



NIKON CORPORATION

annual report
2005

Nikon=

Since its founding in 1917, Nikon has secured its place as a pioneer of optical glass technology in Japan. Nowadays, we have gained global acclaim for the manufacture and sale of camera-related products, such as digital cameras, as well as binoculars and other optical products for consumers, such as glasses frames, which complement our diverse array of industrial precision equipment that includes semiconductor-related equipment, notably steppers, microscopes and measuring instruments.

In order to respond quickly to a changing business environment and diversifying needs, we promote structural reform aimed at maximizing management efficiency. We also strive to stay ahead of the times by continuing to put our business philosophy of "Trustworthiness and Creativity" into practice. Doing so promises to propel us to the leading company in the modern era through the provision of unique products filled with innovation.

Going forward, the Nikon Group intends to make the most of its core competencies to satisfy consumers in Japan and overseas and to meet needs in a variety of industries.

technology+

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 rate fluctuations.

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financial highlights

Nikon Corporation and Consolidated Subsidiaries
Years ended March 31, 2005 and 2004

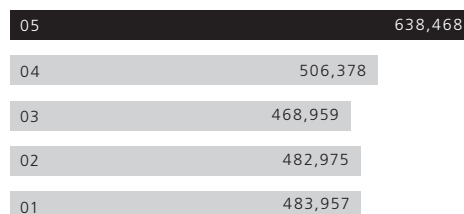
	Millions of Yen		Millions of U.S. Dollars	%
	2005	2004	2005	Increase (Decrease)
FOR THE YEAR				
Net sales	¥ 638,468	¥ 506,378	\$ 5,945	26.1%
Operating income	30,545	3,675	284	731.2%
Net income	24,141	2,410	224	901.7%
Per share of common stock (Yen and U.S. dollars):				
Basic net income	¥ 65.19	¥ 6.52	\$ 0.61	
Diluted net income	57.84	6.02	0.54	
Cash dividends applicable to the year	8.00	4.00	0.07	100.0%
AT YEAR-END				
Total assets	¥ 633,426	¥ 606,513	\$ 5,898	4.4%
Shareholders' equity	196,030	171,194	1,825	14.5%

Notes: 1. Per share of common stock is computed based on the weighted average number of shares outstanding during the year.

2. U.S. dollar figures are translated for reference only at ¥107.39 to US\$1.00, the exchange rate at March 31, 2005.

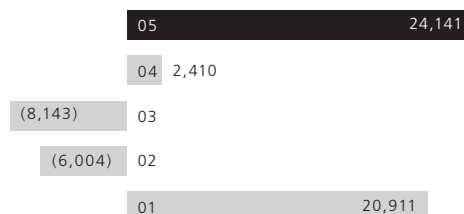
Net Sales

(millions of yen)



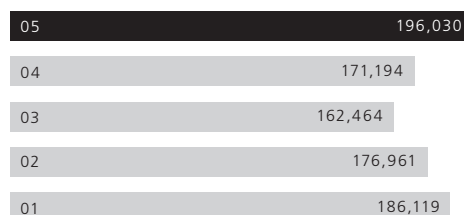
Net Income (Loss)

(millions of yen)



Shareholders' Equity

(millions of yen)



The Nikon Group posted a solid recovery in performance in the year ended March 2005. This turnaround was not achieved by means of short-term solutions or one-off gains. It was the product of real structural reforms undertaken over the past few years — reforms that constitute a first step toward sustained earnings growth over the medium and long term. In this sense, we finished laying the foundations for future profits. Here, we review the results achieved and explain the ongoing systemic improvements that promise to drive the ongoing growth of the Nikon Group.

Record high sales and net income

Three key achievements led to the significantly improved results for the Nikon Group. First, we boosted our sales in expanding markets by developing competitive new products and conducting aggressive marketing campaigns. The results were particularly good in digital cameras and LCD exposure systems. Second, we focused on improving our financial position by cutting inventory levels and squeezing trade receivables, which allowed us to reduce debt levels. Third, we reformed our business processes and systems to make our operations capable of swifter and more-effective responses to rapidly changing market conditions.

The effects of these changes are manifested in our top and bottom lines. On a consolidated basis, net sales advanced 26.1% year-on-year to ¥638,468 million. Operating income was ¥30,545 million, which represented more than a sevenfold gain compared with the previous year. Special gains included a US\$145 million (¥15,879 million) legal settlement related to a patent dispute with ASML Holding N.V. and others. Net income rose by a factor of ten to ¥24,141 million. The net sales and net income figures both marked new record highs.

The key operating results in our core businesses are summarized below. Please refer to the separate sections in the Review of Operations for further details.

- Precision equipment: Sales rose 35.6% to ¥214,326 million due to growth in sales of IC and LCD steppers. Operating income improved substantially, recovering to ¥11,387 million

from a prior-year loss of ¥20,806 million.

- Imaging products: Strong sales of the Nikon D70 digital SLR camera lifted total sales, which increased 24.9% to ¥355,489 million, but savage price erosion in the digital compact sector squeezed overall margins, resulting in a 33.2% year-on-year fall in operating income to ¥16,841 million.
- Instruments: Although sales of biological microscopes were flat, growth in industrial microscopes, measuring instruments and semiconductor inspection equipment pushed overall sales up to ¥52,184 million, a gain of 8.7% compared with the previous year. Operating income rose 5.3% to ¥2,826 million.
- Other businesses: Sales gained 11.6% to ¥44,253 million; operating loss shrank significantly to ¥647 million, an improvement of ¥2,585 million compared with the previous year.

The business segment analysis confirms that there remain a significant number of issues that we must address – despite the fact that profitability improved dramatically at the consolidated level. To put it another way, we see considerable scope for further gains in earnings.

Engineering gains in profitability along with stable growth

Nikon Group profits are currently supported on two main pillars: the precision equipment business and the imaging products business. To use a

transport analogy, we are driving a two-wheeler. Over the medium and long term, our aim is to make growth more stable by converting this vehicle to three and, ultimately, to four wheels. We see this task as the prime strategic directive of our new senior management team.

Stepper roadmap clarified with the advent of immersion technology

Our first objective is to make the current two-wheeler run better. In the precision equipment business, the key to long-term growth is to establish Nikon as the clear technological leader. During the year we conducted on-site tests of our new immersion scanner technology with the help of customers. These confirmed Nikon's superiority in the industry in bringing to market the next generation of technology. Immersion techniques extend the limits of ArF excimer scanners, raising lens resolution to unprecedented levels (with N.A. values above 1.0). Moreover, we also have a clear roadmap as we develop EUVL, which will take us into yet another generation. In LCD exposure systems, our proprietary multi-lens scanning technology has a huge technical advantage because it comes into its own as LCD panels increase in size. Our latest LCD exposure systems are designed for 7th and 8th generation LCD manufacturing processes, and we expect sales of these models to expand rapidly. We expect to be profitable in this fiscal year, which ends in March 2006, despite the fact that it will likely mark the bottom of the current silicon cycle. From 2006-7 onward we expect to generate significant growth from stepper operations.



From left:
Michio Kariya,
Ichiro Terato

to our
shareholders
and investors

Urgent focus on raising profits in the digital compact camera sector

In the imaging products business, the main issue is how to increase profits from the digital camera market, notably in the compact segment. Nikon is the leader in the expanding digital SLR camera segment, where our strengths in traditional photography have proved critical. We aim to build on our strong position by expanding this market further, focusing on interchangeable lenses, digital camera accessories and related services. We are confident we can grow profits in this segment of the market. In the compact sector, our urgent need is to compress development and production lead times to cope with shrinking product cycles. To raise our speed of response while maintaining quality, we are pursuing structural business reforms in conjunction with efforts to transform our development mindset. By implementing these reforms quickly and by launching attractive products incorporating Nikon's unique technology amassed with traditional film and digital SLR cameras, we believe we can make these operations substantially more profitable.

