



TRANSFORMING
POSSIBILITIES
INTO REALITY

Nikon Corporation Annual Report 2003

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PROFILE

Nikon Corporation was initially established in 1917 as a manufacturer of optical glass. Expertise in optical technologies cultivated over many years has helped Nikon to gain worldwide acclaim for an extensive array of high-quality optical equipment. Besides the conventional film and digital cameras for which it is best known, Nikon manufactures and sells a diverse range of industrial instruments, including steppers, microscopes and measuring instruments. This unchallenged position is the result of the Company's ability to readily adapt to the ever-changing environment and needs of each new era.

Nikon's flexibility is visible in successively developing new products with outstanding imaging quality, carrying out management and structural reforms and updating the corporate brand symbol for enhanced corporate value. At the heart of this responsive future-forward drive is the Company's rallying theme of "Transforming Possibilities into Reality," which depicts our commitment to greater growth, profitability and corporate value.

FORWARD - LOOKING STATEMENTS

Statements contained in this report regarding the plans, projections and strategies of the Nikon Corporation and its subsidiaries and affiliates that comprise the Nikon Group (hereinafter "Nikon") that are not historical fact constitute forward-looking statements about future financial results. As such, they are based on data that are obtainable at the time of announcement in compliance with Nikon's management policies and certain premises that are deemed reasonable by Nikon. Hence, actual results may differ, in some cases significantly, from these forward-looking statements due to changes in various factors, including—but not limited to—economic conditions in principal markets, product and service demand trends, customer capital investment trends, and currency exchange rates fluctuations.

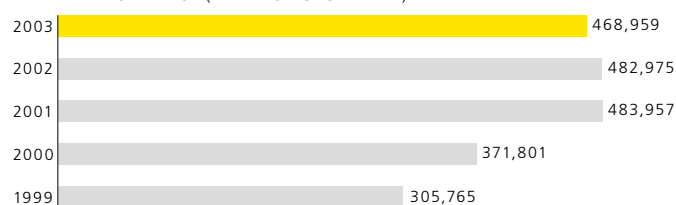
FINANCIAL HIGHLIGHTS

Nikon Corporation and Consolidated Subsidiaries
Years ended March 31, 2003 and 2002

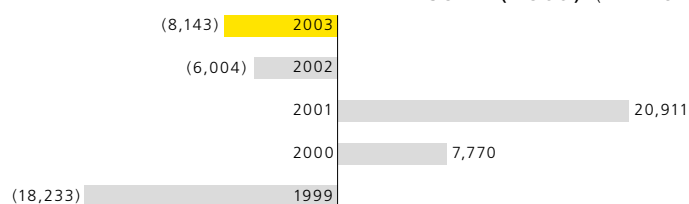
	Millions of Yen		Millions of U.S. Dollars	%
	2003	2002	2003	Increase (Decrease)
FOR THE YEAR				
Net sales	¥ 468,959	¥ 482,975	\$ 3,901	(2.9%)
Operating income	4,187	22,239	35	(81.2%)
Net loss	(8,143)	(6,004)	(68)	
Per share of common stock (Yen and U.S. dollars):				
Net loss	¥ (22.03)	¥ (16.23)	\$ (0.18)	
Cash dividends applicable to the year	0.00	4.00	0.00	(100.0%)
AT YEAR-END				
Total assets	¥ 576,912	¥ 561,276	\$ 4,800	2.8%
Shareholders' equity	162,464	176,961	1,352	(8.2%)

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.

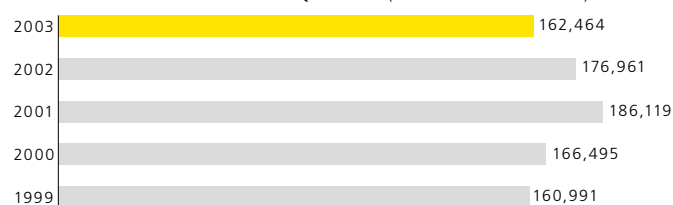
NET SALES (MILLIONS OF YEN)



NET INCOME(LOSS) (MILLIONS OF YEN)



SHAREHOLDERS' EQUITY (MILLIONS OF YEN)



TO OUR SHAREHOLDERS AND INVESTORS

The fiscal year ended March 31, 2003, proved another difficult one for the Nikon Group. Although private-sector capital investment stopped contracting and began to grow again, the economic slowdown in the United States intensified as growth in consumer spending tapered off. European economies also continued to stagnate amid poor export conditions. Asia experienced a mild economic expansion, with growth still vigorous in China. In Japan, deflation became more entrenched across many sectors of the economy and consumer spending remained lackluster. Depressed levels of capital investment, housing investment and public-works spending contributed to persistently stagnant growth. Overall, harsh business conditions continued to prevail.

Looking at industry trends that had a direct influence on our business, signs were generally favorable in the global semiconductor industry at the start of the fiscal year. Conditions quickly deteriorated, however, and from mid-2002 onwards many semiconductor manufacturers started to reduce capital investment once more. This had a highly negative effect on sales of steppers in our Precision Equipment segment. On a more positive note, the market for digital cameras continued to expand rapidly around the world, which helped to generate excellent business conditions in the Imaging Products segment.

We responded by working to expand sales through timely launches of new products and by continuing to develop our overseas network of production and service bases. We also sought to develop new businesses based on our proprietary technology. Consolidated net sales declined 2.9% from the previous year, to ¥468,959 million.

To strengthen the Nikon Group earnings structure, our efforts focused on reducing variable costs, including manufacturing costs, and other fixed costs through measures such as the expansion of an early retirement program for employees, which helped to trim headcount. Elsewhere, we focused on restructuring and liquidating unprofitable businesses and subsidiary companies, and on numerous cost-reduction initiatives to lower costs further.

These moves could not fully offset the severe downturn in the Precision Equipment segment, and operating income slumped 81.2% year-on-year to ¥4,187 million. Partly due to the effects of a write-down of investment securities and the tax-effect accounting implications of the introduction of a new local corporate taxation system based on business size, we posted a consolidated net loss of ¥8,143 million for the year.

Our consolidated operating profitability varied markedly by business segment. For the Nikon Group as a whole, although increased digital camera sales boosted profits in the Imaging Products segment considerably, the gains were insufficient to compensate for the loss recorded in the

Precision Equipment segment as a result of the deterioration in business conditions in that area. Operating conditions and results in each business segment are discussed in greater detail in other sections of this report.

Although there are a few signs of impending recovery in the fiscal year ending March 2004, we still anticipate harsh business conditions for the Nikon Group as a whole. We have therefore regrettably decided to suspend payment of interim and final dividends for the year ended March 31, 2003.

As the top management of the Nikon Group, we intend to redouble efforts to cut costs across the Nikon Group while boosting business efficiency. We will also continue to try to apply our core technical expertise to produce higher Nikon Group growth through the creation and development of new, profit-generating businesses.

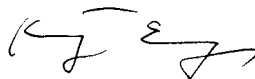
The entire Nikon Group is currently applying itself to concentrate on improving results from a variety of angles. While the business environment is still tough at present, we are confident that the future for the Nikon Group remains promising. We believe that Nikon possesses important core technologies that can make a significant contribution in areas with high growth potential such as nanotechnology and life science. Once our development work in these areas comes to fruition, we expect new businesses to emerge.

We ask shareholders and investors to understand our current situation. Now more than ever, we trust that you will continue to extend us your support.

July 2003



Shoichiro Yoshida
*Chairman of the Board and
Chief Executive Officer*



Kenji Enya
*Vice Chairman of the Board and
Chief Financial Officer*



Teruo Shimamura
*President, Member of the Board and
Chief Operating Officer*



Shoichiro Yoshida (center)
*Chairman of the Board and
Chief Executive Officer*

Kenji Enya (left)
*Vice Chairman of the Board and
Chief Financial Officer*

Teruo Shimamura (right)
*President, Member of the Board and
Chief Operating Officer*

“The entire Nikon Group is currently applying itself to concentrate on improving results from a variety of angles. While the business environment is still tough at present, we are confident that the future for the Nikon Group remains promising.”

MESSAGE FROM THE CEO

A Sudden Shift in the Business Environment

Business conditions for manufacturers such as Nikon have changed significantly. The slowdown in the United States economy has led to stagnant economic growth worldwide. The war in Iraq and the ongoing tension in the Middle East underscore the instability of the international picture. Intensified price competition is producing an accelerated shift toward manufacturing in offshore locations. An extended slump in the IT sector has hit the semiconductor industry hard. These various factors have all had negative repercussions for us. In addition, greater competition around the world in the area of intellectual property, especially patents, is just one aspect of the ongoing march of globalization. The challenge for us is to find ways of responding to these new and altered forms of competition.

Our business is concentrated in three main business segments: Precision Equipment, Imaging Products, and Instruments. Although business conditions differ markedly between these three areas, they do have one thing in common—an extremely rapid pace of change. The reality is that in each of these segments we have to develop business against the background of a highly unstable environment, in which a new revolution-inducing factor could appear at any time.

The challenge facing Nikon is to construct operational systems capable of responding quickly and agilely to these kinds of change. This requires us to invest our limited resources to maximum effect in growth sectors while also ensuring that we conduct all our business at the highest levels of efficiency. Decision-making processes must obviously display similar agility. Not only must we put in place the management systems that will help us reform, we must all individually make major changes in the way we think.

Progress in Implementing Fundamental Structural Reforms

We have already implemented a number of measures designed to create fast-response reactive operational systems. We introduced an in-house company system in 1999 and, a year later, we formulated “Vision Nikon 21,” a policy document for the first decade of the 21st century that sets out our foremost business priorities. In 2001, we introduced an executive officer system. All these initiatives have collectively laid the groundwork for reform.

We undertook various structural reform measures across the Nikon Group in the year ended March 2003 in a concerted attempt to reinforce our earnings structure. We made further headcount adjustments at the consolidated level through an expanded early retirement program for employees, which helped to lower fixed costs. We pursued the liquidation and reorganization of unprofitable operations to promote the more effective distribution of resources within the Nikon Group. We worked to reduce variable costs within each business unit. All these structural reforms formed part of a major restructuring initiative.

These structural reforms are generating positive results slowly but steadily. Unfortunately, they did not make a sufficiently major impact on our financial results in the year ended March 2003. While continuing with these efforts, we will therefore put in place additional measures to boost operating efficiency and thereby implement fundamental improvements in our earnings structure.

Focus on Strengthening Core Businesses

The most important issue for us as we undertake these reforms is to strengthen the competitiveness of our core operations. Although conditions do differ between sectors, our common aim is to take measures that will establish Nikon as the top manufacturer in each industry in which we operate so that we can magnify the future potential of all our businesses.

The first aspect of this competitiveness drive is to reinforce the power of our products to lead markets. This means that we must capitalize on our strengths to launch ahead of our competitors the advanced products that will generate growth. Just as we have become the pioneering market innovator in SLR-type digital cameras, our greatest mission as a manufacturer is to supply society with products packed with the high value that only Nikon can add. Indeed, this mission is one thing that has not changed at all.

In digital camera image sensor and lens units, we plan to manufacture more components in-house so that we can add greater value to these key items. This sort of action helps to leverage the strengths of Nikon as we work to build up the competitiveness of our product range.

Next, we are working to make our businesses more cost-competitive and more profitable. When business conditions remain as harsh as they are now, our challenge as a manufacturer must be to speed up both product development and production. We are therefore improving our systems to supply our customers with products that meet the latest demands in a timely fashion, both by reforming our business processes from a value-engineering perspective and by achieving drastic cuts in manufacturing lead times. This latter initiative is of particular importance in our stepper business. Since reduction of inventory and related assets is one of the main keys to restoring profitability in this segment, we plan to intensify efforts in this area, too. Once we have taken these actions, I am confident that we will have built a value chain that can add substantial value in every part of Nikon operations, from manufacturing to sales and after-sales services.

Expansion into China

China is an important production base for us as we seek to improve cost-competitiveness. We have now established a major manufacturing plant for digital cameras in the city of Wuxi. At the same time, we also recognize that, in terms of scale and growth potential, China represents an outstanding opportunity as a market in its own right. We are establishing



Shoichiro Yoshida
*Chairman of the Board and
Chief Executive Officer*

"The challenge facing Nikon is to construct operational systems capable of responding quickly and agilely to these kinds of change. This requires us to invest our limited resources to maximum effect in growth sectors while also ensuring that we conduct all our business at the highest levels of efficiency."

sales and customer service operations in China in each of our business segments. Our goal is to expand local sales in China and raise our market presence there.

Growth of New Businesses

Alongside structural reforms and cost-reduction initiatives, we are also proactively seeking to develop new businesses that will develop into our next generation of earnings-generators. All our business development programs draw on Nikon technology and expertise where we already lead, and they also focus on areas of high growth potential. Our greatest strength, which we have cultivated over many years, is in optics. We will apply this strength to the field of nanotechnology, an area with broad potential across many industries and one where we believe we can add fundamental value. Optics and nanotechnology will be keywords as we continue to develop our own approaches to growth areas.

Another new business with major promise is that of CMP (Chemical Mechanical Polishing) system, which is used to polish the multiple layers of conductors and dielectric layers and make them uniformly even. In the year ended March 2003, we established a division to plan and develop the full-scale launch of our CMP system business. Other potentially high-marginly profitable businesses where demand is projected to rise in the future that are currently in the planning and R&D stages include such optical component businesses as optical engines for liquid-crystal projectors, micro electro mechanical systems (MEMS) and various areas of bioscience.

Strengthening Corporate Governance

Building on the base provided by our in-house company and executive officer systems, we are seeking to improve our business management systems. We are still considering whether to shift to a system of advisory board committees, which has been designed as an alternative to the corporate auditor system under revisions to the Commercial Code of Japan. For the time being, we plan to keep the auditor system and supplement it with various reforms to improve corporate governance structures related to executive compensation issues. These moves include the creation of an Executive Compensation Committee, the adoption of stock options, and revisions to the remuneration system for directors and executive officers.

We also plan to implement reforms to our personnel systems to ensure that we remain globally competitive in the current straitened business environment. We are making fundamental changes to the system of age-based wage seniority by shifting to a performance-based remuneration system for all Nikon Group employees. We are also introducing a bonus system that is linked to the results of each business unit. This major shift toward a pay-for-performance philosophy will ensure that we make the most of limited resources, thereby contributing to enhanced performance and output.

Raising the Value Added by the Nikon Group

Modern society will simply not tolerate corporate behavior that ignores the environment. We have made consistent and significant efforts to date to ensure that Nikon products and business activities are eco-conscious. I think that individual awareness of environmental issues among Nikon Group employees is remarkably high. As an example of this, in the year ended March 2003, we achieved zero-emissions status at all Nikon's plants in Japan a full year ahead of schedule. We intend to reinforce our various efforts to be environment-friendly and to orient our business systems from an environmental management perspective.

