,713	3,310,264
Share of net sales	55.7	56.2	
Instruments	52,184	47,992	485,930
Share of net sales	8.2	9.5	
Other	44,253	39,643	412,075
Share of net sales	6.9	7.8	
Total	¥ 666,252	¥ 530,402	\$ 6,204,041
(Elimination)	(27,784)	(24,024)	(258,717)
	(4.4)	(4.7)	
Consolidated	¥ 638,468	¥ 506,378	\$ 5,945,324

OPERATIONAL REVIEW AND ANALYSIS

During the year, the Nikon Group pursued policies aimed at improving corporate performance. Besides assertively striving to increase sales, especially of digital cameras and LCD steppers, to take advantage of the improvement in market conditions, efforts were made to further expand and strengthen existing businesses by developing new competitive products. The Group also worked to carve out and foster new business territories. To enhance financial standing, the Group devoted energies to cutting down on inventories and reducing interest-bearing debt by compressing accounts receivable. The Group also endeavored to maximize consolidated management potential. This was accomplished through business process reforms to create a system that facilitates a clearer understanding of changes in the business environment, in turn enhancing speed and efficiency in business activities. As a result of these actions, consolidated net sales totaled ¥638,468 million, climbing ¥132,090 million, or 26.1%, relative to the previous year. Consolidated net income amounted to ¥24,141 million.

Breaking down the results by business segment, the Precision Equipment Business posted ¥212,471 million in net sales, a year-on-year increase of 35.7%, and operating income of ¥11,387 million. In IC steppers, the Group not only aggressively expanded sales of new and existing products, it pushed forward with the development of polarized illumination systems and immersion lithography products by proactively promoting R&D. In LCD steppers, full-scale efforts aimed at boosting sales amid revitalized capital investment at LCD panel makers ensured a record high in sales volume.

The Imaging Products Business recorded net sales of ¥354,181 million, a 25.0% gain, while operating income amounted to ¥16,841 million. Despite lower sales of traditional film cameras due to a contracting market, Nikon expanded the COOLPIX line and its range of digital SLR cameras, notably with the Nikon D70, which was released at the end of the previous fiscal term and was well received by markets the world over. This culminated in steady sales growth in digital cameras.

The Instruments Business registered net sales of ¥50,657 million, up 8.5%, and operating income of ¥2,826 million. This result was due primarily to aggressive efforts to raise sales through the introduction of new products, including the advanced research microscope ECLIPSE90i and the CNC video measuring system NEXIV VMR.

Breaking down results by geographic segment, sales increased in Japan due to higher sales of IC steppers and LCD steppers to Asia in Precision Equipment, and higher sales of industrial microscopes to Asia in Instruments. Meanwhile, Precision Equipment posted increased sales due to steady growth in digital SLR cameras and the positive effects of an expanding digital camera market. Overall sales in Japan surged by 40.4% to ¥275,992 million and operating income totaled ¥17,838 million.

Overseas sales rose by 11.0% to ¥165,085 million as sales of digital cameras increased in North America driven by a robust digital SLR camera market. Operating income stood at ¥5,608 million.

In Europe, a steady sales gain in digital SLR cameras coupled with sales growth resulting from the positive effects of the strong euro led to sales increasing 14.5% to ¥142,143 million. The region recorded operating income of ¥2,862 million.

In Asia, sales of service components increased as customers' capacity utilization rose in line with resurgence in the semiconductor market and expansion of the LCD market. Together with this, sales of industrial microscopes and semiconductor inspection equipment grew, while production of digital SLR cameras increased as the market expanded. Regional sales climbed 49.4% to ¥55,248 million. Operating income totaled ¥5,125 million.

Notes: 1. All sales amounts for geographic segments in this review are disclosed exclusive of the intersegment sales in the fiscal year ended March 31, 2005.

2. Operating income for each geographic segment in this review includes ¥888 million of income that occurred through inter-company transactions in this fiscal year ended March 31, 2005.

Income Analysis

Years ended March 31, 2005 and 2004

	(% of Net Sales)	
	2005	2004
Net sales	100.0%	100.0%
Cost of sales	(67.2)	(68.5)
Gross profit	32.8	31.5
SG&A expenses	(28.0)	(30.8)
Operating income	4.8	0.7
Net interest expense and dividend income	(0.2)	(0.3)
Net other income	0.6	1.5
Income before income taxes and minority interest	5.2	1.9
Income taxes	1.4	(1.4)
Minority interest	0.0	0.0
Net income	3.8	0.5

Note: All expenses and subtractive amounts are in parentheses.

Balance Sheet Analysis

March 31, 2005 and 2004

	(% of Total Assets)	
	2005	2004
Total assets	100.0%	100.0%
Total current assets	68.1	67.5
Inventories	38.8	39.2
Property, plant and equipment	17.3	17.6
Investments and other assets	14.6	14.9
Total current liabilities	42.0	41.1
Short-term borrowings	6.0	7.2
Long-term debt, less current portion	23.7	27.0
Shareholders' equity	30.9	28.2

FINANCIAL REVIEW AND ANALYSIS

At fiscal year-end, total assets amounted to ¥633,426 million, up ¥26,913 million, or 4.4%, relative to the previous fiscal year-end. This increase primarily reflected higher levels of accounts receivable and inventories. Current assets totaled ¥431,126 million, up 5.3%.

Although income taxes payable rose significantly, a decrease in interest-bearing debt led to total liabilities increasing by only ¥2,069 million.

Total cash dividends for the year amounted to ¥2,954 million. Meanwhile, net income of ¥24,141 million and an increase in retained earnings in line with improvements made at consolidated subsidiaries resulted in a net increase in total shareholders' equity of ¥24,836 million.

In terms of cash flows, cash and cash equivalents at year-end amounted to ¥21,507 million. Net cash provided by operating activities totaled ¥47,129 million, mainly owing to a relatively high level of income before income taxes and an increase in advance receipts. Net cash used in investing activities amounted to ¥10,543 million, reflecting a decrease in proceeds from sales of property, plant and equipment and an increase in payments for purchases of tangible fixed assets. Net cash used in financial activities totaled ¥31,786 million, due primarily to a decrease in short-term borrowings and an increase in repayments of long-term debt and redemption of bonds.

Net Sales (¥ Million)

2005	638,468
2004	506,378
2003	468,959
2002	482,975
2001	483,957

Operating Income (¥ Million)

2005	30,545
2004	3,675
2003	4,187
2002	22,239
2001	61,423

Net Income (Loss) (¥ Million)

2005	24,141
2004	2,410
2003	(8,143)
2002	(6,004)
2001	20,911

Net Income (Loss) per Share (¥)

2005	65.19
2004	6.52
2003	(22.03)
2002	(16.23)
2001	56.53

Diluted Net Income Per Share (¥)

2005	57.84
2004	6.02
2003	
2002	
2001	

Capital Expenditures (¥ Million)

2005	22,459
2004	22,267
2003	20,226
2002	33,546
2001	25,996

R&D Costs (¥ Million)

2005	33,561
2004	30,165
2003	27,506
2002	27,313
2001	22,794

Shareholders' Equity (¥ Million)

2005	196,030
2004	171,194
2003	162,464
2002	176,961
2001	186,119

Return on Equity (%)

2005	13.1
2004	1.4
2003	(4.8)
2002	(3.3)
2001	11.9