Instruments business evolving into a new pillar of consolidated growth

The instruments business clearly has the potential to be the Nikon Group's third wheel. We are undertaking root-and-branch reforms in order to transform our growth prospects. These reforms aim to transform the structure of our operations and to alter internal mindsets. Both tasks are necessary if we are to develop new, competitive products that can sustain high growth going forward. In particular, we are concentrating on the bioscience field, which has enormous potential. Leveraging our strengths in precision optics, we believe that we can implement the necessary changes to raise profits in the instruments sector.

Aggressive development of new business areas

We see new businesses as the main candidate for the Nikon Group's fourth wheel. The critical factors for developing businesses in new areas are ideas and creativity. But these are not enough. To turn ideas into commercial successes, we also need to have a broad-based, ongoing research program to develop the supporting technical expertise, plus internal systems capable of seeing trends and responding to market developments swiftly. In short, we need dynamic ideas, skills and systems. These elements are all within our

grasp. We also plan to invest more resources in areas where we have already been able to apply Nikon technology to create fledgling businesses, such as glass materials.

Acceleration of Nikon Group reforms

Our basic plan is therefore to continue to reform our existing operations while investing aggressively in the development of new businesses. In our reform programs, the recurring themes boil down to three core objectives. First, we must continue to provide innovative products that can be highly competitive. Second, we need to proactively bring about change and not simply react quickly to market changes. Third, we must create a free and open-minded corporate culture that breeds motivation in everyone.

To continue providing innovative products that can be highly competitive, we must reaffirm the basics of Nikon's business philosophy, which is summed up in the phrase "Trustworthiness and Creativity." "Trustworthiness" symbolizes the high quality and performance of Nikon products, and "creativity" expresses their essential originality. The essence of Nikon lies in a combination of product, solutions and services that satisfy the unspoken needs of customers. This level of originality is what our customers have come to expect from us; it forms the core of the Nikon brand value.

We are taking measures to expand our output of innovative items to supply the market with the right product at the right time. These initiatives include changing our business style, reforming internal processes, implementing comprehensive cost-reduction programs, and taking in new ideas from outside. But most of all, we are taking measures that aim to invigorate the whole of Nikon, creating a more dynamic workplace where employees are free to express opinions and be creative. We hope to create conditions favorable to fostering the talent that is the future of the Nikon Group. Ultimately, we aim to create a Nikon that leads change rather than one that follows fashion.

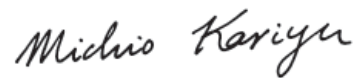
Promotion of CSR-oriented management

Corporate social responsibility (CSR) is now regarded as an important yardstick of the value created by companies. We plan to raise the priority accorded to CSR issues in management going forward, affecting such areas as the environment, employment policies, human rights, compliance and social contribution.

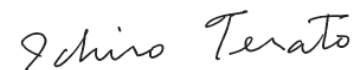
At the same time, we are acutely conscious of the risks Nikon faces in a business environment characterized by rapid change. We are upgrading our risk management systems to ensure we are fully prepared for any natural disasters or large-scale problems in overseas markets. Since Nikon precision equipment supports critical industries that demand continuous, smooth operations, it is important that our own risk management systems function well.

Nikon is at the beginning of a major transformation. Our goal is to react speedily to changes in business conditions while staying one step ahead of the market. At the same time, it is equally vital that we do not discard the heart of Nikon in our eagerness to change with the times. The Nikon name is identified around the world with SLR cameras, and we intend to make sure that this remains so. In October 2004, we launched the Nikon F6 in the face of a rapidly shrinking market for traditional film cameras. Many applauded this move – not just the diehard fans of silver-halide photography. Even though we aim to undergo reform, we will always listen carefully to the needs of our customers.

We sincerely ask all shareholders and investors for their continued support and understanding as we move forward.



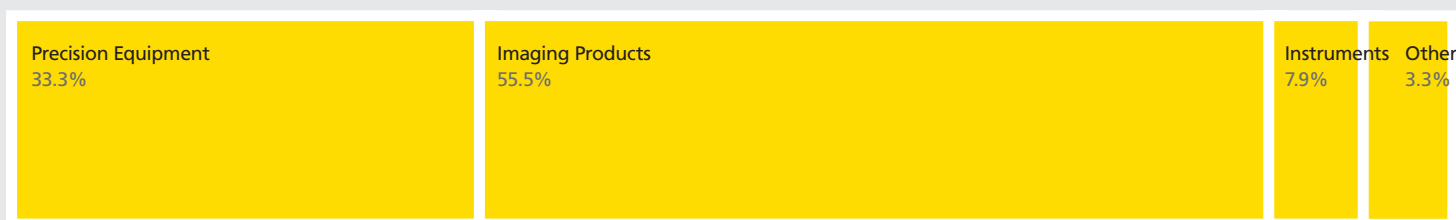
Michio Kariya
*President, Member of the Board,
Chief Executive Officer & Chief Operating Officer*



Ichiro Terato
*Executive Vice President,
Member of the Board & Chief Financial Officer*

review of operations

Breakdown of Net Sales



Precision Equipment 33.3%

IC and LCD steppers



Imaging Products 55.5%

digital cameras,
film cameras,
interchangeable camera lenses,
film scanners



Instruments 7.9%

biological microscopes,
industrial microscopes,
measuring instruments,
inspection equipment



Other 3.3%

sport optics products,
surveying instruments,
ophthalmic frames and sunglasses



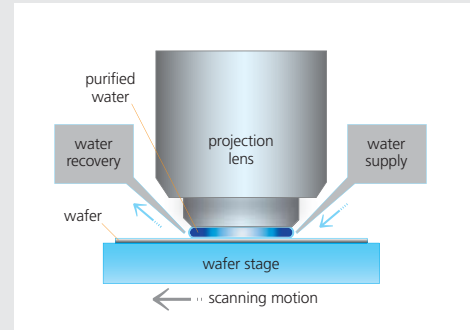
precision
equipment

accuracy+

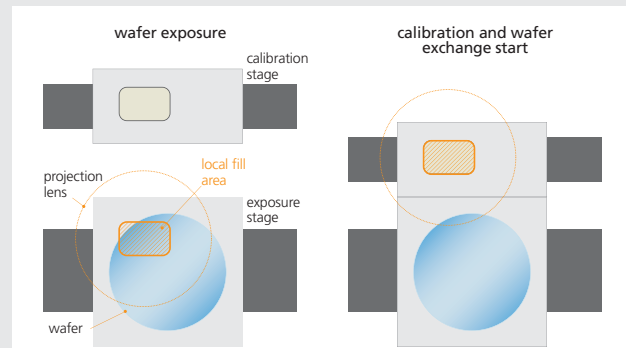


NSR-S609B

Nikon's Local Fill Technology



Tandem Stage



Immersion lithography realized with tandem stage

In our immersion scanner, the space between the projection lens and the wafer is filled with purified water, which enables ultra-high N.A. lenses with values above 1.0. This would be physically impossible using dry exposure, but is possible with immersion technology because the water has a much higher refractive index (1.44) at the wavelength used. Immersion lithography marks a major technical breakthrough since it boosts lens resolution significantly with minimal changes to other processes. Many semiconductor manufacturers have shown considerable interest in this new technology.

Immersion scanners also face various technical challenges. For instance, the design has to ensure that water is supplied continuously during wafer exchange so that the filled water is kept at a constant temperature and that the wafer can be exchanged without loss of throughput.

In order to solve this problem, Nikon has developed a new stage system to boost throughput and enhance accuracy. The new tandem-stage design includes a calibration stage positioned close to the exposure stage to enable wafer exchange without stopping the water flow. Besides boosting productivity, the tandem stage also improves alignment accuracy, since calibration is performed each time a wafer is exchanged.

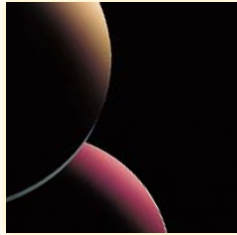
POLANO function gains an extra half-generation in resolution

The light sources conventionally used in scanners produce light rays with randomly oriented polarization. Light with s-polarization (meaning that the electric field in the wave vibrates parallel to the pattern) within the beam will raise image contrast, while light with p-polarization tends to lower contrast. The contrast degradation from p-polarized light also tends to increase as the N.A. value of scanner projection lenses increases. Selectively cutting out the p-polarized light to leave only s-polarized light typically fails to solve the problem, because it also reduces throughput due to insufficient energy density.