Separately, we are also working to solidify the trust placed in us by society by ensuring that our actions meet the highest ethical standards. With the establishment of the Compliance Section, our corporate ethics committee is working to ensure that the company and all employees uphold the highest ethical standards, in terms of legal and regulatory compliance, transparency, and corporate fairness and decency.

In closing, I want to say that our challenge is to create a corporate culture that meets the challenges of a new era of business. While we need to preserve good points such as some of the more "conservative" aspects of this culture, I believe we also need to inject the company with a dose of youthful drive, intelligence and creativity. This year, we redesigned our brand symbol and redefined the value-adding elements that characterize the Nikon brand. We express these in terms of three concepts: innovative technology; the desire to accept the challenges posed by the future; and "a sense of the times." By expanding businesses in line with these notions, I sincerely believe that we can contribute to society and grow with it as a company that creates true value.



28.0% precision equipment

IC and LCD steppers.



57.6% imaging products

Silver halide cameras, digital cameras, interchangeable camera lenses, film scanners.



10.4% instruments

Biological microscopes, industrial microscopes, measuring instruments, inspection equipment.

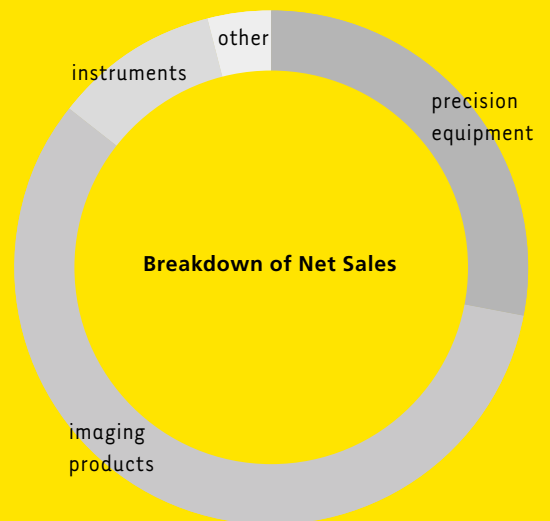


4.0% other

Binocular & telescope products, surveying instruments, ophthalmic frames and sunglasses.

The above percentages figures are based on net sales for outside customers by industry segment.

REVIEW OF OPERATIONS



precision equipment

Operating Results

The protracted downturn in the semiconductor industry took another turn for the worse in the summer of 2002, leading many semiconductor manufacturers to slash capital investment. This caused sales of IC steppers to fall significantly below initially forecast levels in volume terms. Segment sales dropped 33.1% to ¥133,102 million, which resulted in an operating loss of ¥24,595 million.

Business Strategy

We are taking a fresh look at the issues facing us in this business and developing solutions to individual issues as quickly as possible, all the while seeking to build on our strengths. The strategy that we are implementing has three specific aims.

Our first aim is to entrench the position of Nikon in steppers based on the latest technical advances. In March 2003, we delivered an NSR-S306D ArF excimer stepper to a customer in the United States. This model boasts a resolution of less than 80nm with the world's highest NA 0.85 lens. In October 2003, we plan to launch the next model in this series, the NSR-S307E. Besides its world-beating lens capabilities and wider exposure area, this stepper also boosts manufacturing productivity. Nikon steppers lead the world not only in terms of lens quality, but also in total output (the number of non-defective wafers processed in a given time), and we are always developing and refining the technology to upgrade performance on both counts.

To ensure that we retain this technical edge, we also continue to invest in the development of next-generation lithography to respond to evolving requirements as chip architecture becomes increasingly intricate. In June 2003, Nikon delivered its first stepper for R&D that prints the circuit pattern using electron beams (EB) instead of light. EB steppers are designed for ultra-high resolution of less than 45nm.

Moreover, we are currently in promising sales negotiations for LCD steppers designed to handle large 5th and 6th-generation glass substrates, and we expect these machines to contribute to sales growth in the upcoming year.

Second, we are actively seeking to expand our customer base. Since semiconductor production lines are not always necessarily reliant on the latest technology, and the manufacturing equipment that is required differs according to the devices being produced, we are developing various more affordable product options that can cater to the needs of a broader range of customers. In November 2003, we plan to launch a new NSR-SF200 KrF scan field stepper. This offering can be mixed and matched with our latest ArF stepper models, and this flexibility will allow customers to reduce the cost of their overall investment. In addition, with ArF steppers, we are developing immersion technology, which introduces pure deionized water between the projection lens and the wafer, thereby improving lens resolution significantly. This illustrates another possible approach to meeting the needs of customers in an affordable manner. To attain this, we are strengthening our sales and marketing capabilities.

Original Nikon stepper installations now exceed 7,000 units. Taking advantage of this, we are seeking to expand business through the sale of second-hand machines. Demand for second-hand steppers is especially high in China, a market where Nikon already has the leading share in the industry. Recycling of the installed stepper base presents a major business opportunity for us. In December 2002, we established a local stepper maintenance and repair service subsidiary in Shanghai. Close cooperation with this new company promises to generate higher sales revenues from the Chinese market.

Our third strategic aim is to focus effort on fundamental structural reform of all operations within the Precision Equipment Company. One particular objective is to speed up operational throughput so that we can meet customer requirements in a timely manner. By March 2004, we aim to cut production and installation lead times, as measured from lens cutting and finishing to completion of machine installation, to a maximum of six months, which is approximately half the current average value. We plan to achieve this by improvements in processes and production technology. Alongside this initiative, we are also tackling finance-related issues by actively reducing inventory to restore profitability.

As part of this program to reduce lead times, we have been making further progress in incorporating CAD/CAM and other IT systems, including CRM and SCM systems, to increase process productivity in various ways. These investments enable us to manage our business more efficiently without significant increases in headcount, allowing us to focus on making innovative product proposals to customers to solve their requirements. We are confident that the first results of our various restructuring initiatives will emerge as a marked improvement towards the end of the fiscal year ending March 2004.



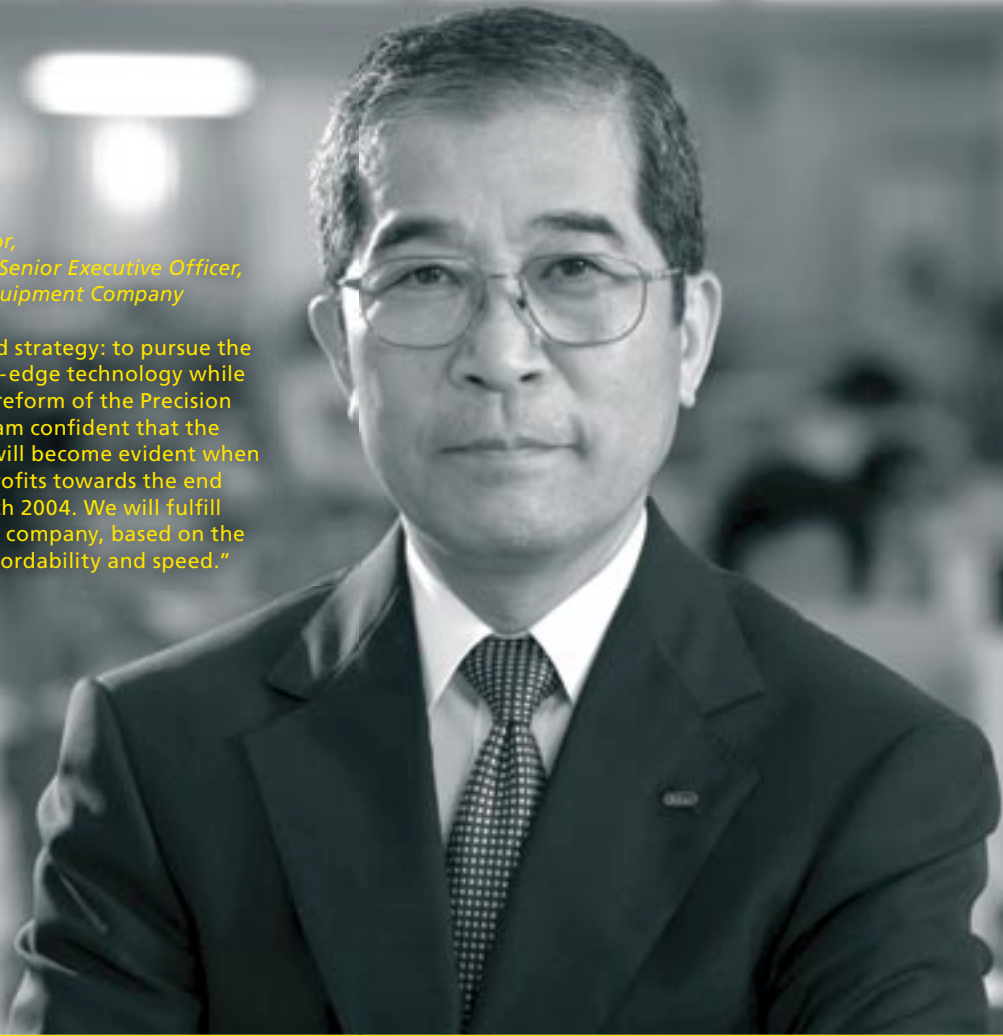
Topics/Achievements

Nikon became the first manufacturer of steppers to receive a PQS (Preferred Quality Supplier) award from Intel Corporation of the U.S. In Japan, Nikon received similar recognition of its high-quality credentials in the form of a Good Partner award from Toshiba Corporation.

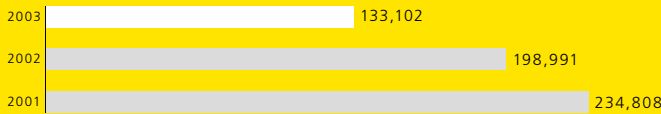


Michio Kariya
*Senior Managing Director,
 Member of the Board & Senior Executive Officer,
 President of Precision Equipment Company*

"We have a two-pronged strategy: to pursue the development of cutting-edge technology while undertaking structural reform of the Precision Equipment Company. I am confident that the results of this strategy will become evident when we post a recovery in profits towards the end of the year ending March 2004. We will fulfill our mission as a leading company, based on the keywords of quality, affordability and speed."

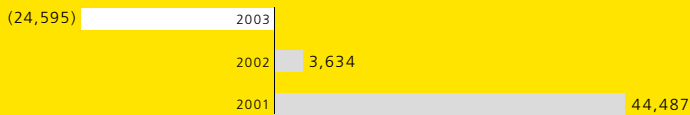


NET SALES* (MILLIONS OF YEN)



**The above figures include intersegment sales.*

OPERATING INCOME (LOSS) (MILLIONS OF YEN)



- 1 NSR-S306C**
ArF excimer stepper for mass production of 100nm devices
- 2 NSR-SF200**
Krf scan field stepper, suited for mix-and-match with ArF excimer steppers
- 3 FX-702J**
High-resolution LCD stepper for mass production of small- and medium-sized panels



imaging products

Operating Results

Although the market for traditional film cameras continued to shrink, further brisk expansion of the digital camera market boosted segment performance significantly. Sales increased 22.7% year-on-year to ¥271,956 million. Gains in sales volume, a significant presence of high-margin SLR-type digital cameras within the overall sales mix, combined with a variety of cost-reduction measures, resulted in a large gain in segment operating income, which climbed 72.0% to ¥27,745 million.

Business Strategy

The digital camera market continues to expand rapidly worldwide. This strong growth has prompted the entry of manufacturers from other sectors into the market. Competition has also become fiercer as the battleground has widened following the introduction of products such as mobile phones equipped with built-in megapixel cameras.

Nikon's strategy with digital cameras is to play to its technical strengths in camera technology, in digital image processing technology, and in optical technologies that can boost the performance of image sensors. We are also deliberately targeting those segments of the market that are large in volume and the most profitable. We are the pioneers in the segment for lens-interchangeable SLR-type digital cameras, and we dominate this particular segment. During the year ended March 2003, in addition to the cameras for the professional market segment, we launched the D100, an SLR-type digital camera designed for professionals and amateur photography enthusiasts. It was received extremely well. We plan to extend this range of cameras further to develop SLR-type digital cameras that will appeal strongly to the average consumer.

We have now developed a strong position at the high-end consumer digital camera market. Our next goal is to extend this franchise to target middle-class and popular-class markets, while continuing to pay extra attention to brand loyalists. COOLPIX is the Nikon product brand in the consumer-market segment, and we continue to develop this range. Building on our high-quality brand image, we plan to develop products for a wider range of customers including younger consumers that create added value through video and audio capabilities and enhanced computer connectivity as well as advanced designs.

The digital camera market is increasingly marked by intense technology-based competition, by inexorable compression of development cycles, and by fierce competition on price. To some extent, these problems are unavoidable. Our response is to speed up all processes of the business cycle, from product development to sales, so that we can always ensure timely product launches. Hence, one of our most important business issues is how to maintain profitability. We continue to work hard to drive down unit costs and reassess the entire value chain so that we can raise profitability and launch the most competitive products.

As part of this drive, we have established Nikon Imaging (China) Co., Ltd., a manufacturing subsidiary mainly for consumer-type digital cameras. Based in Wuxi, Jiangsu Province in China, production of consumer digital cameras is scheduled to begin in the latter half of the year ending March 2004. In addition, we have established a local sales branch of Nikon Imaging (China) Co., Ltd. in Shanghai to boost sales in the Chinese market. Elsewhere, we have invested in production capacity at Nikon (Thailand) Co., Ltd. for lens units, which are key parts of digital cameras. These moves promise to boost our cost- and value-competitiveness substantially.

We are striving to boost our share of the market for traditional film cameras even as it declines so that we can continue to generate stable profits from this sector. In the popular segment of this market we were successful in achieving this aim as a result of the popularity of new models such as the Nikon F75 (or N75 in the United States and U2 in Japan).

New initiatives in the pipeline include development projects in the areas of image-related software/hardware and other applications. We will also consider possibilities to collaborate with other firms to achieve our objectives. In addition, as part of our brand strategy, through an increased dialogue with a wide range of customers, we are trying to give Nikon products a more accessible and easily enjoyable image, which is ideally suited to the digital camera age.

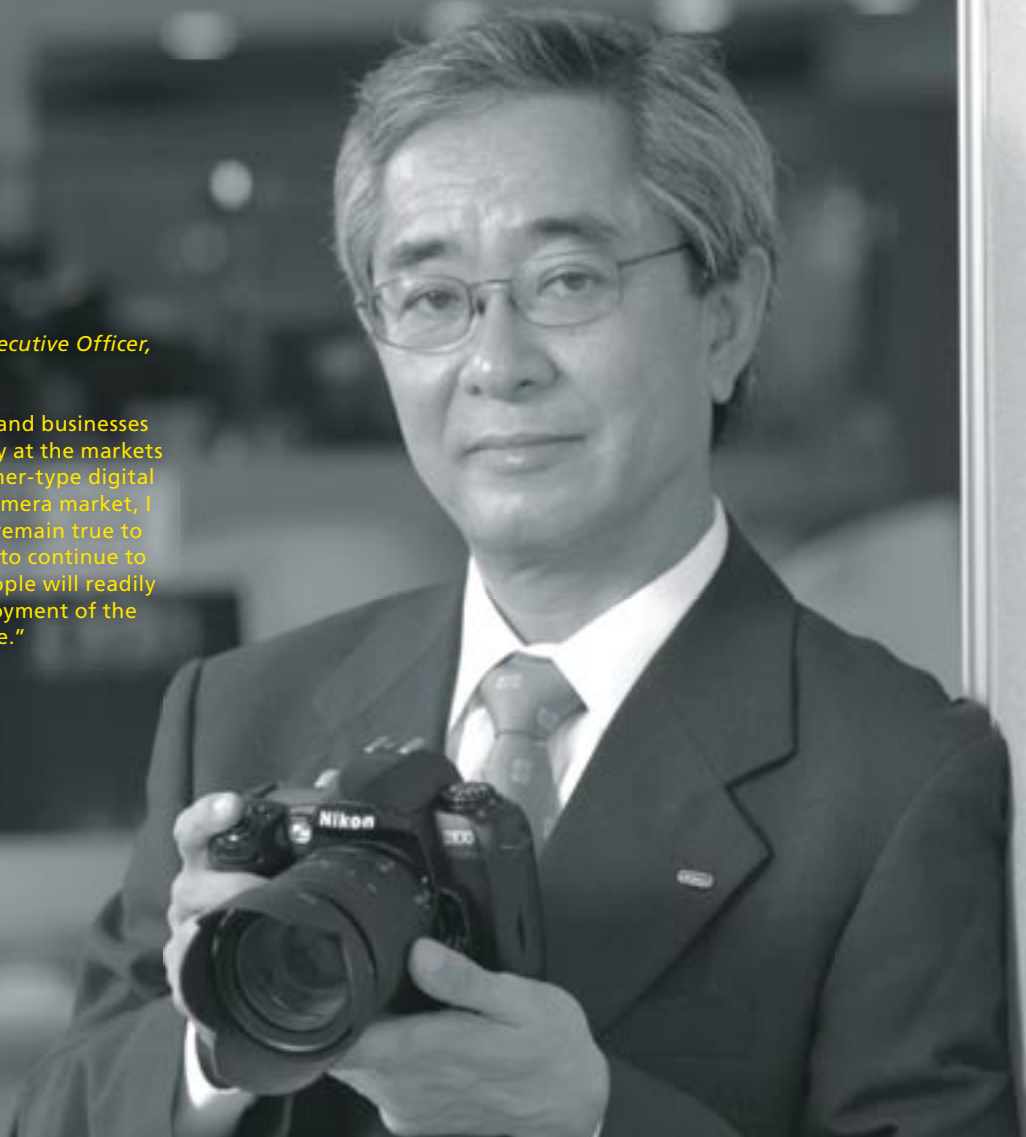
Topics/Achievements

Nikon Imaging (China) Co., Ltd. will initiate production of consumer digital cameras in the latter half of the fiscal year ending March 2004, with full-scale production scheduled from the fiscal year ending March 2005 onwards. Construction work is currently underway to increase total production floor area. Enhanced production capacity will facilitate greater in-house manufacturing of some components.



Makoto Kimura
 Managing Director,
 Member of the Board & Senior Executive Officer,
 President of Imaging Company

"Our main objective now is to expand businesses based on the dominance we enjoy at the markets in SLR-type and high-end consumer-type digital cameras. In the traditional film camera market, I believe that our goal must be to remain true to Nikon traditions. Overall, we aim to continue to build the Nikon brand so that people will readily associate the name with true enjoyment of the creation of images in everyday life."

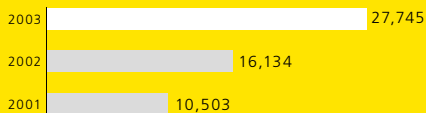


NET SALES* (MILLIONS OF YEN)



*The above figures include intersegment sales.

OPERATING INCOME (MILLIONS OF YEN)



1 D100

SLR-type digital camera targeting professionals and amateur photography enthusiasts

2 F75

Compact, lightweight 35mm autofocus camera (N75 in the United States and U2 in Japan)

3 COOLPIX SQ

A compact digital camera with many advanced functions in its square, fully metal-cased body

4 COOLPIX 5700

Features 5.0 effective megapixels and 8x Zoom-Nikkor lens



instruments

Operating Results

Sales of biological microscopes recorded steady growth, particularly research models. Although the ongoing downturn in the semiconductor market had an impact on sales of industrial microscopes, measuring instruments and semiconductor inspection equipment, sales of CCD Test System Light Source supported overall sales in the industrial sector. Total sales rose 6.9% year-on-year to ¥49,872 million. Successful measures to boost profitability helped operating income climb to ¥1,842 million, an increase of 293.6% relative to the previous year.

Business Strategy

Nikon's instruments business encompasses biological microscopes, industrial microscopes, measuring instruments, semiconductor inspection equipment, and other products. Since the major customers are hospitals, universities and research institutions, the biological microscopes business tends to be relatively immune to the economic cycle, and profits are relatively stable. While continuing to focus on this sector, we will work hard to improve profitability with other product groups to generate higher profits for the whole Instruments Business.

The most important issue that we face is the implementation of comprehensive structural reforms directed at boosting profitability. The financial results for the year ended March 2003 confirm that the effects of structural reforms are gradually starting to emerge. We are continuing with our program of reform to further reduce costs and boost efficiency, both on the development and production side and on the sales side.

Our development and production reforms have centered on the construction of integrated supply chain management practices to integrate our production, including outside consignment manufacturers, sales and distribution functions. The introduction of SCM is helping to raise the efficiency of production processes. It is also playing an important role as we strive to achieve drastic cuts in procurement and manufacturing lead times and improve inventory management. Our goal is to drastically halve global inventory levels. Separately, we are raising microscope production at our subsidiary in China (Nanjing Nikon Jiangnan Optical Instrument Co., Ltd.) to reduce costs further.

On the sales side, we are planning to revise the distributor system that we have been introducing to boost sales of microscopes in Japan, creating a range of incentives designed to increase distributor focus on Nikon products. At the same time, we are expanding the marketing capabilities of our sales branch to facilitate closer contact with customers. In turn, we expect this to improve the process of information feedback to product development through better assessment of customer requirements.

The year witnessed various overseas developments. In July 2002, our U.S. subsidiary, Nikon Instruments Inc., established a new sales branch in Arizona for semiconductor inspection equipment. In Europe, the instruments division of Nikon Europe B.V. became an independent operation in April 2002 with the creation of Nikon Instruments Europe B.V. Moreover, in China, where we anticipate strong market growth, we will set up a local marketing and after-sales service subsidiary, Nikon Instruments (Shanghai) Co., Ltd., and start operations in August 2003.

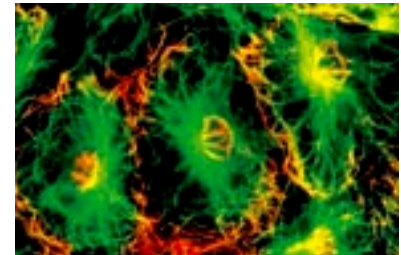
The life sciences are projected to be the source of much of the company's future growth. In Japan, levels of both state and private-sector capital investment continue to rise steadily in this field. We expect demand to rise for advanced microscope systems, measuring equipment and analyzers that will be needed to push this scientific envelope. We are tailoring R&D programs to develop products that will meet this demand based on the latest Nikon technological advances. One area that is already benefiting in sales terms is that of microscopes with evanescent wave illumination, which can play an important part in several areas of the latest life science research. We plan to expand sales of these products further.

Another product area with substantial market growth potential is one that marries optical microscopes with two other Nikon strengths—digital cameras and digital image processing technology. In June 2003, we launched the COOLSCOPE, a digital microscope that replaces the traditional eyepiece lens with digital images displayed on a monitor. We plan to focus on sales efforts on this product, which boasts numerous features designed to make operation user-friendly.

Semiconductor inspection equipment is another area with growth potential. Increasingly diverse customer requirements, greater expectations of automated functionality and various demands for observation and inspection are driving market demand for advanced measurement capabilities. We plan to expand sales by developing new products that play to our technical strengths, focusing particularly on the trend toward 300mm IC wafers and meeting the latest requirement for a line-width of 90nm.

Topics/Achievements

Nikon has developed an Evanescent Wave Imaging System that enables observations of single molecules in living cells of proteins or genes. This system promises to play an important role at the cutting edge of research in the life sciences.

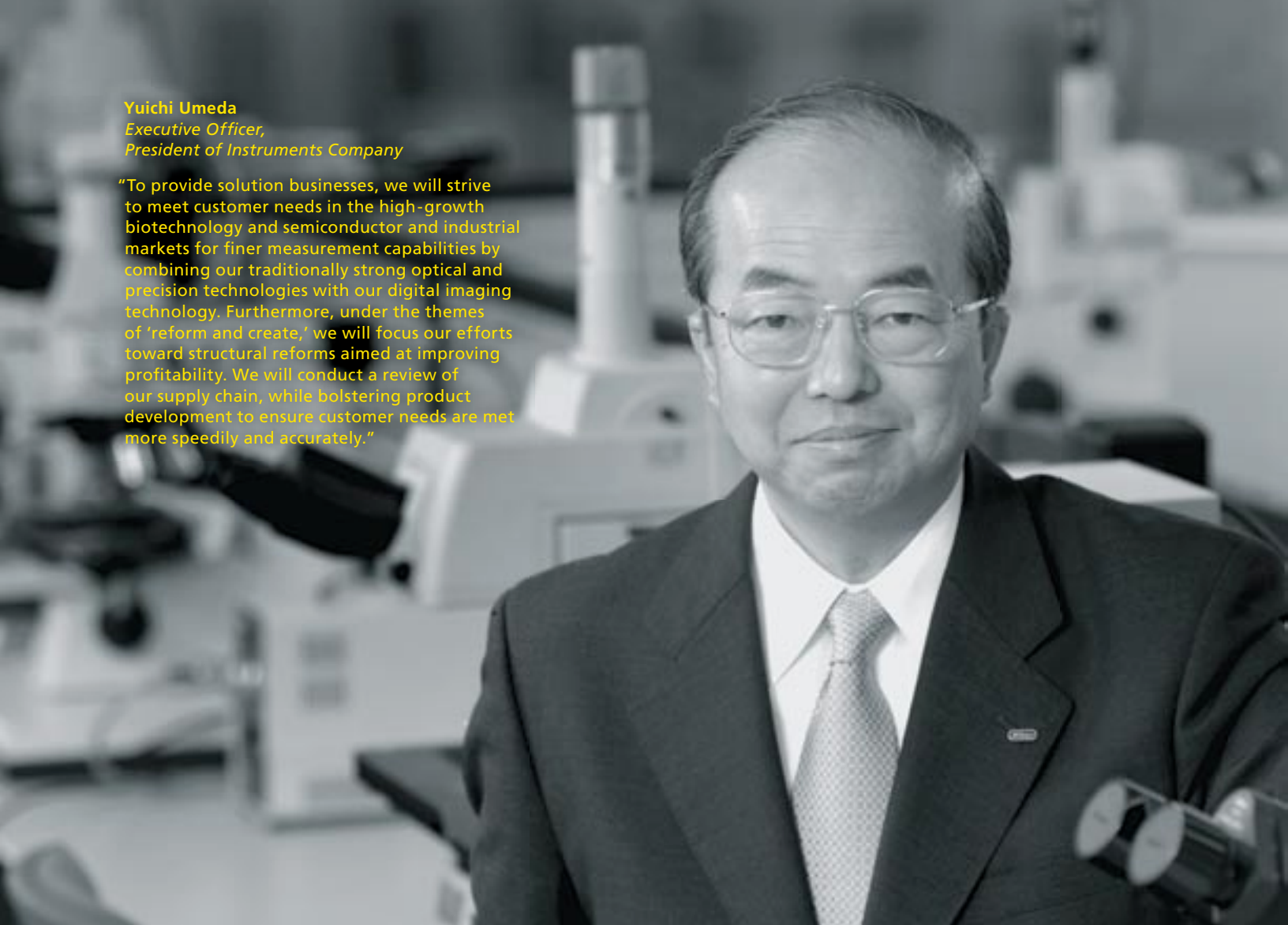


Fibroblasts from mouse skin displayed with pseudo-color through imaging that Overlay of the images with evanescence wave illumination and with epi-fluorescent illumination.

Image courtesy of Dr. Gregg G. Gundersen, Columbia University

Yuichi Umeda
*Executive Officer,
 President of Instruments Company*

"To provide solution businesses, we will strive to meet customer needs in the high-growth biotechnology and semiconductor and industrial markets for finer measurement capabilities by combining our traditionally strong optical and precision technologies with our digital imaging technology. Furthermore, under the themes of 'reform and create,' we will focus our efforts toward structural reforms aimed at improving profitability. We will conduct a review of our supply chain, while bolstering product development to ensure customer needs are met more speedily and accurately."



NET SALES* (MILLIONS OF YEN)



**The above figures include intersegment sales.*

OPERATING INCOME (MILLIONS OF YEN)



1 COOLSCOPE

Digital microscope with numerous user-friendly operational features

2 DIGITAL ECLIPSE C1

Modular confocal microscope system providing a high-contrast image of intercellular structure

3 NEXIV VMR-H3030 Z120X

CNC video measuring system for performance of high-magnification, high-speed, high-precision measurements (NEXIV VMR-H3030TZ in Japan)

4 NRM-3100

Overlay measuring system for 90nm lithography process management support with 300mm IC wafers



other

Operating Results

Net sales declined 13.1% to ¥41,875 million, generating an operating loss of ¥1,260 million. Despite efforts to develop new markets, the Customized Products Business suffered a sharp fall in sales as the prolonged market downturn impacted demand for optical components for fiber-optic communications applications. Sales of customized equipment also declined significantly. Sales of binoculars and telescopes products rose as sales of new products, including updated ranges of high-grade binoculars HG series and loupes supplemented solid sales of existing products. Demand for surveying instruments from the construction and civil engineering sectors cooled amid reduced public-works spending in Japan, resulting in lower sales of these products. Sales of eyewear products also declined overall amid poor market conditions. In ophthalmic lenses, sales of high-added-value items, such as progressive addition lenses, increased, while sales of lenses with single vision lenses also held up well. This was offset, however, by price erosion with ophthalmic frames and sunglasses, which dragged down total sales in the eyewear sector.