The POLANO polarized illumination function developed by Nikon solves this issue, creating beams of s-polarized light without reducing illumination levels. The resulting improvement in image contrast is around 20%, the equivalent of a half-generation advance in scanner resolution technology.

The POLANO function is an optional feature on the NSR-S308F ArF excimer scanner. It will also be available on the NSR-S609B immersion scanner, which will start shipping in late 2005.

review of
operations



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

precision equipment

“Our leading-edge technology will drive the future growth of Nikon’s stepper business.”

Profitable at the operating level after two years of losses

A recovery in the semiconductor market and higher levels of investment in LCD manufacturing equipment created favorable conditions in the year ended March 2005. Nikon focused on an aggressive marketing campaign while seeking to cut costs and shorten production lead times. Sales rose 35.6% year-on-year to ¥214,326 million. Segment operating income improved significantly, posting a profit of ¥11,387 million, after a prior-year operating loss of ¥20,806 million.

Leading-edge technology holds key to future growth

Nikon offers a full lineup of i-line, KrF and ArF IC steppers and scanners to cater to diverse market requirements. Maintaining a technological lead as the market shifts toward higher levels of device shrinking is recognized as fundamental to Nikon’s future success, as the following strategic points illustrate.

1. Given that the IC stepper and scanner market cannot sustain explosive growth, maintenance of profitability demands a closer focus on machine unit prices and on developing high-margin models that can help IC makers push the shrinkage envelope further.
2. Customers for the most advanced scanners will frequently order i-line and KrF steppers and scanners from the same manufacturer.
3. The establishment of leading-edge technologies can provide diverse future solutions to customers.

Shipments of next-generation ArF immersion scanner due in late 2005

Laboratory tests have demonstrated the superiority of Nikon’s immersion technology, showing that it is possible to produce a lens with an N.A. value of over 1.0 using immersion technology. A commercial scanner is now in the final stages of development.

Extensive tests have been conducted by several customers on an engineering evaluation tool developed at Nikon’s Kumagaya Plant. Nikon plans to begin shipments of the NSR-S609B (N.A. 1.07) immersion scanner in the final quarter of 2005 (CY). It will be the world’s first scanner to achieve a lens in excess of 1.0 N.A..

Development of next-generation EUVL technology ongoing

Nikon sees the ArF immersion scanner as the final incarnation of excimer laser based technology. Nikon believes that EUVL (Extreme Ultraviolet Lithography) is the most promising next-generation technology beyond immersion. EUVL works at a wavelength of 13.5 nm, 14 times shorter than that of an ArF excimer laser. This means that EUVL will be able to provide IC makers with the extra resolution to support the required device shrinkage. Development of the necessary ultra-precision mirrors has been the foremost technical hurdle. Nikon has applied its wealth of proprietary expertise in optical technology to this and other EUVL development issues.

NSR-S208D

High throughput, improved alignment accuracy and the incorporation of an ultra-high N.A. projection lens enable the mass production of next-generation 110nm devices with this lens scanning KrF excimer stepper.



NSR-SF140

Providing superior cost performance, high resolution and throughput, this i-line scan field stepper is optimized for mix-and-match solutions.



FX-81S

This large-plate exposure system supports eighth-generation plate sizes for LCDs, with improved throughput and a multi-lens projection optical system for greater productivity.



Net Sales* (millions of yen)

05	214,326
04	158,054
03	133,102

*The above figures include intersegment sales.

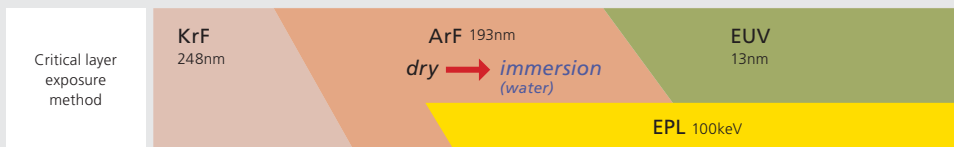
Operating Income (Loss) (millions of yen)

05	11,387
04	(20,806)
03	(24,595)

Nikon Lithography Roadmap

ITRS 2004

CY	01	02	03	04	05	06	07	08	09	10	11	12	13	14	15	16
Technology Node	hp130			hp90			hp65			hp45			hp32			hp22
DRAM Half Pitch	130	115	100	90	80	70	65	57	50	45	40	35	32	28	25	22
MPU Gate in resist	90		65	53	45	40	35	32	28	25	22	20	18	17	15	13
post-etch	65		45	37	32	28	25	22	20	18	16	14	13	11	10	9



LCD exposure system business performing well as panel sizes increase

The LCD exposure system business posted excellent results in the year ended March 2005. Nikon has developed an original multi-lens scanning system for use in LCD exposure systems that is ideally suited to larger substrates. This application of parallel multi-lens units promises to result in greater benefits for LCD manufacturers as panel sizes continue to increase. In June 2005, Nikon began shipment of the latest LCD exposure systems for 7th and 8th generation production processes (FX-71S).

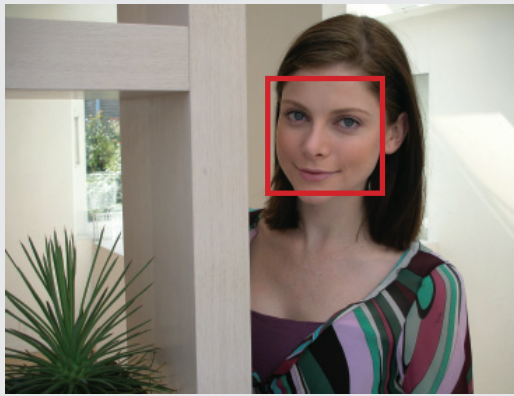
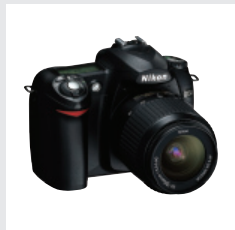
Reductions achieved in stepper lead times and costs

A major factor in the turnaround in profitability of Nikon's precision equipment operations has been a steep reduction in scanner production lead times. For leading-edge IC scanners, it now takes about six months from lens fabrication to final installation, which is roughly half the previous figure. Simplified design has played a part in this achievement, covering all processes from development and design to technical and manufacturing steps. Nikon teams have also worked with external contractors to reduce lead times

and achieve demanding performance targets. The benefits of simplified design are only just becoming apparent, and Nikon expects the new processes to generate further productivity gains going forward. Nikon has also thoroughly revised the sequence within manufacturing to eliminate any waste created by repeated processes. On the product side, Nikon has sought to improve the quality of the finished form in production to eliminate any interference between modules, thereby reducing assembly time. The reductions in lead times achieved to date have also generated substantial cost reductions.

imaging
products

imagination+



Face-priority AF automatically detects a face in the frame for well-focused portraits

COOLPIX S1 and S2

The surprisingly slim, exceptionally stylish digital camera that blends high reliability with high-quality shooting for users of all levels

D50

Extraordinary Nikon digital SLR picture quality in a camera that is smaller, lighter, easier to use, and more affordable than ever

COOLPIX S series introduces new features to digital compact camera market

Body design and additional valued functions are major factors in stimulating consumer purchases in the intensely competitive digital compact camera market. In line with this, Nikon launched the slim COOLPIX S1 and COOLPIX S2 models, which incorporate new unique high-performance functions inside slim, stylish designs.

Both models, boasting a 5.1 effective megapixel CCD, a 35–105mm (35mm equivalent) 3x Zoom-Nikkor ED (Extra-Low Dispersion) lens with a “right-angled” optics system and a large 2.5-inch LCD monitor, allow users to take high-quality images without an optical viewfinder. The original design of the COOLPIX S2 model also makes it splash proof, with water resistance equivalent to IEC 60529 IPX4.