Business Strategy and Topics/Achievements

This segment consists of a number of different business units. Currently we are undertaking various structural and other reforms to boost profitability, with the aim of ensuring that each business unit can generate steady earnings growth and contribute to improved consolidated profitability overall.

In the surveying instruments field, the year ended March 2003 marked the conclusion of an agreement to establish a Japan-based 50:50 joint venture between Nikon and Trimble Navigation Ltd., of the United States, a leader in surveying instruments. Bringing together Nikon's advanced optical technology, sales network in Japan and the high-quality reputation of the Nikon brand with Trimble's broad range of GPS (Global Positioning System) and other instruments and its global sales network, the establishment of this venture, called Nikon-Trimble Co., Ltd., promises to generate substantial mutual benefits by enabling both companies to expand their presence in the surveying instruments field. The joint venture commenced operations on July 1, 2003, in the process of transforming the Nikon Group surveying instrument development, manufacturing and sales operations to Nikon Geotecs Co., Ltd.

We made further progress during the year ended March 2003 in the development of Nikon's chemical mechanical polishing (CMP) system business with the creation in November 2002 of an internal division to oversee business development in this area. Increasingly advanced semiconductor manufacturing processes designed to cope with higher levels of large-scale integration (LSI) in chips and the introduction of new materials are driving demand for methods of ensuring that the multiple layers of conductors and dielectric layers packed on top of silicon wafers are uniform. CMP system meets this need by applying both chemical and physical processes to the surfaces of these layers to polish them and make them uniformly even. At Nikon, we are applying our various technical expertise in optical lens polishing and optical measurement, as well as other stepper-derived technology, to develop high-precision CMP systems. Business development efforts are now at a relatively advanced stage. We anticipate that this business will make a significant contribution to earnings once it becomes established.



1



2



3



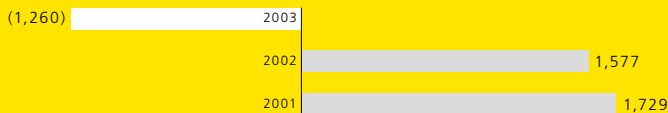
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NET SALES* (MILLIONS OF YEN)



*The above figures include intersegment sales.

OPERATING INCOME (LOSS) (MILLIONS OF YEN)



1 NPS3301

CMP system capable of high-precision polishing

2 8×32HG DCF

High-grade binoculars deliver high-resolution performance for a clear field of view

3 NPL-302 SERIES

Total Station featuring non-prism function (NST-300N SERIES in Japan)

4 PROGUE NEXIA

Ophthalmic frames using the world's first earpiece tips made from shape-memory plastic

SELECTED TOPICS

Redefinition of Nikon Brand Symbol

Upon developing the new Nikon brand symbol, Nikon began using it in such communication tools as business signs, advertisements, catalogs and Web designs from April 1, 2003 in order to ensure a visually unified Nikon brand image in its communications activities.

While the new brand symbol retains the famous Nikon logo type and yellow-and-black brand colors, it also represents Nikon's desire to undertake the challenge of realizing unknown possibilities as well as a relentless creative drive in the graphical element of "sequential rays and a lens."

The brand image redefinition seeks to add the concepts of "innovative technology" and "a sense of the times" to the notions of superior product quality and reliability for which the Nikon brand has traditionally stood. Following up the brand symbol redefinition exercise, Nikon will endeavor to raise Groupwide brand value by continuing to nourish its image as a precious asset indicative of a world-renowned level of quality and functionality, to work to more fluidly and effectively in developing new products and marketing approaches and to introduce brand management paradigms in step with the times.



Nikon brand promotion at Safeco Field, Seattle, U.S.A.



Ohi West Building

Completion of Ohi West Building

In March 2003, construction was completed on the Ohi West Building, the newest extension to the Ohi Plant, Nikon's most historic manufacturing site (situated in southwest Tokyo). With seven floors above ground and one basement level, the building has a total floor area of 15,000 sq. meters. The design incorporates the latest environment friendly, energy-saving and seismic resistance features. Besides various other Nikon divisions, the building will mainly accommodate Imaging Company planning and marketing functions, making it an important new base for this company as it markets Nikon technology and products worldwide.

Nikkor Club Celebrates Golden Anniversary

Originally established to provide opportunities for fans of Nikon cameras and Nikkor lenses to meet and interact, the Nikkor Club celebrated its 50th anniversary in 2002. Through such activities as photo contests and group photo shoots supervised by famous photographers, the club has helped numerous photography enthusiasts for many years to improve their skills. The club also has helped to contribute to upgrade photography culture by publishing club magazines and photo books. The Nikkor Club has made a valuable contribution by uniting the worlds of professional and amateur photography.

A number of events marked the anniversary, including a special photo competition and the publication of a 50th anniversary collection of photographs. The club was also presented with an award from the Japan Professional Photographers Society for its outstanding achievements in the promotion of photography.

As well as managing the Nikkor Club, Nikon plans to continue to promote photography culture through the exhibition of photographic works at Nikon Salon photo galleries and the organization of an international photo competition.



Above: 50th Anniversary Ceremony for the Nikkor Club

Below: Award from Japan Professional Photographers Society

ENVIRONMENTAL CONSERVATION ACTIVITIES

Harmonious environmental co-existence and a recycling-oriented perspective have always been core aspects of Nikon's fundamental business philosophy. Nikon formulated its own basic environmental management policy in 1992, after which the company instituted a comprehensive program of environmental conservation measures. This focused largely on the conservation of energy and resources. Most Nikon Group companies have obtained ISO 14001 certification for their environmental management systems. Nikon also routinely applies its own quantitative product assessment procedures to develop more eco-conscious products.

Modern society looks to corporations to institute advanced environmental management practices so that sustainable development can become a reality. In response, efforts are being intensified across the Nikon Group to reduce the environmental impact of its activities.



Sorting and reduction of waste volume has been achieved at the Sendai Nikon Recycling Center through the use of special machines.

Establishment of Zero-Emissions Systems at Manufacturing Sites

In the year ended March 2003, with the completion of systems targeting waste reductions, Nikon achieved zero-emissions one year ahead status at its five main manufacturing sites in Japan (Ohi, Yokohama, Sagami-hara, Kumagaya and Mito) as a result of accelerated efforts to promote reduction and recycling of waste. Nikon defines zero-emissions status as a reduction in the total volume of waste sent to landfill to below 1% of all emissions. Future plans call for the achievement of zero-emissions status by major manufacturing subsidiaries in Japan by the end of March 2006 (Sendai Nikon Corp. has already achieved zero-emissions status).



Lenses and prisms made using eco-glass

Development of Eco-Glass

Nikon has been working on various improvements to the composition of optical glass to give it a more eco-conscious profile. In 1995, Nikon began full-scale development work on a new type of environmentally-sound optical glass (eco-glass) that does not contain toxic substances such as lead and arsenic. After numerous design and development studies to examine ways of retaining optical performance while eliminating such substances, Nikon began full-scale efforts at designing optical products that incorporate the new eco-glass in 1998. Today, eco-glass is used as much as possible throughout the Nikon product range, from steppers to cameras. In the year ended March 2003, the proportion of new optical designs incorporating eco-glass topped 90%. Nikon continues to work to raise this proportion further and to ensure to minimize the possibility of any environmental pollution throughout the life cycles of the glass, from initial material to final disposal stages.

Creation of Environmental Action Plan for the Year Ending March 2004

Each year, Nikon revises an environmental action plan that sets out specific numerical performance targets for products and operating site environments. New targets and environmental conservation activity priorities are set once progress status has been determined. In the year ending March 2004, the prime focus is partly dictated by the implementation of new EU directives prohibiting the import of products that contain certain levels of toxic chemical substances such as hexavalent chromium and lead. Nikon has set in place programs to switch to lead-free solder and to minimize the use of lead in the mounting circuit board. The target is to raise the proportion of lead-free printed circuit boards to 100% for all consumer products by the end of March 2006, and to over 50% for all industrial products by the same date. Other aspects of the latest environmental plan include preparations to enhance eliminating other toxic substances from products and to bolster eco-friendly "green procurement" initiatives.



High-performance reflow furnace for lead-free soldering

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

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

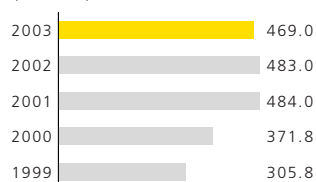
As of the fiscal year-end, total assets amounted to ¥576.9 billion, up ¥15.6 billion, or 2.8%, relative to the previous fiscal year-end. This increase mainly reflected higher inventories. Current assets rose by 5.6%, or ¥20.7 billion.

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

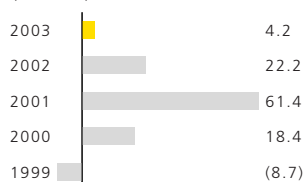
The combined effects of an unrealized loss on available-for-sale securities and a net loss for the year of ¥8.1 billion resulted in a net decrease in total shareholders' equity of ¥14.5 billion.

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.

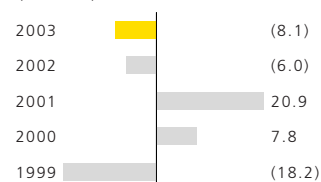
NET SALES (¥ Billion)



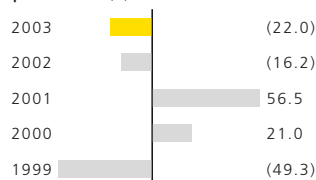
OPERATING INCOME (LOSS) (¥ Billion)



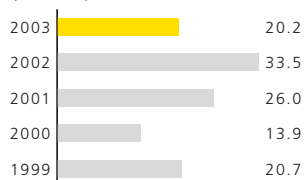
NET INCOME (LOSS) (¥ Billion)



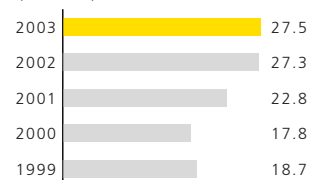
NET INCOME (LOSS) per Share (¥)



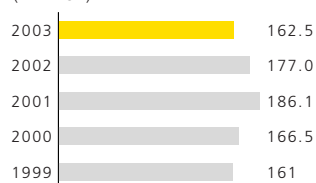
CAPITAL EXPENDITURES (¥ Billion)



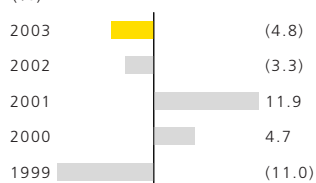
R&D COSTS (¥ Billion)



SHAREHOLDERS' EQUITY (¥ Billion)



RETURN ON EQUITY (%)



CONSOLIDATED BALANCE SHEETS

Nikon Corporation and Consolidated Subsidiaries
March 31, 2003 and 2002

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2003	2002	2003
ASSETS			
Current assets			
Cash and cash equivalents	¥ 23,692	¥ 24,614	\$ 197,106
Notes and accounts receivable — trade (Note 5):			
Customers	104,042	102,409	865,570
Unconsolidated subsidiaries and associated companies	858	558	7,142
Allowance for doubtful receivables	(2,940)	(3,047)	(24,461)
Inventories (Note 4)	226,627	208,411	1,885,418
Deferred tax assets (Note 9)	23,606	17,787	196,387
Other current assets (Note 3)	12,428	16,921	103,396
Total current assets	<u>388,313</u>	<u>367,653</u>	<u>3,230,558</u>
Property, plant and equipment			
Land	16,894	16,812	140,550
Buildings and structures	94,968	90,441	790,080
Machinery and equipment	123,738	115,153	1,029,434
Furniture and fixtures	56,171	54,454	467,313
Construction in progress	6,815	13,188	56,700
Total	<u>298,586</u>	<u>290,048</u>	<u>2,484,077</u>
Accumulated depreciation	(188,075)	(176,929)	(1,564,681)
Net property, plant and equipment	<u>110,511</u>	<u>113,119</u>	<u>919,396</u>
Investments and other assets			
Investment securities (Notes 3 and 5)	37,534	45,352	312,262
Investments in unconsolidated subsidiaries and associated companies	6,941	5,143	57,742
Long-term loans:			
Employees and other	497	670	4,136
Unconsolidated subsidiaries and associated companies	5	32	42
Allowance for doubtful receivables	(148)	(104)	(1,230)
Software	5,538	5,746	46,072
Goodwill	272		2,267
Security deposit	3,239	3,304	26,944
Deferred tax assets (Note 9)	17,374	14,911	144,539
Other	6,836	5,450	56,869
Total investments and other assets	<u>78,088</u>	<u>80,504</u>	<u>649,643</u>
Total	<u>¥ 576,912</u>	<u>¥ 561,276</u>	<u>\$ 4,799,597</u>

See Notes to Consolidated Financial Statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2003	2002	2003
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Short-term borrowings (Note 5)	¥ 59,845	¥ 111,795	\$ 497,876
Current portion of long-term debt (Note 5)	22,208	16,541	184,755
Notes and accounts payable — trade:			
Suppliers	98,145	78,305	816,511
Unconsolidated subsidiaries and associated companies	648	560	5,393
Income taxes payable	3,227	1,299	26,848
Accrued expenses	38,976	37,684	324,263
Other current liabilities (Note 9)	31,267	34,306	260,127
Total current liabilities	<u>254,316</u>	<u>280,490</u>	<u>2,115,773</u>
Long-term liabilities			
Long-term debt (Note 5)	138,809	81,626	1,154,817
Liability for employees' retirement benefits (Note 6)	19,880	17,419	165,387
Other long-term liabilities (Note 9)	1,289	4,622	10,732
Total long-term liabilities	<u>159,978</u>	<u>103,667</u>	<u>1,330,936</u>
Minority interests	<u>154</u>	<u>158</u>	<u>1,280</u>
Commitments and Contingent liabilities (Notes 11, 12 and 13)			
Shareholders' equity			
Common stock (Note 7):			
Authorized — 1,000,000,000 shares			
Issued — 369,945,332 shares in 2003 and 2002	36,661	36,661	304,999
Capital surplus (Note 7)	51,924	51,924	431,984
Retained earnings (Note 7)	80,582	88,725	670,404
Unrealized gain (loss) on available-for-sale securities	(3,531)	1,079	(29,380)
Foreign currency translation adjustments	(2,628)	(1,265)	(21,867)
Total	<u>163,008</u>	<u>177,124</u>	<u>1,356,140</u>
Treasury stock, at cost:			
550,081 shares in 2003 and 139,969 shares in 2002	(544)	(163)	(4,532)
Total shareholders' equity	<u>162,464</u>	<u>176,961</u>	<u>1,351,608</u>
Total	<u>¥ 576,912</u>	<u>¥ 561,276</u>	<u>\$ 4,799,597</u>

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF OPERATIONS

Nikon Corporation and Consolidated Subsidiaries
March 31, 2003 and 2002

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2003	2002	2003
Net sales	¥ 468,959	¥ 482,975	\$ 3,901,487
Cost of sales	307,503	306,793	2,558,264
Gross profit	161,456	176,182	1,343,223
Selling, general and administrative expenses (Note 8)	157,269	153,943	1,308,396
Operating income	4,187	22,239	34,827
Other income (expenses)			
Interest and dividend income	1,067	1,149	8,878
Interest expense	(2,627)	(3,659)	(21,855)
Cash discount	(3,528)	(3,039)	(29,349)
Royalty income	1,186	754	9,870
Bond issue costs	(1,353)	(91)	(11,255)
Write-down of inventories	(5,063)	(7,112)	(42,120)
Loss on disposals of inventories	(2,513)	(2,185)	(20,909)
Loss on sales of investment securities	(2,041)	(3,358)	(16,982)
Loss on disposals of property, plant and equipment	(606)	(1,161)	(5,043)
Gain on sales of property, plant and equipment	9,270	3,180	77,121
Gain on sales of investment securities	1,548	1,800	12,879
Additional retirement benefits paid to employees	(11,019)		(91,673)
Charge for transitional obligations for employees' retirement benefits (Note 2(g))		(9,755)	
Equity in earnings of unconsolidated subsidiaries and associated companies	757	549	6,298
Other-net	(393)	3,444	(3,265)
Other expenses net	(15,315)	(19,484)	(127,405)
Income (loss) before income taxes and minority interest	(11,128)	2,755	(92,578)
Income taxes (Note 9)			
Current	5,400	3,454	44,919
Deferred	(8,380)	5,304	(69,714)
Total income taxes	(2,980)	8,758	(24,795)
Minority interest	(5)	1	(39)
Net loss	¥ (8,143)	¥ (6,004)	\$ (67,744)
	Yen		U.S. Dollars (Note 1)
Per share of common stock (Note 2(o)):			
Net loss	¥ (22.03)	¥ (16.23)	\$ (0.18)
Cash dividends applicable to the year	0.00	4.00	0.00

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Nikon Corporation and Consolidated Subsidiaries
Years ended March 31, 2003 and 2002

	Thousands	Millions of Yen					
	Issued Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain (Loss) on Available-for- sale Securities	Foreign Currency Translation Adjustments	Treasury Stock
BALANCE AT APRIL 1, 2001	369,928	¥ 36,661	¥ 51,910	¥ 96,560	¥ 4,715	¥ (3,726)	¥ (1)
Stock issued under exchange offerings	17		14				
Net loss				(6,004)			
Cash dividends, ¥8.0 per share				(2,959)			
Bonuses to directors and corporate auditors				(50)			
Adjustment of retained earnings for newly consolidated subsidiaries				692			
Adjustment of retained earnings for additional application of equity method				352			
Increase by merger between non-consolidated subsidiary and consolidated subsidiary				134			
Net decrease in unrealized gain on available-for-sale securities					(3,636)		
Net increase in foreign currency translation adjustments						2,461	
Increase in treasury stock (139,337 shares)							(162)
BALANCE AT MARCH 31, 2002	369,945	¥ 36,661	¥ 51,924	¥ 88,725	¥ 1,079	¥ (1,265)	¥ (163)
Net loss				(8,143)			
Net decrease in unrealized gain on available-for-sale securities					(4,610)		
Net decrease in foreign currency translation adjustments						(1,363)	
Increase in treasury stock (410,112 shares)							(381)
BALANCE AT MARCH 31, 2003	369,945	¥ 36,661	¥ 51,924	¥ 80,582	¥ (3,531)	¥ (2,628)	¥ (544)

	Thousands of U.S. Dollars (Note 1)					
	Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain (Loss) on Available-for- sale Securities	Foreign Currency Translation Adjustments	Treasury Stock
BALANCE AT MARCH 31, 2002	\$304,999	\$431,984	\$738,148	\$ 8,977	\$ (10,527)	\$ (1,361)
Net loss			(67,744)			
Net decrease in unrealized gain on available-for-sale securities				(38,357)		
Net decrease in foreign currency translation adjustments					(11,340)	
Increase in treasury stock (410,112 shares)						(3,171)
BALANCE AT MARCH 31, 2003	\$304,999	\$431,984	\$670,404	\$ (29,380)	\$ (21,867)	\$ (4,532)

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Nikon Corporation and Consolidated Subsidiaries
Years ended March 31, 2003 and 2002

	Millions of Yen		Thousands of U.S. Dollars (Note1)
	2003	2002	2003
Operating activities:			
Income (loss) before income taxes and minority interest	¥ (11,128)	¥ 2,755	\$ (92,578)
Adjustments for:			
Income taxes-refund (paid)	1,695	(29,711)	14,100
Depreciation and amortization	20,367	17,917	169,444
Provision for employees' retirement benefits	2,457	7,304	20,440
Loss on sales or disposal of property, plant and equipment	650	1,258	5,407
Gain on sales of property, plant and equipment	(9,270)	(3,180)	(77,121)
Loss on sales of investment securities	2,041	3,358	16,982
Gain on sales of investment securities	(1,548)	(1,800)	(12,879)
Other-net	1,044	235	8,685
Change in assets and liabilities:			
Decrease (increase) in notes and accounts receivable-trade	(2,223)	42,719	(18,498)
Increase in inventories	(20,298)	(4,246)	(168,871)
Increase (decrease) in notes and accounts payable-trade	20,020	(40,807)	166,557
Other-net	5,597	(5,273)	46,572
Total adjustments	20,532	(12,226)	170,818
Net cash provided by (used in) operating activities	9,404	(9,471)	78,240
Investing activities:			
Capital expenditures	(19,760)	(28,423)	(164,391)
Proceeds from sales of property, plant and equipment	9,879	3,517	82,184
Purchases of investment securities	(6,147)	(8,812)	(51,142)
Proceeds from sales of investment securities	5,973	8,489	49,694
Net decrease (increase) in loans receivable	(77)	653	(639)
Other-net	(8,400)	(1,276)	(69,886)
Net cash used in investing activities	(18,532)	(25,852)	(154,180)
Financing activities:			
Net increase (decrease) in short-term borrowings	(52,756)	27,814	(438,901)
Proceeds from long-term debt	78,317	26,156	651,556
Repayments of long-term debt	(16,524)	(25,740)	(137,469)
Dividends paid	(8)	(2,951)	(64)
Other-net	(383)	(166)	(3,192)
Net cash provided by financing activities	8,646	25,113	71,930
Foreign currency translation adjustments on cash and cash equivalents	(681)	581	(5,662)
Net decrease in cash and cash equivalents	(1,163)	(9,629)	(9,672)
Cash and cash equivalents of newly consolidated subsidiaries, beginning of year	241	352	1,999
Cash and cash equivalents of deconsolidated subsidiaries, end of year		(0)	
Cash and cash equivalents of merged previously non-consolidated subsidiary		159	
Cash and cash equivalents, beginning of year	24,614	33,732	204,779
Cash and cash equivalents, end of year	¥ 23,692	¥ 24,614	\$ 197,106
Non-cash investing and financing activities			
Assets increased by consolidation of subsidiaries previously unconsolidated	¥ 430	¥ 544	\$ 3,577
Liabilities increased by consolidation of subsidiaries previously unconsolidated	84	127	703
Assets acquired and liabilities assumed by merger between non-consolidated subsidiary and consolidated subsidiary			
Land and buildings acquired		259	
Other assets acquired		87	
Long-term debt assumed		70	
Other liabilities assumed		41	

See Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Nikon Corporation and Consolidated Subsidiaries
Years ended March 31, 2003 and 2002

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Securities and Exchange Law of Japan and its related accounting regulations, and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards. The consolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in 2002 financial statements to conform to classification used in 2003.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Nikon Corporation (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥120.20 to U.S.\$1, the rate of exchange at March 31, 2003. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Consolidation

The consolidated financial statements as of March 31, 2003 include the accounts of the Company and its 45 significant (46 in 2002) subsidiaries (collectively, the "Group"). Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Company has the ability to exercise significant influence are accounted for by the equity method.

Investments in 2 associated companies (2 associated companies in 2002) are accounted for by the equity method. Investments in the remaining unconsolidated subsidiaries and associated companies are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

The differences between the cost and underlying net equity of investments in consolidated subsidiaries and associated companies accounted for by the equity method at acquisition ("Goodwill") are charged to income when incurred, if they are small sum, and the others are being amortized on a straight-line basis over 5 years.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

(b) Cash Equivalents

Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits, certificates of deposit, commercial paper and mutual funds investing in bonds that represent short-term investments, all of which mature or become due within three months of the date of acquisition.

(c) Marketable and Investment Securities

Marketable and investment securities are classified and accounted for, depending on management's intent, as follows:

- i) Trading securities, which are held for the purpose of earning capital gains in the near term are reported at fair value, and the related unrealized gains and losses are included in earnings,
- ii) Held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity, are reported at amortized cost and
- iii) Available-for-sale securities, which are not classified as either of the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of shareholders' equity. Available-for-sale securities whose fair value is not readily determinable are stated principally at moving-average cost. For other than temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

(d) Inventories

Inventories of the Company and its domestic subsidiaries are stated at cost as determined principally using the average method, except for work in process which is determined by the specific identification method. Inventories of foreign subsidiaries are stated at the lower of cost or market as determined principally using the first-in, first-out method.

(e) Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation of the Company and domestic subsidiaries is principally computed using the declining-balance method, while the straight-line method is applied to buildings (excluding facilities incidental to buildings), and foreign subsidiaries apply the straight-line method, using rates based on the estimated useful lives of the assets. The range of useful lives is principally from 30 to 40 years for buildings and structures, and from 5 to 10 years for machinery and equipment.

(f) Bond Issue Costs

Bond issue costs are charged to income as incurred.

(g) Retirement and Pension Plans

The Company and major subsidiaries have non-contributory funded pension plans covering substantially all of its employees. Certain foreign subsidiaries also have contributory pension plans.

Effective April 1, 2000, the Company and domestic subsidiaries adopted a new accounting standard for employees' retirement benefits and accounted for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date.

The full amount of the transitional obligation of ¥26,203 million determined as of April 1, 2000 less securities contributed to the pension fund of ¥6,711 million is being amortized over two years commencing from the fiscal year ended March 31, 2001.

(h) Research and Development Costs

The Group is active in research and development, and such costs are charged to income as incurred.

(i) Leases

All leases are accounted for as operating leases by the Company and its domestic subsidiaries. Under Japanese accounting standards for leases, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the lessee's financial statements.

(j) Income Taxes

The provision for income taxes is computed based on the pretax income included in the consolidated statements of operations. The Group provides for interperiod allocation of income taxes based on the asset and liability method.

Deferred income taxes are recorded to reflect the impact of temporary differences between assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes. These deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

(k) Appropriations of Retained Earnings

Appropriations of retained earnings at each year end are reflected in the consolidated financial statements in the following year upon shareholder's approval.

(l) Foreign Currency Transactions

All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the current exchange rates in effect at each balance sheet date. The foreign exchange gains and losses from transactions are recognized in the statement of operations to the extent that they are not hedged by forward exchange contracts.

(m) Foreign Currency Financial Statements

The balance sheet accounts and revenue and expense accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rates except for shareholders' equity, which is translated at the historical exchange rates.

Differences arising from such translation are shown as "Foreign currency translation adjustments" in a separate component of shareholders' equity.

(n) Derivatives and Hedging Activities

The Group enters into derivative financial instruments ("derivatives"), including contracts of foreign exchange forward, currency option, foreign currency swap and interest rate swap to hedge foreign exchange risk and interest rate exposures. The Group does not hold or issue derivatives for trading or speculative purposes.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: All derivatives are recognized principally as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the statements of operations. For derivatives used for hedging purpose, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

The foreign exchange forward contracts and currency option contracts employed to hedge foreign exchange exposures for export sales and purchases are measured at fair value and the related unrealized gains or losses are recognized in income. Forward contracts entered into for forecasted transactions are also measured at fair value but the unrealized gains or losses on qualifying hedges are deferred until the underlying transactions are completed. The foreign currency swaps used to hedge the foreign currency fluctuations of long-term debt denominated in foreign currencies are measured at fair value and the unrealized gains or losses are included in the carrying amounts of the debt. The interest rate swaps are remeasured at market value and the differential paid or received under the swap agreements are recognized in income.

(o) Per Share Information

Effective April 1, 2002, the Company adopted a new accounting standard for earnings per share of common stock issued by the Accounting Standards Board of Japan. Under the new standard, basic net income per share is computed by dividing net income available to common shareholders, which is more precisely computed than under previous practices, by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted net income per share of common stock assumes full conversion of the outstanding convertible notes and bonds at the beginning of the year (or at the time of issuance) with an applicable adjustment for related interest expense, net of tax and full exercise of outstanding warrants. Basic net income per share for the year ended March 31, 2003 is computed in accordance with the new standard, and diluted net income per share is not disclosed because of the Company's net loss position. There is no effect on the calculation of per share information for the year ended March 31, 2002, by applying the new standard.

Cash dividends per share presented in the accompanying consolidated statements of operations are dividends applicable to the respective years including dividends to be paid after the end of the year.

3. INVESTMENT SECURITIES

Investment securities at March 31, 2003 and 2002 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Non-Current :			
Equity securities	¥ 37,485	¥ 45,303	\$ 311,854
Trust bonds, debentures and other	49	49	408
Total	¥ 37,534	¥ 45,352	\$ 312,262

The carrying amounts and aggregate fair values of investment securities at March 31, 2003 and 2002 were as follows:

March 31, 2003	Millions of Yen			Fair Value
	Cost	Unrealized Gains	Unrealized Losses	
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 39,292	¥ 2,043	¥ 7,967	¥ 33,368
Debt securities	49			49
Total	¥ 39,341	¥ 2,043	¥ 7,967	¥ 33,417

March 31, 2002	Millions of Yen			Fair Value
	Cost	Unrealized Gains	Unrealized Losses	
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 39,114	¥ 6,413	¥ 4,554	¥ 40,973
Debt securities	48	0	0	48
Total	¥ 39,162	¥ 6,413	¥ 4,554	¥ 41,021

March 31, 2003	Thousands of U.S. Dollars			Fair Value
	Cost	Unrealized Gains	Unrealized Losses	
Securities classified as:				
Available-for-sale:				
Equity securities	\$ 326,886	\$ 16,996	\$ 66,279	\$ 277,603
Debt securities	408			408
Total	\$ 327,294	\$ 16,996	\$ 66,279	\$ 278,011

Carrying amounts of available-for-sale securities whose fair value is not readily determinable as of March 31, 2003 and 2002 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Available-for-sale:			
Equity securities	¥ 4,117	¥ 4,329	\$ 34,251
Other securities		2	
Total	¥ 4,117	¥ 4,331	\$ 34,251

Proceeds from sales of available-for-sale securities for the fiscal years ended March 31, 2003 and 2002 were ¥5,890 million (\$49,002 thousand) and ¥8,421 million, respectively. Gross realized gains on these sales for the fiscal years ended March 31, 2003 and 2002 were ¥1,548 million (\$12,879 thousand) and ¥1,800 million, respectively. Gross realized losses on these sales for the fiscal years ended March 31, 2003 and 2002 were ¥2,041 million (\$16,982 thousand) and ¥3,358 million, respectively.