Both models feature our pioneering Face-priority AF (Autofocus) function. Equipped with the Facelt® face-recognition technology developed by U.S.-based Identix Inc., and optimized for cameras, this feature automatically ensures optimal focus on the face of the subject to deliver a clear portrait every time. In addition to face recognition, other unique features enabling clear portrait pictures include D-Lighting, which automatically adds light and detail to underexposed and backlit images, and advanced In-Camera Red-Eye Fix, which digitally corrects the annoying phenomenon of red-eye in photos taken with a flash.

Nikon D50 further expands market for digital SLR

The new Nikon D50 digital SLR camera provides an entry-level model for a wide range of people. Besides affordable price, the development goals for the Nikon D50 included outstanding ease of use and a compact, lightweight body.

The D50 features a 6.1 effective megapixel Nikon DX Format CCD image sensor and a highly advanced image processing engine. These guarantee vivid color reproduction based on a rich gradation of hues, ensuring fantastic images every time. The camera also comes with a new “Child” mode which is designed to take more natural-looking photos of children by vividly rendering clothing and background details while keeping skin tones soft and natural.

The large, easy-to-view LCD monitor, easy-to-use controls and easy-to-understand menu design make taking pictures simple for the first-time users of SLR cameras. It can be purchased as a kit with compact zoom lenses exclusively designed for the digital SLR.

With an abundance of interchangeable lenses and accessories, we aim to introduce more people to the joy of taking superb pictures with a digital SLR camera.

review of
operations



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

imaging products

“Our creativity is a critical success factor—for differentiating product strategy and for increasing profits.”

A leap forward in digital SLR cameras

The year ended March 2005 began with the worldwide launch of the D70 digital SLR camera to widespread acclaim. At the end of the year, launches of new products included the D2x, which has 12.4 effective megapixels to satisfy the picture-quality needs of professional photographers, and the D2Hs, which can manage high-speed shooting at eight frames per second. Strong sales of digital SLR cameras and interchangeable lenses helped segment sales rise 24.9% year-on-year to ¥355,489 million. Despite steep price erosion in the digital compact camera market, operating income amounted to ¥16,841 million, which was roughly in line with targets.

Further strengthening position in digital SLR camera market

Since releasing the professional-use D1 in 1999, Nikon has reinforced its position as a pioneer in the digital SLR market. Launched in March 2004, the D70 allows amateur enthusiasts to enjoy taking pictures with digital SLR cameras that boast technology actually amassed for professional-use cameras. The model was a hit, with cumulative unit shipments reaching one million within a year. We aim to stimulate the growth of this fast-expanding market segment, which was formed initially from high-end users, by broadening the user base to include beginners as well as amateur enthusiasts. Launched in June 2005, the D50 was the first model designed with this aim in mind, combining simple operability with professional image quality. This camera has received high praise from many first-time digital SLR customers and continues to sell well. Going forward, we will expand sales by augmenting our lineup to meet the needs of a wide range of customers, from general users to professionals, with the aim of reinforcing its position as leader of the digital SLR market.

Revised product lineups for digital compact cameras

Amid increasing popularity of digital compact cameras and a shift in demand to digital SLR cameras, the key to winning in the market lies in launching attractive, high-value-added products that can be differentiated from the competition.

In response, we have conducted a detailed and multi-faceted review and analysis of target users for digital compact cameras and are promoting product planning in accord with this.

We have created a Customer Relationship Management (CRM) system and have already accumulated a variety of data on users in each segment. Plans are in place to make full use of this data in our marketing efforts, developing products that target different customers with varying lifestyles and needs, rather than segmenting the market according to price and pixels.

Cultivating a highly responsive and creative corporate culture

The digital compact camera market has expanded at astonishing speed. New entrants, including several computer manufacturers and consumer electronics firms, have joined the ranks of camera manufacturers. Model life cycles have shrunk, and price competition has become especially fierce. Further, as proliferation of digital cameras progresses, customers are becoming more discerning about the kind of product they want. In this fiercely competitive market, we believe that the critical success factors are as follows:

1. Development of new products with the Nikon stamp of creativity to carve out new segments by appealing to the imagination of consumers
2. Shift to more accelerated product development programs
3. Comprehensive cost-reduction measures to raise profitability

Realizing these objectives involves major process reforms to ensure maximal delegation of authority and enable swift decision-making at all stages of product development. We will quickly create a system that enables new models to be released to the market in the fastest time frame possible by shortening all processes, from product planning to development, design, production and sales. Improving corporate structure and reinventing corporate culture are critical to expand future business with cutting-edge digital technology. We created a mechanism that transcends traditional business divisions to spark greater cross-fertilization of ideas from all people, beginning with those in our product planning and development departments. This is but one example of how we are striving to cultivate a more creative corporate culture in order to develop highly innovative camera products tailored to the digital age.

Reinforcing our profit structure through comprehensive cost-reduction measures

The in-house manufacture of lens units, which are key components of digital cameras, is a strong driver of Nikon to boost margins for digital compact models. We will expand the factory in Wuxi, China, to enable greater production of lens units (the year saw the completion of Nikon's third building in China). In an effort to further strengthen our cost competitiveness, we will create a highly efficient integrated production line from lens element press and processing to lens unit production and camera assembly. At our Thai facility, we will expand production of digital SLR cameras and interchangeable lenses and promote cost-cutting measures to raise productivity in response to burgeoning demand. Nikon is undertaking a comprehensive series of measures to reduce costs from the development and design stage. We are working to reduce

D2x

This high-end professional digital SLR camera delivers 12.4 effective megapixels for high-precision, high-speed performance.



D2Hs

This professional digital SLR for action and sports, features ultra-high speed, high image quality, and maximum efficiency.



D70

Combining a new level of high performance with efficient handling, this model brings the full excitement of Nikon digital SLR photography and unrivaled Nikon quality to a wider audience.



F6

This flagship film SLR camera seamlessly blends cutting-edge technologies and uncompromising craftsmanship.



development costs by applying basic development technologies to a variety of models, while also designing to share the same parts and components to increase supply-chain efficiencies and revamping our procurement system.

Strengthening sales system throughout the Nikon Group

Nikon is pressing ahead with the development of a groupwide sales system to facilitate a flexible response to market trends. Apart from integrating product warehouses to improve logistics systems, we will enhance overall inventory management through the utilization of an IT-based sales system. These and other moves will enable us to cope quickly with demand shifts.

Furthermore, we will enhance our four marketing centers around the world by integrating the marketing functions in each region to boost effectiveness and efficiency.

We are also enhancing our sales and service network in emerging markets, such as China. Nikon Imaging (China) Sales Co., Ltd., has been established as a sales and service subsidiary in China. Operations commenced in June 2005. Moving ahead, we will seek to expand our business in China in earnest through this company and further boost our presence there.

Boosting product values through brand enhancement

The fact that Nikon enjoys the largest market shares in those regions where its brand awareness is highest confirms the fact that brand power is critical in the highly competitive digital camera market. While the current Nikon brand perception is expensive and high quality, it is necessary to position the COOLPIX brand in the digital compact camera market as providing state-of-the-art technologies and products, while also capturing user affinity and trust. By strengthening brand power and creating added value, we can increase product appeal. This is critical to outstrip the competition. Building on the branding statement "At the heart of the image," we aim to further clarify our brand vision and more appropriately reflect concepts in products.

Focusing on expansion of digital camera peripheral business

Besides empowering consumers to take great pictures, Nikon aims to establish the complete imaging business by extending the fun involved in photography to include such activities as creating and viewing the final images. During the year ended March 2005, we launched the COOL WALKER MSV-01, a photo storage viewer fitted

Net Sales* (millions of yen)

05	355,489
04	284,713
03	271,956

*The above figures include intersegment sales.

Operating Income (millions of yen)

05	16,841
04	25,222
03	27,745



Integrated production line from lens units to final assembly at the core factory for compact digital cameras at Nikon Imaging (China) Co., Ltd.

with a 30GB hard disk and a 2.5-inch TFT-LCD color monitor for sharing favorite images. We are also striving to enhance our software products, such as Nikon Capture, a post-production tool to boost image quality for more beautiful pictures, and PictureProject for image management, editing, and slide show creation.

We will continue to create new unique products – not only cameras, but anything in the field of imaging that gives customers the opportunity to enjoy a new imaging world through digital pictures. We are also looking into a number of collaborative ventures in various countries to broaden the horizons of digital imaging.