The carrying values of debt securities by contractual maturities for securities classified as available-for-sale at March 31, 2003 and 2002 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
	Available for Sale	Available for Sale	Available for Sale
Due in one year or less	¥ 1	¥ 0	\$ 6
Due after one year through five years	3	4	28
Total	¥ 4	¥ 4	\$ 34

4. INVENTORIES

Inventories at March 31, 2003 and 2002 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Finished and semi-finished products	¥ 114,361	¥ 89,074	\$ 951,421
Work in process	96,845	101,903	805,700
Raw materials and supplies	15,421	17,434	128,297
Total	¥ 226,627	¥ 208,411	\$ 1,885,418

5. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at March 31, 2003 and 2002 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Short-term loans, principally from banks:			
2003: 0.3759%-5.5000%			
2002: 0.2500%-6.0000%	¥ 46,845	¥ 66,795	\$ 389,723
Commercial paper:			
2003: 0.0390%-0.0492%			
2002: 0.0900%-0.4621%	13,000	45,000	108,153
Total	¥ 59,845	¥ 111,795	\$ 497,876

Long-term debt at March 31, 2003 and 2002 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Loans, principally from banks and insurance companies:			
2003: 0.72%-6.250% due 2003-2007			
2002: 0.70%-7.430% due 2002-2007	¥ 10,017	¥ 13,167	\$ 83,332
Bonds	151,000	85,000	1,256,240
Total	161,017	98,167	1,339,572
Less: Current portion	(22,208)	(16,541)	(184,755)
Long-term debt, less current portion	¥ 138,809	¥ 81,626	\$ 1,154,817

The following was a summary of the terms of bonds which the Company may at any time purchase at any price in the open market or otherwise. The bonds purchased or otherwise acquired by the Company may be held or resold or, at the discretion of the Company, may be canceled (together with any unmatured coupons attached thereto or purchased therewith).

	Issued in	Maturity	Millions of Yen		Thousands of
			2003	2002	U.S. Dollars
2.95% Yen Unsecured Bonds	February, 1996	February, 2003	¥	¥ 10,000	\$
2.45% Yen Unsecured Bonds	March, 1997	March, 2004	10,000	10,000	83,195
2.7% Yen Unsecured Bonds	June, 1997	June, 2003	10,000	10,000	83,195
2.5% Yen Unsecured Bonds	November, 1997	November, 2007	10,000	10,000	83,195
2.575% Yen Unsecured Bonds	April, 1998	April, 2005	10,000	10,000	83,195
1.76% Yen Unsecured Bonds	August, 1999	August, 2004	10,000	10,000	83,195
1.0% Yen Unsecured Bonds	April, 2001	April, 2006	10,000	10,000	83,195
1.3% Yen Unsecured Bonds	December, 2001	December, 2006	10,000	10,000	83,195
1.7% Yen Unsecured Bonds	December, 2001	December, 2008	5,000	5,000	41,596
1.15% Yen Unsecured Bonds	February, 2003	February, 2008	10,000		83,195
1.4% Yen Unsecured Bonds	February, 2003	February, 2010	10,000		83,195
Yen Zero Coupon Convertible Bond	June, 2002	March, 2007	56,000		465,889
Total			¥ 151,000	¥ 85,000	\$ 1,256,240

The aggregate annual maturities of long-term debt for the years following March 31, 2003 were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2004	¥ 22,208	\$ 184,755
2005	12,061	100,343
2006	15,531	129,213
2007	76,017	632,416
2008	20,200	168,053
Thereafter	15,000	124,792
Total	¥ 161,017	\$ 1,339,572

The yen zero coupon convertible bonds were issued with detachable warrants to subscribe for shares of common stock of the Company. The warrants are exercisable through March 16, 2007 at ¥1,857 per share. The warrants outstanding at March 31, 2003 entitled the holders to subscribe for 30,156,165 shares which was computed using the above-mentioned exercise price.

At March 31, 2003, the following assets were pledged as collateral for long-term debt.

	Millions of Yen	Thousands of U.S. Dollars
Notes and accounts receivable-trade	¥ 18,243	\$ 151,770
Investment securities	5,404	44,957
Total	¥ 23,647	\$ 196,727

Liabilities secured by the above assets were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Long-term debt, including current portion	¥ 3,626	\$ 30,169

As is customary in Japan, the Company maintains substantial deposit balances with banks with which it has borrowings. Such deposit balances are not legally or contractually restricted as to withdrawal.

General agreements with respective banks provide, as is customary in Japan, that additional collateral must be provided under certain circumstances if requested by such banks and that certain banks have the right to offset cash deposited with them against any long-term or short-term debt or obligation that becomes due and, in case of default and certain other specified events, against all other debts payable to the banks. The Group has never been requested to provide any additional collateral.

6. RETIREMENT AND PENSION PLANS

The Company and major domestic subsidiaries have non-contributory funded pension plans covering substantially all of its employees. Certain foreign subsidiaries also have contributory pension plans. Under the pension plan, employees terminating their employment are, in most circumstances, entitled to pension benefits determined by reference to basic rates of pay at the time of termination, length of service and certain other factors.

The liability for employees' retirement benefits at March 31, 2003 and 2002 consisted of the followings:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Projected benefit obligation	¥ 116,719	¥115,380	\$ 971,038
Fair value of plan assets	(53,439)	(66,437)	(444,587)
Unrecognized actuarial loss	(42,960)	(31,589)	(357,402)
Unrecognized prior service cost	(721)		(6,001)
	<u>19,599</u>	<u>17,354</u>	<u>163,048</u>
Prepayment of service cost	281	65	2,339
Net Liability	<u>¥ 19,880</u>	<u>¥ 17,419</u>	<u>\$ 165,387</u>

The components of net periodic benefit costs for the fiscal years ended March 31, 2003 and 2002 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Service cost	¥ 5,094	¥ 4,039	\$ 42,382
Interest cost	3,129	3,080	26,033
Expected return on plan assets	(1,583)	(2,739)	(13,172)
Amortization of transitional obligation		9,755	
Recognized actuarial loss	3,545	1,133	29,491
Amortization of prior actuarial cost	89		741
Net periodic benefit costs	<u>¥ 10,274</u>	<u>¥ 15,268</u>	<u>\$ 85,475</u>

Assumptions used for the fiscal years ended March 31, 2003 and 2002 were principally set forth as follows:

	2003	2002
Discount rate	2.5%	2.5%
Expected rate of return on plans assets	2.0%	4.0%
Recognition period of actuarial gain (loss)	10 years	10 years
Amortization period of prior service cost	10 years	
Amortization period of transitional obligation		2 years

7. SHAREHOLDERS' EQUITY

The Company is subject to the Japanese Commercial Code (the "Code") to which certain amendments became effective as from October 1, 2001.

The Code was revised whereby common stock par value was eliminated resulting in all shares being recorded with no par value and at least 50% of the issue price of new shares is required to be recorded as common stock and the remaining net proceeds as additional paid-in capital, which is included in capital surplus. The Code permits Japanese companies, upon approval of the Board of Directors, to issue shares to existing shareholders without consideration as a stock split. Such issuance of shares generally does not give rise to changes within the shareholders' accounts.

The revised Code also provides that an amount at least equal to 10% of the aggregate amount of cash dividends and certain other appropriations of retained earnings associated with cash outlays applicable to each period shall be appropriated as a legal reserve (a component of retained earnings) until such reserve and additional paid-in capital equals 25% of common stock. The amount of total additional paid-in capital and legal reserve that exceeds 25% of the common stock may be available for dividends by resolution of the shareholders. In addition, the Code permits the transfer of a portion of additional paid-in capital and legal reserve to the common stock by resolution of the Board of Directors.

The revised Code eliminated restrictions on the repurchase and use of treasury stock allowing Japanese companies to repurchase treasury stock by a resolution of the shareholders at the general shareholders meeting and dispose of such treasury stock by resolution of the Board of Directors beginning April 1, 2002. The repurchased amount of treasury stock cannot exceed the amount available for future dividend plus amount of common stock, additional paid-in capital or legal reserve to be reduced in the case where such reduction was resolved at the general shareholders meeting.

The amount of retained earnings available for dividends under the Code was ¥42,723 million (\$355,432 thousand) as of March 31, 2003, based on the amount recorded in the Company's general books of account. In addition to the provision that requires an appropriation for a legal reserve in connection with the cash payment, the Code imposes certain limitations on the amount of retained earnings available for dividends.

Dividends are approved by the shareholders at a meeting held subsequent to the fiscal year to which the dividends are applicable. Semiannual interim dividends may also be paid upon resolution of the Board of Directors, subject to certain limitations imposed by the Code.

On March 1, 2002, the Company made Tochigi Nikon Corporation a wholly owned subsidiary through exchange offer procedures. The share exchange ratio was 1 common share of Tochigi Nikon Corporation for 0.58 shares of the Company. As a result, 17,748 shares of the Company's common stock were issued and capital surplus was increased by ¥14 million.

8. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for the fiscal years ended March 31, 2003 and 2002 principally consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Advertising expenses	¥ 33,064	¥ 27,182	\$ 275,074
After service costs	2,752	2,533	22,893
Provision of warranty costs	4,992	6,366	41,535
Employees' salaries	28,361	29,988	235,948
Employees' retirement benefit plan	4,751	3,663	39,527
Employees' bonuses and others	12,222	14,653	101,679
Research and development costs	27,506	27,313	228,832

9. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 42% for the respective years.

On March 31, 2003, a new local tax law was enacted and become effective for fiscal years beginning on or after April 1, 2004. The new local tax law decreased the local tax rate and introduced a new tax levied based on paid-in capital. As a result, the statutory effective tax rate applied on or after April 1, 2004 to the deferred income taxes and liabilities has been decreased from 42.0% to 40.4%.

The reduction of the statutory effective tax rate resulted in a decrease in deferred tax assets (net of deferred tax liabilities) of ¥164 million (\$1,363 thousand), and a charge to income taxes-deferred of ¥69 million (\$573 thousand) and a decrease in unrealized gain (loss) on available-for sale securities of ¥95 million (\$790 thousand) for the year ended March 31, 2003.

The tax effects of significant temporary differences which result in deferred tax assets and liabilities, at March 31, 2003 and 2002, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	<u>2003</u>	2002	<u>2003</u>
Deferred tax assets :			
Write-down of inventories	¥ 9,823	¥ 10,913	\$ 81,721
Warranty reserve	1,496	2,465	12,449
Liability for employees' retirement benefits	9,410	9,207	78,290
Depreciation and amortization	10,589	9,635	88,096
Net operating loss carryforwards	8,325	2,019	69,257
Other	11,178	5,522	92,995
Total	<u>¥ 50,821</u>	<u>¥ 39,761</u>	<u>\$ 422,808</u>
Deferred tax liabilities :			
Deferred gains on sales of property to be replaced	5,742	3,402	47,773
Unrealized gain on available-for-sale securities		781	
Undistributed earnings of foreign subsidiaries	2,310	2,569	19,218
Other	2,030	3,254	16,886
Total	<u>¥ 10,082</u>	<u>¥ 10,006</u>	<u>\$ 83,877</u>
Net deferred tax assets	<u>¥ 40,739</u>	<u>¥ 29,755</u>	<u>\$ 338,931</u>

A valuation allowance of ¥2,520 million (\$20,969 thousand) in 2003 and ¥1,489 million in 2002 were deducted from the amounts on the above table.

A reconciliation between the normal effective statutory tax rate for the fiscal years ended March 31, 2003 and 2002, and the actual effective tax rates reflected in the consolidated statements of operations were as follows:

	Year ended March 31,	
	<u>2003</u>	2002
Normal statutory tax rate	42%	42%
Consolidated adjustment on unrealizable profits in inventories	11.6	238.8
Dividends from foreign subsidiaries not applicable to foreign tax credits	(14.4)	53.5
Tax rate differences in foreign subsidiaries	4.4	(26.1)
Increase (decrease) in valuation allowance	(12.2)	17.2
Other-net	(4.6)	(7.5)
Actual effective tax rate	<u>26.8%</u>	<u>317.9%</u>

10. RESEARCH AND DEVELOPMENT COSTS

Research and development costs incurred were ¥27,506 million (\$228,832 thousand) and ¥27,313 million for the fiscal years ended March 31, 2003 and 2002, respectively.

11. LEASE PAYMENTS

Total lease payments under financing lease arrangements that do not transfer ownership of the leased property to the Company and its domestic subsidiaries were ¥2,929 million (\$24,364 thousand) and ¥3,533 million for the fiscal years ended March 31, 2003 and 2002, respectively.

The minimum rental commitments under noncancelable operating leases at March 31, 2003 and 2002 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Due within one year	¥ 1,230	¥ 1,231	\$ 10,237
Due after one year	2,676	2,448	22,261
Total	¥ 3,906	¥ 3,679	\$ 32,498

Pro forma information of leased property carried by finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis as of and for the fiscal years ended March 31, 2003 and 2002 was as follows:

	Millions of Yen			Thousands of U.S. Dollars		
	2003			2003		
	Machinery and Equipment	Furniture and Fixtures	Total	Machinery and Equipment	Furniture and Fixtures	Total
Acquisition cost	¥ 7,180	¥ 7,035	¥ 14,215	\$ 59,734	\$ 58,524	\$ 118,258
Accumulated depreciation	3,526	3,924	7,450	29,337	32,645	61,982
Net leased property	¥ 3,654	¥ 3,111	¥ 6,765	\$ 30,397	\$ 25,879	\$ 56,276

	Millions of Yen		
	2002		
	Machinery and Equipment	Furniture and Fixtures	Total
Acquisition cost	¥ 8,292	¥ 8,834	¥ 17,126
Accumulated depreciation	4,697	5,238	9,935
Net leased property	¥ 3,595	¥ 3,596	¥ 7,191

Obligations under finance leases at March 31, 2003 and 2002 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2003	2002	2003
Due within one year	¥ 2,399	¥ 2,711	\$ 19,959
Due after one year	4,366	4,480	36,317
Total	¥ 6,765	¥ 7,191	\$ 56,276

The amount of obligations under finance leases includes the imputed interest expense portion.

Depreciation expense, which is not reflected in the accompanying consolidated statements of operations, computed by the straight-line method, was ¥2,929 million (\$24,364 thousand) and ¥3,533 million for the fiscal years ended March 31, 2003 and 2002, respectively.

12.DERIVATIVES

The Group enters into derivative contracts, including foreign exchange forward contracts, currency option contracts, foreign currency swap contracts and interest rate swap contracts to hedge foreign exchange risk and interest rate exposures. The Group does not hold or issue derivatives for trading purposes. Derivatives are subject to market risk and credit risk. Market risk is the exposure created by potential fluctuations in market conditions, including in changes in interest or foreign exchange rates. Credit risk is the possibility that a loss may result from a counterparty's failure to perform according to the terms and conditions of the contract.

Because the counterparties to those derivative contracts are limited to major international financial institutions, the Group does not anticipate any losses arising from credit risk.

Derivative transactions entered into by the Group have been made in accordance with internal policies which regulate the authorization and credit limit amount.

Derivative contracts outstanding at March 31, 2003 and 2002, were as follows:

	Millions of Yen			Thousands of U.S. Dollars		
	2003			2003		
	Contract or Notional Amount	Fair Value	Net Unrealized Gain (Loss)	Contract or Notional Amount	Fair Value	Net Unrealized Gain (Loss)
Foreign exchange forward contracts :						
Selling JPY	¥ 7,376	¥ 7,430	¥ (54)	\$ 61,364	\$ 61,813	\$ (449)
Selling USD	6,780	6,819	(39)	56,403	56,728	(325)
Selling EUR	19,974	20,342	(368)	166,178	169,237	(3,059)
Buying JPY	11,248	11,491	243	93,576	95,596	2,020
Buying USD	549	541	(8)	4,567	4,501	(66)
Buying EUR	1,675	1,671	(4)	13,935	13,904	(31)
Total			(230)			(1,910)
Interest rate swaps :						
(fixed rate receipt, floating rate payment)	¥ 20,000	¥ 861	¥ 861	\$ 166,389	\$ 7,162	\$ 7,162
(fixed rate payment, floating rate receipt)	10,000	(772)	(772)	83,195	(6,420)	(6,420)
Total	¥ 30,000	¥ 89	¥ 89	\$ 249,584	\$ 742	\$ 742
Millions of Yen						
2002						
	Contract or Notional Amount	Fair Value	Net Unrealized Gain (Loss)			
Foreign exchange forward contracts :						
Selling JPY	¥ 4,023	¥ 3,985	¥ 38			
Selling USD	4,902	4,939	(37)			
Selling EUR	5,819	5,875	(56)			
Buying JPY	4,953	4,425	(528)			
Buying USD	331	333	2			
Buying EUR	2,300	2,329	29			
Buying GBP	189	188	(1)			
Total			(553)			
Interest rate swaps :						
(fixed rate receipt, floating rate payment)	¥ 30,000	¥ 865	¥ 865			
(fixed rate payment, floating rate receipt)	20,000	(833)	(833)			
Total	¥ 50,000	¥ 32	¥ 32			

Derivatives which qualified for hedge accounting and related amounts were included with the associated assets and liabilities, and were excluded from disclosure of market value information in the preceding table.

13. CONTINGENT LIABILITIES

Contingent liabilities at March 31, 2003 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2003	2003
As the endorser of trade notes receivable discounted with banks	¥ 983	\$ 8,180
As the guarantor for bank loans and indebtedness, principally of employees, unconsolidated subsidiaries and associated companies	7,221	60,071
Total	¥ 8,204	\$ 68,251

14. SUBSEQUENT EVENTS

At the general shareholders' meeting held on June 27, 2003, the Company's shareholders approved the following stock option plan for the Company's directors and key employees and the purchase of treasury stock.

(a) Stock option plan

The plan provides for granting options to directors and key employees to purchase up to 203 thousand shares of the Company's common stock in the period from June 28, 2005 to June 27, 2013. The options will be granted at an exercise price of 105% of the fair market value of the Company's common stock at the prior month of the date of option grant. The Company plans to issue acquired treasury stock upon exercise of the stock options.

(b) Purchase of treasury stock

The Company was authorized to repurchase up to 10,000 thousand shares of the Company's common stock (aggregate amount of ¥10,000 million) as treasury stock until the next general shareholders' meeting.

15. SEGMENT INFORMATION

Information about industry segments, geographic segments and sales to foreign customers of the Group for the fiscal years ended March 31, 2003 and 2002, was as follows:

(a) Industry Segments

	Millions of Yen						
	Precision Equipment	Imaging Products	Instruments	Other	Total	(Eliminations) or corporate	Consolidated
For the year ended March 31, 2003							
Net sales							
Outside customers	¥ 131,127	¥ 270,327	¥ 48,696	¥ 18,809	¥ 468,959	¥	¥ 468,959
Intersegment sales/transfer	1,975	1,629	1,176	23,066	27,846	(27,846)	
Total	133,102	271,956	49,872	41,875	496,805	(27,846)	468,959
Operating expenses	157,697	244,211	48,030	43,135	493,073	(28,301)	464,772
Operating income (loss)	¥ (24,595)	¥ 27,745	¥ 1,842	¥ (1,260)	¥ 3,732	¥ 455	¥ 4,187
Assets							
Depreciation and amortization	14,662	3,447	823	1,503	20,435		20,435
Capital expenditures	12,298	6,404	861	663	20,226		20,226

	Millions of Yen						
	Precision Equipment	Imaging Products	Instruments	Other	Total	(Eliminations) or corporate	Consolidated
For the year ended March 31, 2002							
Net sales							
Outside customers	¥ 194,927	¥ 219,576	¥ 45,410	¥ 23,062	¥ 482,975	¥	¥ 482,975
Intersegment sales/transfer	4,064	2,001	1,231	25,114	32,410	(32,410)	
Total	198,991	221,577	46,641	48,176	515,385	(32,410)	482,975
Operating expenses	195,357	205,443	46,173	46,599	493,572	(32,836)	460,736
Operating income	¥ 3,634	¥ 16,134	¥ 468	¥ 1,577	¥ 21,813	¥ 426	¥ 22,239
Assets							
Depreciation and amortization	12,694	3,011	726	1,486	17,917		17,917
Capital expenditures	23,265	8,386	736	1,159	33,546		33,546

Thousands of U.S. Dollars

	Precision Equipment	Imaging Products	Instruments	Other	Total	(Eliminations) or corporate	Consolidated
For the year ended March 31, 2003							
Net sales							
Outside customers	\$1,090,903	\$2,248,975	\$ 405,125	\$ 156,484	\$3,901,487	\$	\$3,901,487
Intersegment sales/transfer	16,433	13,552	9,780	191,896	231,661	(231,661)	
Total	1,107,336	2,262,527	414,905	348,380	4,133,148	(231,661)	3,901,487
Operating expenses	1,311,956	2,031,704	399,585	358,857	4,102,102	(235,442)	3,866,660
Operating income (loss)	\$ (204,620)	\$ 230,823	\$ 15,320	\$ (10,477)	\$ 31,046	\$ 3,781	\$ 34,827
Assets	\$2,236,765	\$1,116,202	\$ 295,697	\$ 324,258	\$3,972,922	\$ 826,675	\$4,799,597
Depreciation and amortization	121,980	28,680	6,848	12,502	170,010		170,010
Capital expenditures	102,311	53,278	7,160	5,516	168,265		168,265

Precision Equipment : IC steppers, LCD steppers, etc.

Imaging Products : Cameras, Interchangeable camera lenses, Digital cameras, etc.

Instruments : Microscopes, Measuring instruments, Inspection equipment etc.

Other : Binocular and telescope products, Ophthalmic frames, Surveying instruments, etc.

Note: Amortization of Goodwill is included in "Depreciation and amortization" for the year ended March 31, 2003.

(b) Geographic Segments

Millions of Yen

	Japan	North America	Europe	Asia	Total	(Eliminations) or corporate	Consolidated
For the year ended March 31, 2003							
Net sales							
Outside customers	¥ 179,722	¥ 158,676	¥ 100,611	¥ 29,950	¥ 468,959	¥	¥ 468,959
Intersegment sales	218,900	1,741	238	15,287	236,166	(236,166)	
Total	398,622	160,417	100,849	45,237	705,125	(236,166)	468,959
Operating expenses	405,863	154,713	101,270	42,676	704,522	(239,750)	464,772
Operating income (loss)	¥ (7,241)	¥ 5,704	¥ (421)	¥ 2,561	¥ 603	¥ 3,584	¥ 4,187
Assets	¥ 419,210	¥ 78,453	¥ 44,450	¥ 18,306	¥ 560,419	¥ 16,493	¥ 576,912

Millions of Yen

	Japan	North America	Europe	Asia	Total	(Eliminations) or corporate	Consolidated
For the year ended March 31, 2002							
Net sales							
Outside customers	¥ 173,601	¥ 203,818	¥ 83,252	¥ 22,304	¥ 482,975	¥	¥ 482,975
Intersegment sales	200,860	1,994	147	17,630	220,631	(220,631)	
Total	374,461	205,812	83,399	39,934	703,606	(220,631)	482,975
Operating expenses	368,751	198,918	81,127	36,985	685,781	(225,045)	460,736
Operating income	¥ 5,710	¥ 6,894	¥ 2,272	¥ 2,949	¥ 17,825	¥ 4,414	¥ 22,239
Assets	¥ 404,958	¥ 80,167	¥ 32,139	¥ 16,273	¥ 533,537	¥ 27,739	¥ 561,276

	Thousands of U.S. Dollars						Consolidated
	Japan	North America	Europe	Asia	Total	(Eliminations) or corporate	
For the year ended March 31, 2003							
Net sales							
Outside customers	\$1,495,189	\$1,320,099	\$ 837,032	\$ 249,167	\$3,901,487	\$	\$3,901,487
Intersegment sales	1,821,132	14,483	1,980	127,182	1,964,777	(1,964,777)	
Total	3,316,321	1,334,582	839,012	376,349	5,866,264	(1,964,777)	3,901,487
Operating expenses	3,376,558	1,287,133	842,513	355,045	5,861,249	(1,994,589)	3,866,660
Operating income (loss)	\$ (60,237)	\$ 47,449	\$ (3,501)	\$ 21,304	\$ 5,015	\$ 29,812	\$ 34,827
Assets	\$3,487,606	\$ 652,687	\$ 369,804	\$ 152,287	\$4,662,384	\$ 137,213	\$4,799,597

(c) Export Sales

For the years ended March 31, 2003 and 2002

	Millions of Yen, %				Thousands of U.S. Dollars
	2003	(A)/(B)	2002	(A)/(B)	2003
	Export sales (A)				
North America	¥ 157,163	33.5%	¥202,243	41.9%	\$1,307,516
Europe	100,577	21.4	81,816	16.9	836,748
Asia	76,864	16.4	65,172	13.5	639,471
Other Area	12,850	2.8	5,240	1.1	106,903
Total	¥ 347,454	74.1%	¥354,471	73.4%	\$2,890,638
Net sales (B)	¥ 468,959		¥482,975		\$3,901,487

Note: "Other Area" consists principally of South and Central America and Oceania.

16. TRADE MATTERS

On December 21, 2001, the Company and its wholly-owned subsidiaries, Nikon Precision Inc. and Nikon Research Corporation of America, filed a complaint with the U.S. International Trade Commission (the "ITC") against ASM Lithography Holding N.V. and ASM Lithography B.V. in The Netherlands and ASM Lithography, Inc., a sales subsidiary of ASM Lithography Holding N.V. in the U.S., for an exclusion order from the ITC to prevent any further importation of the stepper and scanner machines infringing the Company's patents in the U.S. pursuant to section 337 of the Tariff Act of 1930. The ITC issued its Initial Determination that the Company's request for the exclusion order was denied on January 29, 2003 and adopted the findings of the Initial Determination as its Final Determination on March 17, 2003. The Company, Nikon Precision Inc. and Nikon Research Corporation of America filed a Notice of Appeal to the Court of Appeals for the Federal Circuit of the ITC decision on May 12, 2003.

Additionally, the Company and Nikon Precision Inc. filed a complaint in the Federal District Court for the Northern District of California against ASM Lithography B.V. and ASM Lithography, Inc. on December 21, 2001 and against ASML Netherlands B.V. and ASM Lithography, Inc. on October 18, 2002, for an injunction of patent infringement and monetary damages.

As part of response to our ITC complaint, ASML Netherlands B.V. and ASM Lithography, Inc. counterclaimed on April 5, 2002 that Nikon Corporation infringes their patents and such counterclaim was transferred to the Federal District Court for the Northern District of California.

Furthermore, the Company and certain subsidiaries are in litigation with ASML Netherlands B.V. and its affiliated companies over patent infringement cases in Japan and Korea.