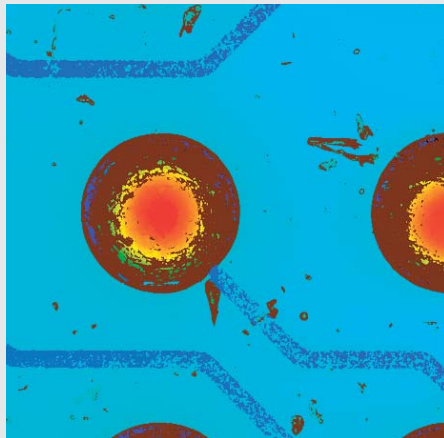
Launch of F6 to target dedicated film camera fan base

Although the market for film cameras continues to shrink dramatically, there is still a dedicated core of fans of silver-halide photography. Many remain firmly committed to Nikon products. In October 2004, we released the F6 for this user base. Positioned as the pinnacle of traditional SLR photography, the F6 features a host of modern refinements to delight all the senses. We aim to make it a long-selling and popular product.

The F6 has already garnered a number of awards such as "The Best 35mm SLR Camera in Europe 2005" from TIPA in Europe, and the "Camera Grand Prix 2005 Special Prize" from Camera Press Club in Japan.

instruments

curiosity+



VMR-K3040ZC measuring example (solder bumps on printed circuit board)
Height and direction measurement results are shown in order from low position to high position in blue, green, yellow and red, respectively



DIGITAL ECLIPSE C1si
Spectral imaging
confocal laser scanning
microscope system



NEXIV VMR-K3040ZC

New series of biological microscopes make 5-D analysis a reality

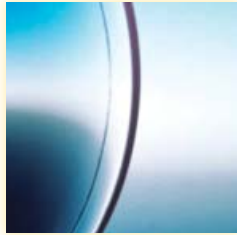
Fluorescence microscopy is a widely used laboratory technique to observe living cells. But identification of neural or protein-protein interactions has been limited because the technique requires staining with multiple fluorescent marker proteins whose fluorescence spectra can overlap. This problem often makes it difficult to achieve proper separation of signals using conventional optical filters.

Nikon's new C1si series of biological microscopes have a real spectral imaging confocal laser scanning system that can gather information on wavelength (λ) in addition to the usual four-dimensional data specifying position (x , y , z) and time (t). Computational analysis of this data allows precise separation of the different fluorescent spectral wavelengths. Simultaneous spectral image acquisition on up to 32 channels also helps minimize damage to cells. This product positions Nikon at the forefront of advances in biological instruments, maintaining its reputation for developing products that place the main emphasis on living cell observation.

New CNC video measuring system opens up the third dimension

Nikon's NEXIV series of CNC video measuring systems combine technologies for optical measurement and computational image processing to allow automatic inspection of many different types of precision-made parts and electronic components (by measuring the shapes and dimensions of individual items). The latest addition to the series, the NEXIV VMR-K3040ZC, is a new type of machine that extends video measurements into the third dimension of height. Besides the usual two dimensions, the new system can also make high-speed measurements of heights from all angles without touching the inspected item. To achieve this feat, Nikon applied its expertise in confocal optics to the challenge of examining intricate shapes on a miniature scale with high speed and precision. Moreover, by putting the confocal optics system as well as the conventional 2-D measuring system on the same multi-use detector head, Nikon developed a system that can supply either 2-D or 3-D measurements from the same perspective. Applications for this instrument include QC inspection of miniaturized parts with particularly complex architecture, such as the latest IC packages and MEMS. Nikon expects the NEXIV VMR-K3040ZC to establish a strong reputation in this growing field.

review of
operations



Hidetoshi Mori
*Director, Member of the Board & Executive Officer
President of Instruments Company*

instruments

“The main objective is to boost earnings power through greater scale so that we can contribute to higher Nikon Group growth.”

Solid growth in sales and operating income

In biological microscopes, Nikon introduced the ECLIPSE 90i as an advanced research instrument with outstanding digital imaging capabilities and system scalability. Sales of microscopes also grew in the year ended March 2005 due to the promotion of digital cameras and other accessory items. Although sales were stagnant in Japan and the United States, Asian markets generated compensating growth. In industrial microscopes, Nikon posted growth due to the launch of the ECLIPSE L300/L300D models for 300mm wafer inspection, combined with higher sales in Asian markets. Overall, sales expanded 8.7% year-on-year to ¥52,184 million, while operating income rose 5.3% to ¥2,826 million.

Trademark Nikon creativity to drive establishment of new market segments

Nikon recognizes that simply extending the existing lineup of biological and industrial microscopes is insufficient to expand the total scale of operations. The field of biological microscopes reliably delivers stable if non-explosive growth due to a customer base composed of universities, hospitals and research institutions. The industrial microscopes business is by its nature more cyclical, since demand is linked to production levels of semiconductors and electronic components. This earnings structure means that Nikon must create new market segments in order to boost growth. Nikon is investing heavily to create the necessary technological breakthroughs with the aim of applying core technical skills in microscopes to new fields. Nikon is confident that its trademark creativity can spark the development of entirely new markets, thereby enhancing growth.

Reforms to corporate culture and organization

The primary challenge in creating products for entirely new markets is one of changing the internal ethos of the Instruments Company. This involves a major change in mindset toward a market-oriented, global focus with speedy decision-making and action, in which the customer rather than Nikon sets the pace of product development. With this goal in mind, Nikon implemented major organizational reforms in June 2005. The new system eliminates previous functional divisions separating sales, design and production teams, replacing them with a more market-oriented structure with vertically linked teams focused on different market segments. The revised organizational structure divides the Instruments Company broadly into biosciences and industrial instruments. Authority is delegated extensively to product development teams in each half. Nikon hopes that this new system will promote a more open exchange of views worldwide and foster greater creativity.

Bioscience offers huge potential

Governments worldwide are investing in the biosciences, which makes it a field with unique potential. However, although biological microscopes are expected to deliver stable growth going forward, this is insufficient to generate significant gains. Nikon is working to develop new markets by focusing on the general theme of the observation and measurement of living cells. Linked to this core idea is some emerging areas with significant potential, such as cell culture and regenerative medicine. Nikon also aims to combine original digital technologies with bio-application software to expand current markets. For instance, there is the possibility of

ECLIPSE L300/L300D

Boasting ergonomic design for comfortable viewing, the incorporation of acclaimed CF160 optics achieves new levels of brightness, contrast and operability, providing support to advanced inspection of large-size LCDs and wafers.



ECLIPSE LV150A

Capable of inspecting a more diverse array of samples, this unique industrial-use microscope incorporates superior operability and a revamped objective lens, while achieving a smooth moving image display via LCD monitor.



NEXIV VMR-1515

The speed and accuracy of video measurement is now within everyone's reach with this CNC video measuring system that offers enhanced throughput, resolution and edge detection.



generating images at resolutions exceeding those produced by current microscopes. By combining hardware and software, Nikon aims to create new businesses by engineering innovative solutions to customer needs.

Shift in focus within industrial measuring equipment sector

Nikon has built its industrial measuring equipment business to date by focusing on semiconductors and electronic components. New development initiatives seek to apply expertise to other promising fields, such as automated machinery. In geographical terms, the areas with the most potential are markets in China and other parts of Asia. In the year ended March 2005, Nikon established a new base in Beijing (a local company was set up in Shanghai in 2003). Plans call for the development of a larger sales network in China. Nikon Instruments Korea Co., Ltd. also opened an office in Seoul in April 2005 as a base of operations for a new subsidiary in Korea. Nikon is considering expansion into India and Thailand in due course.

Large delivery of Nikon microscopes to pathology institute in Germany

Nikon has not achieved as high a share of the biological microscopes market in Europe as it has

in Japan and the United States. In the year ended March 2005, Nikon completed a large delivery of i-series biological microscopes to International Association of Pathology German Section (Köln), that is regarded as a global leader in the field. This success helps boost Nikon's reputation in the fiercely competitive German market, improving sales prospects throughout Europe.