INDEPENDENT AUDITORS' REPORT

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**Deloitte
Touche
Tohmatsu**

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
NIKON CORPORATION:

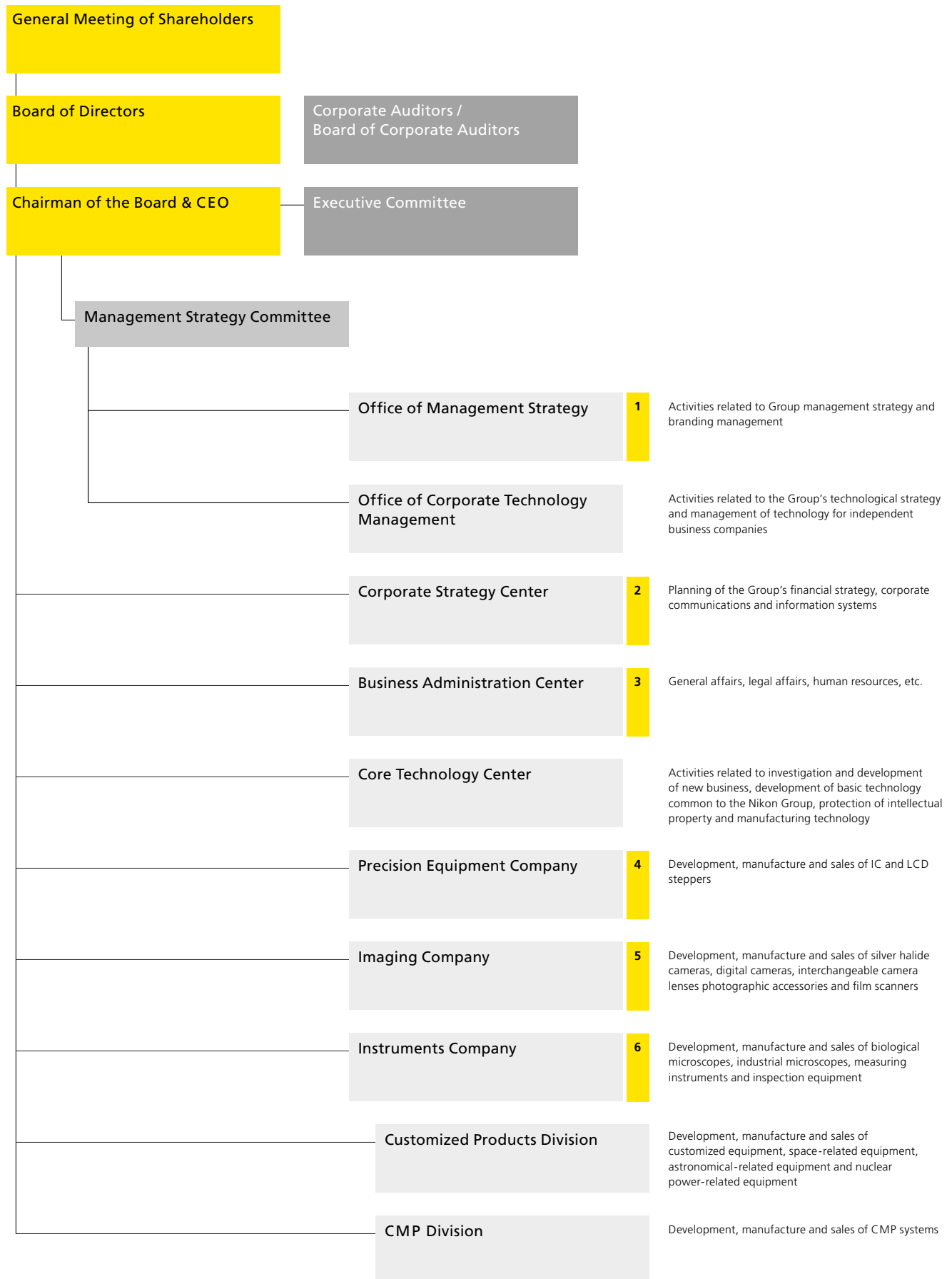
We have audited the accompanying consolidated balance sheets of NIKON CORPORATION and consolidated subsidiaries as of March 31, 2003 and 2002, and the related consolidated statements of operations, shareholders' equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards, procedures and practices generally accepted and applied in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of NIKON CORPORATION and consolidated subsidiaries as of March 31, 2003 and 2002, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan.

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu
June 27, 2003



NIKON GROUP COMPANIES (DOMESTIC)

(As of July 1, 2003)

	Name	Consolidated*	Business
1	Tochigi Nikon Corporation	*	Manufacture of IC/LCD steppers, optical lenses, etc.
	Setagaya Industry Co., Ltd.	*	Process and assembly of parts for interchangeable camera lenses
	Nikon Optical Shop Co., Ltd.		Retail sales of ophthalmic frames and lenses, etc.
	Nikon Eyewear Co., Ltd.	*	Development, manufacture and sales of ophthalmic frames, sunglasses, etc.
	Nikon Vision Co., Ltd.	*	Development, manufacture and sales of telescopes and binoculars, etc.
	Nikon Engineering Co., Ltd.	*	Designing, manufacture and sales of micro-processing systems, special microscopes, etc.
	Nikon Technologies, Inc.	*	Chemical analysis and measurement, patent investigation, translation
	Nikon-Trimble Co., Ltd.		Development, manufacture and sales of surveying instruments
2	Nikon Systems Inc.	*	Development and support of computer software
	Nikon-Essilor Co., Ltd.		Development, manufacture and sales of ophthalmic lenses and others
3	Nikon Logistics Corporation	*	Logistics
	Nikon Life Co., Ltd.	*	Services for welfare
	Nikon Tsubasa Inc.		Process, assembly and packing of parts for optical instruments and others
4	Mito Nikon Corporation	*	Manufacture of units for IC/LCD steppers, cameras, etc.
	Zao Nikon Co., Ltd.	*	Manufacture of units for IC/LCD steppers, surveying instruments, etc.
	Nikon Tec Corporation	*	Maintenance and services for IC/LCD steppers, sales of used steppers, etc.
5	Sendai Nikon Corporation	*	Manufacture of cameras, LCD steppers, units for IC/LCD steppers, etc.
	Nikon Photo Products Inc.	*	Sales of cameras and others
6	Kurobane Nikon Co., Ltd.	*	Manufacture of lenses for microscopes, profile projectors and surveying instruments
	Nikon Instech Co., Ltd.	*	Sales for microscopes, measuring instruments, inspection equipment, etc.
	Kogaku Co., Ltd.	*	Sales of microscopes, measuring instruments
	Okuma Shokai Co., Ltd.	*	Sales of microscopes, measuring instruments
	Nikon Digital Technologies Co., Ltd.		Development and support of computer software

NIKON GROUP COMPANIES (OVERSEAS)

	Name	Consolidated*	Business
1	Beijing Nikon Ophthalmic Products Co., Ltd.		Sales, processing and repair of ophthalmic products
2	Nikon Americas Inc.	*	Centralized supply, administration and management of funds of the affiliates in the U.S.
	Nikon Holdings Europe B.V.	*	Centralized supply, administration and management of funds of the affiliates in Europe
4	Nikon Precision Inc.	*	Import and sales of IC steppers
	Nikon Research Corporation of America	*	R&D for IC related equipment
	Nikon Precision Europe GmbH	*	Import and sales of IC steppers
	Nikon Precision Korea Ltd.	*	Maintenance and services of IC/LCD steppers
	Nikon Precision Taiwan Ltd.	*	Maintenance and services of IC/LCD steppers
	Nikon Precision Singapore Pte Ltd	*	Support for maintenance and services of IC/LCD steppers
	Nikon Precision Shanghai Co., Ltd.		Maintenance and services of IC/LCD steppers
5	Nikon Inc.	*	Import and sales of cameras and others
	Nikon Canada Inc.	*	Import and sales of cameras and others
	Nikon Europe B.V.	*	Import and sales of cameras and others
	Nikon AG	*	Import and sales of cameras, microscopes, measuring instruments, etc.
	Nikon Svenska AB	*	Import and sales of cameras and others
	Nikon GmbH	*	Import and sales of cameras, microscopes, measuring instruments, etc.
	Nikon U.K. Ltd.	*	Import and sales of cameras, microscopes, measuring instruments, etc.
	Nikon France S.A.	*	Import and sales of cameras, microscopes, measuring instruments, etc.
	Nikon Kft.		Import and sales of cameras and others
	Nikon s.r.o.		Import and sales of cameras and others
	Nikon Singapore Pte Ltd	*	Import and sales of cameras, microscopes, measuring instruments, etc.
	Nikon (Malaysia) Sdn. Bhd.	*	Support for sales of cameras, microscopes, measuring instruments, etc.
	Nikon Hong Kong Ltd.	*	Import and sales of cameras and others
	Nikon (Thailand) Co., Ltd.	*	Manufacture of cameras and others
	Nikon Imaging (China) Co., Ltd.		Manufacture and sales of digital cameras and others
6	Guang Dong Nikon Camera Co., Ltd.		Manufacture of cameras and others
	Hang Zhou Nikon Camera Co., Ltd.		Manufacture of cameras and others
	Nikon Instruments Inc.	*	Import and sales of microscopes, measuring instruments, etc.
Nikon Instruments Europe B.V.	*	Import and sales of microscopes, measuring instruments, etc.	
	Nikon Instruments S.p.A.	*	Import and sales of microscopes, measuring instruments, etc.
Nikon Instruments (Shanghai) Co., Ltd.		Marketing, maintenance and services of microscopes, measuring instruments and inspection equipment	
Nanjing Nikon Jiangnan Optical Instrument Co., Ltd.		Manufacture of microscopes	

* Consolidated as of March 31, 2003

DIRECTORS, AUDITORS AND OFFICERS

Board of Directors		As of July 1, 2003
Chairman of the Board & Chief Executive Officer*	Shoichiro Yoshida	In charge of items related to Group's management policies
Vice Chairman of the Board & Chief Financial Officer*	Kenji Enya	Assistant of Chairman, comprehensive control of financial, overseas, IR and group-wide strategies
President, Member of the Board & Chief Operating Officer*	Teruo Shimamura	In charge of company's operations
Executive Vice President, Member of the Board*	Yasujiro Hara	Assistant of President, President of Business Administration Center
Senior Managing Director, Member of the Board & Senior Executive Officer	Michio Kariya	President of Precision Equipment Company
Managing Director, Member of the Board & Senior Executive Officer	Masami Kurosawa	President of Corporate Strategy Center
Managing Director, Member of the Board & Senior Executive Officer	Takashi Tamori	President of Office of Corporate Technology Management & President of Core Technology Center & General Manager of Production Technology Headquarters, Core Technology Center
Managing Director, Member of the Board & Senior Executive Officer	Mamoru Kajiwara	Vice President of Business Administration Center
Managing Director, Member of the Board & Senior Executive Officer	Makoto Kimura	President of Imaging Company
Director, Member of the Board	Terumichi Tsuchida	Senior Corporate Advisor, Meiji Life Insurance Company
Director, Member of the Board	Shunji Kono	Counselor, The Tokio Marine and Fire Insurance Co., Ltd.
Director, Member of the Board & Executive Officer	Norio Miyauchi	Divisional President of Office of Management Strategy
Director, Member of the Board & Executive Officer	Naoki Tomino	Vice President of Imaging Company & General Manager of Development Management Department, Imaging Company
Corporate Auditors		
Standing Corporate Auditor	Yuji Obana	
Standing Corporate Auditor	Yoshiro Imagawa	
Corporate Auditor	Toyoshi Nakano	Chairman, The Mitsubishi Trust and Banking Corporation
Corporate Auditor	Mitsutake Okano	Corporate Advisor, Mitsubishi Corporation
Executive Officers		
Executive Officer	Yoichi Nishida	Chairman, Member of the Board, Nikon-Essilor Co., Ltd.
Executive Officer	Hisayuki Shimizu	Assistant of President of Precision Equipment Company
Executive Officer	Yuichi Umeda	President of Instruments Company
Executive Officer	Hidetoshi Mori	Assistant of President of Precision Equipment Company & General Manager of Sales & Marketing Headquarters, Precision Equipment Company
Executive Officer	Takao Watanabe	Vice President of Core Technology Center & General Manager of Intellectual Property Headquarter, Core Technology Center
Executive Officer	Kyoichi Suwa	General Manager of LCD Equipment Division, Precision Equipment Company
Executive Officer	Yoshimichi Kawai	General Manager of Production Headquarters, Precision Equipment Company
Executive Officer	Hideshi Hirai	President, Nikon Europe B.V.
Executive Officer	Yutaka Ichihara	Vice President of Core Technology Center & General Manager of Optical Technology Headquarters, Core Technology Center
Executive Officer	Akikazu Tanimoto	Assistant of President of Precision Equipment Company
Executive Officer	Kazuo Ushida	General Manager of Development Headquarters, Precision Equipment Company

* Indicates Representative Director of the Board

INVESTOR INFORMATION

Nikon Corporation

Fuji Bldg., 2-3, Marunouchi 3-chome,
Chiyoda-ku, Tokyo 100-8331, Japan
Tel : +81-3-3214-5311
Fax : +81-3-3216-1454

Date of Establishment

July 25, 1917

Number of Employees

13,184

Common Stock

Authorized:
1,000,000,000 shares
Issued:
369,945,332 shares
¥36,661 million

Number of Shareholders

32,644

Major Shareholders	Number of shares held (thousands)	Percentage of total shares issued
The Master Trust Bank of Japan, Ltd., Trust Account	23,507	6.4
Meiji Life Insurance Company	21,050	5.7
The Bank of Tokyo-Mitsubishi, Ltd.	14,663	4.0
The Mitsubishi Trust and Banking Corporation	14,440	3.9
Japan Trustee Services Bank, Ltd., Trust Account	12,470	3.4
The Tokio Marine and Fire Insurance Co., Ltd.	10,067	2.7
Nippon Life Insurance Company	8,994	2.4
Resona Bank, Ltd.	7,513	2.0
UFJ Trust Bank Limited, Trust Account A	7,461	2.0
The Joyo Bank, Ltd.	6,801	1.8

Stock Exchange Listings

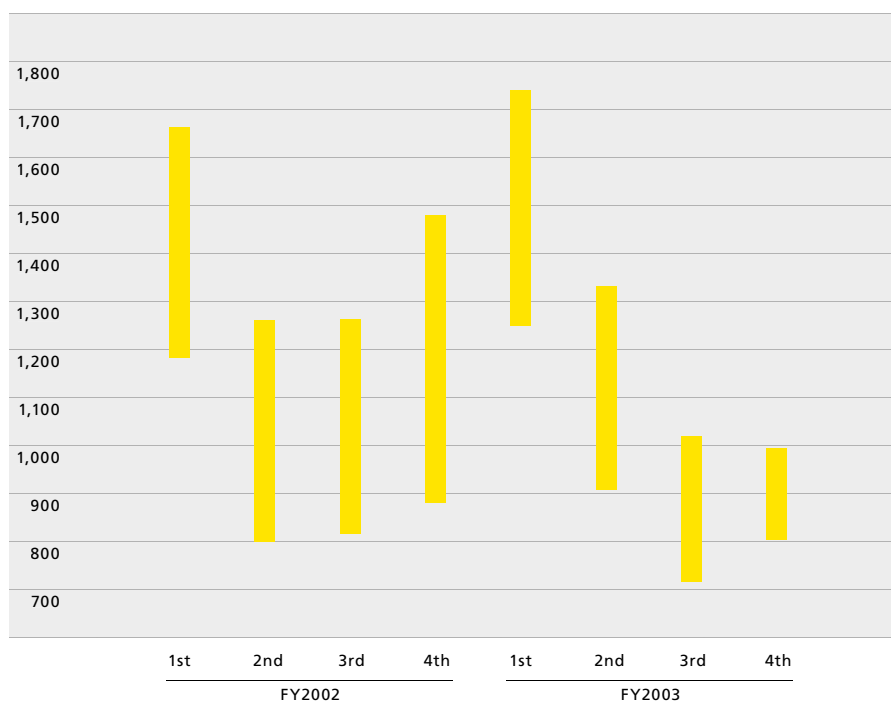
Tokyo, Osaka, Fukuoka, Sapporo

Transfer Agent and Registrar

The Mitsubishi Trust and Banking Corporation
Transfer Agent Department
4-5, Marunouchi 1-chome,
Chiyoda-ku, Tokyo 100-8212, Japan

(As of March 31, 2003)

Price Range of Common Stock (¥)



For further information or additional copies of this annual report, please contact the Corporate Communications Department.

Homepage: Nikon has created a Web site specifically for investors containing released financial reports, fact books and other information.
<http://www.nikon.co.jp/main/eng/portfolio/ir/index.htm>



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www.nikon.co.jp/eng/