Establishment of Nikon Imaging Centers at world-famous universities

Nikon has been establishing Nikon Imaging Centers at the world's leading universities in order to promote the development of biological microscopes. Through these facilities, we contribute to research in the field of bioscience. In 2001, Nikon instituted a Nikon Imaging Center at Harvard Medical School. Nikon staff dispatched there coach the researchers and students in microscope usage techniques, which can play an important role in advancing cutting-edge research into bioscience. Nikon gathers the latest research information from the interaction with Harvard University and reflects it in the development of leading-edge microscope systems. Nikon also plans to establish similar facilities at Oxford University in the U.K., at the University of Heidelberg in Germany, and at Hokkaido University in Japan.

Net Sales* (millions of yen)

05	52,184
04	47,992
03	49,872

*The above figures include intersegment sales.

Operating Income (millions of yen)

05	2,826
04	2,685
03	1,842



Sixty ECLIPSE 80i biological microscopes delivered to International Association of Pathology German Section (Köln)

other

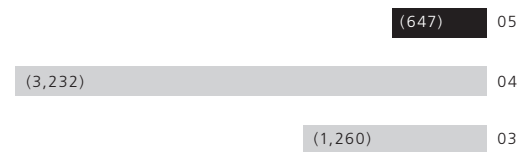
Strong sales rebound contributes to smaller operating loss

Net Sales* (millions of yen)



*The below figures include intersegment sales.

Operating Loss (millions of yen)



Strong sales rebound contributes to smaller operating loss

Segment sales rose 11.6% year-on-year to ¥44,253 million. The operating loss shrank significantly to ¥647 million, an improvement of ¥2,585 million compared with the previous year. The leading business developments were as follows.

1. Customized products posted higher sales due to increased orders for aerospace-related items and products used in semiconductor fabrication.
2. In new businesses, Nikon's glass-related operations posted higher sales from optical components and optics-related materials.
3. Although sales of sport optics products were flat in Japan, increased sales of binoculars and laser rangefinders in the U.S. market contributed to its overall growth.
4. Sales of ophthalmic products declined amid depressed demand and fiercer competition in the markets for frames and sunglasses.

Aggressive development of new businesses

Nikon continued to pursue the development of new business areas aggressively. In CMP systems (chemical mechanical polishing systems designed to make LSI chip surfaces even), Nikon attracted more interest from chipmakers despite a delay

in the use of ultra low-k insulation materials, which are the main target application. Nikon is continuing to develop products for this market while keeping a close eye on sector developments. In glass materials, Nikon is focusing on expanding external sales including ultra-high-grade silica glass, a field in which it can exploit its competitive edge. Elsewhere, Nikon has commenced full-scale production of optics engines for LCOS-type rear-projection televisions, which produce extremely high-quality images using highly reflective liquid crystal on silicon (LCOS). Such televisions are gaining in popularity with the increasing availability of digital full HD broadcasts, and sales of these optics engines are expected to grow going forward.

Other highlights

New laser rangefinder with target priority switch function

In September 2003, Nikon Vision Co., Ltd. launched the Laser 500G rangefinder. Laser rangefinders are portable devices that provide a quick and accurate readout of the distance to an object by measuring the time taken for an infrared laser beam to be reflected off it. Besides leisure applications in golf and marine sports, laser rangefinders are also convenient tools for surveyors and civil engineers

for providing quick, easy measurements.

In the year ended March 2005, Nikon Vision launched the Laser 800S. This model has a Target Priority Switch System that allows users to switch easily between two target-prioritization modes to focus either on objects close to the viewer or ones farther away. This function is useful in various settings.

Launch of industrial lenses for high-resolution CCD cameras

Accuracy requirements for circuit board inspection equipment are becoming more exacting as printed circuits become increasingly complex and intricate. Image-processing technology is now the mainstream option for detecting defective items in QC processes. Increasing complexity in turn requires higher performance from the cameras used in industrial circuit board inspection equipment, producing demand for CCDs with ultra-high resolution. Tochigi Nikon Corporation manufactures and sells such high-performance industrial lenses. Over the past year, the firm has released a number of advanced lenses offering high-resolution performance for the latest CCD cameras. These include the Nikon Rayfact 80mm F4 lens, the Nikon Rayfact 3.5x lens and the Nikon Rayfact 7x lens (in June 2005).

Rayfact 7x

Reducing distortion and aberration, this cutting-edge lens is ideal for high-resolution CCD cameras, achieving superior image quality even in peripheral areas.



Laser 800S

This device provides quick and accurate distance measurement up to 730 meters (800 yards), and features a Target Priority Switch System that allows users to select from two measurement modes.



HG L series binoculars

Designed for a broad range of outdoor applications, these new HG L series binoculars feature the outstanding optical standards of their predecessors while substantially reducing the weight of 42mm objective diameter models.





CSR

Promoting Management with an Emphasis on Corporate Social Responsibility (CSR)

At Nikon, fulfilling our corporate social responsibilities is one of our greatest priorities and we work on various aspects of this group-wide.

Strengthening Corporate Governance

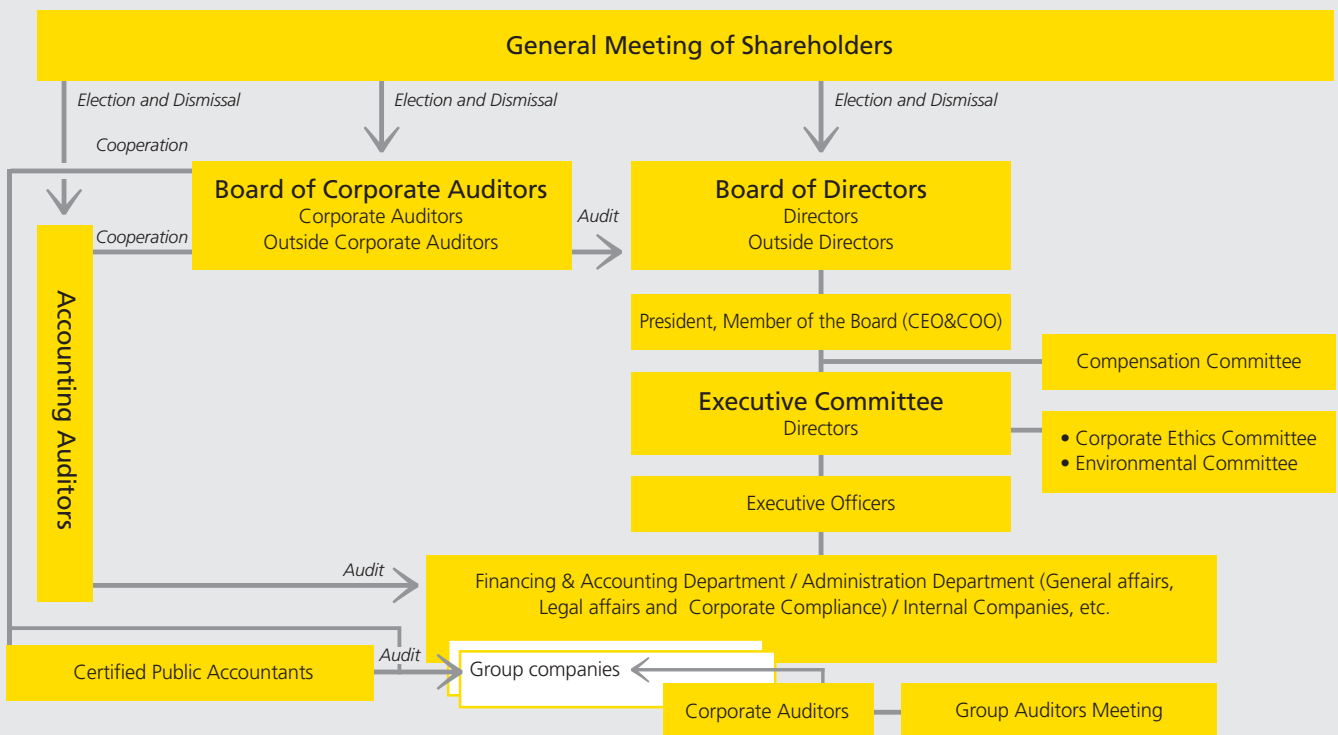
We have been working to improve the effectiveness of corporate governance and compliance for some time. Along with introducing an in-house company system, we have established an Executive Officer System, a Compensation Committee, stock options and a compliance section.

When we established the Nikon Charter of Corporate Behavior in April 2004, we also revised the existing Nikon Code of Conduct. In addition to this, we have worked hard to ensure compliance with related laws and internal regulations by holding corporate ethics training sessions for employees and senior management. By setting forth the Nikon Group Privacy Protection Policy in advance of the full-scale introduction of the information management rules, and revising and distributing our Information Management

Regulations to group employees, we are working to ensure the protection and management of the wealth of personal information Nikon possesses.

In order to improve the transparency of management, we are boosting efforts to ensure prompt and accurate disclosure of information. To this end, we are actively pursuing investor relations activities for investors and shareholders such as holding biannual financial results presentations and improving our web site.

Corporate Governance Organizational Diagram



Contributing to Environmental Conservation

In 1992, Nikon launched environmental conservation efforts with the enactment of *Nikon's Basic Environmental Policy*. This fiscal year was no exception and we sponsored many different activities.

Company-wide Integrated Certification in ISO14001

Nikon has been promoting environmental conservation efforts since 1998 by acquiring separate ISO14001 certification for each office. We are currently planning to establish a coordinated Environmental Management System (EMS) for the entire company and obtain integrated ISO14001 certification for the corporate headquarters and all domestic manufacturing plants by October 2005.

Recently, the RoHS Directive (Restriction of Hazardous Substances) of the European Union has mandated stricter environmental measures

for products and greater awareness of the environment in management is being demanded. This is directly reflected in the aims of senior management. By establishing measures in line with environmental policies, we are unifying our systems and moving toward integrated ISO certification to increase the effectiveness of our efforts in environmental conservation.

We have completed the first stage of integration by designing a comprehensive EMS infrastructure encompassing our Ohi Plant (Shinagawa-ku, Tokyo) and our Yokohama Plant (Yokohama City, Kanagawa Prefecture); we received integrated certification on October 27, 2004, after submitting to an audit by BVQI Japan, an independent certification service. We plan to consolidate our headquarters and three remaining manufacturing plants (The Sagamihara Plant, the Kumagaya Plant and the Mito Plant) as required and are targeting complete integration of

the Nikon parent company by October 2005.

We plan to expand the scope of integration to all of our primary domestic manufacturing facilities as well as overseas sites. In the future, we plan to integrate the entire Nikon group by establishing a common environmental management system worldwide.

Setting Forth Nikon's Environmental Action Plan for FY2005

In *Vision Nikon 21*, the corporate policy statement for group activities set forth in March 2000, we specified medium-term environmental goals (from fiscal 2001 to fiscal 2003) under our *Nikon Environmental Action Plan for Fiscal 2001*. We have created the *Nikon Environmental Action Plan for Fiscal 2006*, a new three-year plan (part of which pertains to long-term plans), to succeed our previous plan.

Product Environment

Theme	Mid to Long-Term Environmental Targets
1. Energy Conservation <i>Prevention of Global Warming</i>	Energy Efficiency Improvement of 30% or more in overall energy efficiency of new products released during the fiscal 2006-fiscal 2008 period, compared to existing products.
2. Reduced Use of <i>Harmful Chemical Substances</i>	Use of Eco-glass Use of Eco-glass in 100% of new optical designs for consumer products from fiscal 2006, and at least 98% for industrial products by fiscal 2008. Lead-free Solder Use of lead-free printed circuit boards for electronic components in 100% of consumer products (products mandated by the RoHS directive) by the second half of fiscal 2006, and in 100% of industrial products shipped by fiscal 2008. Hexavalent Chromium, Lead, Cadmium, Mercury, PBB, PBDE & PVC Complete elimination of these substances in consumer products shipped by the second half of fiscal 2006, excluding non-alternative materials. Substances Harmful to the Ozone Layer Complete elimination of HCFC as a refrigerant in IC and LCD steppers shipped by fiscal 2008.
3. Green Procurement	Reduced Use of Harmful Chemical Substances Complete investigation of designated hazardous substances in all consumer products (including sales promotion and RP items) by fiscal 2007, and in all industrial products by fiscal 2008.
4. Packaging & Distribution	Greenhouse Gas Emissions 5% reduction in CO ₂ emissions (per t*km) by fiscal 2008, compared with levels for fiscal 2006

Workplace Environment

Theme	Mid to Long-Term Environmental Targets
1. Energy Conservation <i>Prevention of Global Warming</i>	Greenhouse Gas Emissions 35% reduction in average annual emissions normalized against cost of sales by fiscal 2010, and at least 29% by fiscal 2008, both compared to levels for fiscal 2002
2. Waste Reduction	Zero Emissions Introduce zero-emission systems at all plants and major domestic manufacturing subsidiaries, with plans to expand to other facilities from fiscal 2006. Reduction in Waste Produced Achieve a 35% reduction by fiscal 2008, compared with fiscal 2001.
3. Reduced Use of Harmful Chemical Substances	Chlorinated Organic Solvents Complete elimination of chlorinated organic solvents in wash used at all workplaces, including major domestic manufacturing subsidiaries, by the end of fiscal 2006.
4. Green Procurement	Eco-friendly Product Procurement Meet green procurement guidelines for at least 90% of all products by fiscal 2008.
5. ISO 14001	Integration of Certification Obtain integrated ISO 14001 certification for Nikon Corporation by the end of fiscal 2006. Obtain integrated ISO 14001 certification for Nikon Corporation and major domestic manufacturing subsidiaries by the end of fiscal 2007.

five-year summary

Nikon Corporation and Consolidated Subsidiaries Years ended March 31

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

- Notes: 1. Per share of common stock is computed based on the weighted average number of shares outstanding during the year.
2. U.S. dollar figures are translated for reference only at ¥107.39 to U.S. \$1.00, the exchange rate at March 31, 2005.
3. Diluted net income per share for the year ended March 31, 2003 and 2002 is not disclosed because of the Company's net loss position.
Diluted net income per share for the year ended March 31, 2001 is not disclosed because it was anti-dilutive.

management's discussion and analysis of operations

MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATIONS OPERATING ENVIRONMENT

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

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

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

Net Sales by Industry Segment

Years ended March 31, 2005 and 2004

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

OPERATIONAL REVIEW AND ANALYSIS

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

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

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

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

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

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

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

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

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

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

Income Analysis

Years ended March 31, 2005 and 2004

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

Note: All expenses and subtractive amounts are in parentheses.

Balance Sheet Analysis

March 31, 2005 and 2004

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

FINANCIAL REVIEW AND ANALYSIS

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

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

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

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

Net Sales (¥ Million)

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

Operating Income (¥ Million)

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

Net Income (Loss) (¥ Million)

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

Net Income (Loss) per Share (¥)

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

Diluted Net Income Per Share (¥)

2005	57.84
2004	6.02
2003	
2002	
2001	

Capital Expenditures (¥ Million)

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

R&D Costs (¥ Million)

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

Shareholders' Equity (¥ Million)

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

Return on Equity (%)

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

consolidated balance sheets

Nikon Corporation and Consolidated Subsidiaries
March 31, 2005 and 2004

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2005	2004	2005
ASSETS			
Current assets			
Cash and cash equivalents	¥ 21,507	¥ 16,099	\$ 200,274
Notes and accounts receivable — trade:			
Customers	121,622	117,652	1,132,530
Unconsolidated subsidiaries and associated companies	3,485	2,249	32,453
Allowance for doubtful receivables	(2,735)	(2,572)	(25,470)
Inventories (Note 5)	245,623	237,506	2,287,209
Deferred tax assets (Note 10)	25,629	19,675	238,656
Other current assets	15,995	18,722	148,932
Total current assets	<u>431,126</u>	<u>409,331</u>	<u>4,014,584</u>
Property, plant and equipment			
Land	16,289	16,419	151,681
Buildings and structures	97,352	93,964	906,531
Machinery and equipment	130,101	127,216	1,211,479
Furniture and fixtures	54,140	56,485	504,139
Construction in progress	7,711	6,138	71,803
Total	<u>305,593</u>	<u>300,222</u>	<u>2,845,633</u>
Accumulated depreciation	(195,803)	(193,383)	(1,823,288)
Net property, plant and equipment	<u>109,790</u>	<u>106,839</u>	<u>1,022,345</u>
Investments and other assets			
Investment securities (Notes 4 and 6)	54,773	54,592	510,035
Investments in and advances to unconsolidated subsidiaries and associated companies	8,217	7,541	76,514
Long-term loans to employees and other	128	257	1,195
Allowance for doubtful receivables	(110)	(51)	(1,024)
Software	7,104	6,520	66,155
Goodwill	233	204	2,166
Security deposit	6,315	2,942	58,808
Deferred tax assets (Note 10)	9,792	9,817	91,178
Other	6,058	8,521	56,418
Total investments and other assets	<u>92,510</u>	<u>90,343</u>	<u>861,445</u>
Total	<u>¥ 633,426</u>	<u>¥ 606,513</u>	<u>\$ 5,898,374</u>

See Notes to Consolidated Financial Statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2005	2004	2005
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Short-term borrowings (Note 6)	¥ 38,115	¥ 43,918	\$ 354,926
Current portion of long-term debt (Note 6)	7,090	12,727	66,024
Notes and accounts payable — trade:			
Suppliers	135,638	140,325	1,263,044
Unconsolidated subsidiaries and associated companies	242	807	2,253
Income taxes payable	14,706	2,961	136,935
Accrued expenses	39,657	34,940	369,280
Other current liabilities (Note 10)	30,655	13,262	285,448
Total current liabilities	<u>266,103</u>	<u>248,940</u>	<u>2,477,910</u>
Long-term liabilities			
Long-term debt (Note 6)	150,133	163,871	1,398,018
Liability for employees' retirement benefits (Note 7)	18,691	21,010	174,050
Retirement allowances for directors and corporate auditors (Note 3(b))	1,035		9,642
Other long-term liabilities (Note 10)	1,249	1,321	11,624
Total long-term liabilities	<u>171,108</u>	<u>186,202</u>	<u>1,593,334</u>
Minority interests	<u>185</u>	<u>177</u>	<u>1,726</u>
Commitments and Contingent liabilities (Notes 12, 13 and 14)			
Shareholders' equity			
Common stock (Note 8):			
Authorized — 1,000,000,000 shares			
Issued — 369,945,332 shares in 2005 and 2004	36,661	36,661	341,381
Capital surplus (Note 8)	51,931	51,927	483,571
Retained earnings (Note 8)	104,478	83,035	972,885
Unrealized gain on available-for-sale securities	7,297	6,109	67,951
Foreign currency translation adjustments	(3,813)	(5,885)	(35,504)
Treasury stock, at cost:			
484,180 shares in 2005 and 626,596 shares in 2004	(524)	(653)	(4,880)
Total shareholders' equity	<u>196,030</u>	<u>171,194</u>	<u>1,825,404</u>
Total	<u>¥ 633,426</u>	<u>¥ 606,513</u>	<u>\$ 5,898,374</u>

See Notes to Consolidated Financial Statements.

consolidated statements of income

Nikon Corporation and Consolidated Subsidiaries Years ended March 31, 2005 and 2004

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2005	2004	2005
Net sales	¥ 638,468	¥ 506,378	\$ 5,945,324
Cost of sales	429,143	346,898	3,996,117
Gross profit	209,325	159,480	1,949,207
Selling, general and administrative expenses (Note 3 and 9)	178,780	155,805	1,664,776
Operating income	30,545	3,675	284,431
Other income (expenses)			
Interest and dividend income	963	808	8,963
Interest expense	(2,161)	(2,356)	(20,119)
Cash discount	(4,211)	(3,160)	(39,213)
Royalty income	384	478	3,577
Write-down of inventories	(3,816)	(4,453)	(35,532)
Loss on disposals of inventories	(6,190)	(830)	(57,645)
Loss on sales of investment securities	(11)	(486)	(106)
Loss on disposals of property, plant and equipment	(2,218)	(707)	(20,655)
Gain on sales of property, plant and equipment	6,063	13,359	56,453
Gain on sales of investment securities	438	3,418	4,078
Proceeds from settlement of legal proceedings against Patent	15,879		147,862
Additional retirement benefits paid to employees		(1,070)	
Cumulative effect of accounting change for the retirement benefits to directors, corporate auditors and officers	(983)		(9,150)
Equity in earnings of unconsolidated subsidiaries and associated companies	1,059	839	9,863
Other-net	(2,298)	(25)	(21,388)
Other income-net	2,898	5,815	26,988
Income before income taxes and minority interest	33,443	9,490	311,419
Income taxes (Note 10)			
Current	15,995	2,745	148,940
Deferred	(6,707)	4,312	(62,451)
Total income taxes	9,288	7,057	86,489
Minority interests	14	23	128
Net income	¥ 24,141	¥ 2,410	\$ 224,802
Per share of common stock (Note 2(p)):			
Basic net income	¥ 65.19	¥ 6.52	\$ 0.61
Diluted net income	57.84	6.02	0.54
Cash dividends applicable to the year	8.00	4.00	0.07

See Notes to Consolidated Financial Statements.

consolidated statements of shareholders' equity

Nikon Corporation and Consolidated Subsidiaries
Years ended March 31, 2005 and 2004

	Thousands		Millions of Yen				
	Outstanding 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 MARCH 31, 2003	369,395	¥ 36,661	¥ 51,924	¥ 80,582	¥ (3,531)	¥ (2,628)	¥ (544)
Excess arising from retirement of treasury stock			3				
Net income				2,410			
Increase by merger between non-consolidated subsidiary and consolidated subsidiary				46			
Adjustment of retained earnings for elimination of consolidated subsidiary				(3)			
Net increase in unrealized gain on available-for-sale securities					9,640		
Net decrease in foreign currency translation adjustments						(3,257)	
Increase in treasury stock (76,515 shares)	(76)						(109)
BALANCE AT MARCH 31, 2004	369,319	¥ 36,661	¥ 51,927	¥ 83,035	¥ 6,109	¥ (5,885)	¥ (653)
Excess arising from retirement of treasury stock			4				
Net income				24,141			
Cash dividends, ¥8.0 per share				(2,954)			
Adjustment of retained earnings for elimination of consolidated subsidiary				256			
Net increase in unrealized gain on available-for-sale securities					1,188		
Net increase in foreign currency translation adjustments						2,072	
Decrease in treasury stock (142,416 shares)	142						129
BALANCE AT MARCH 31, 2005	369,461	¥ 36,661	¥ 51,931	¥ 104,478	¥ 7,297	¥ (3,813)	¥ (524)

	Thousands of U.S. Dollars (Note 1)					
	Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain on Available-for-sale Securities	Foreign Currency Translation Adjustments	Treasury Stock
BALANCE AT MARCH 31, 2004	\$ 341,381	\$ 483,538	\$ 773,213	\$ 56,888	\$ (54,801)	\$ (6,085)
Excess arising from retirement of treasury stock			33			
Net income			224,802			
Cash dividends, ¥8.0 per share			(27,511)			
Adjustment of retained earnings for elimination of consolidated subsidiary			2,381			
Net increase in unrealized gain on available-for-sale securities				11,063		
Net increase in foreign currency translation adjustments					19,297	
Decrease in treasury stock (142,416 shares)						1,205
BALANCE AT MARCH 31, 2005	\$ 341,381	\$ 483,571	\$ 972,885	\$ 67,951	\$ (35,504)	\$ (4,880)

See Notes to Consolidated Financial Statements.

consolidated statements of cash flows

Nikon Corporation and Consolidated Subsidiaries Years ended March 31, 2005 and 2004

	Millions of Yen		Thousands of U.S. Dollars (Note1)
	2005	2004	2005
Operating activities:			
Income before income taxes and minority interest	¥ 33,443	¥ 9,490	\$ 311,419
Adjustments for:			
Income taxes-paid	(5,321)	(3,272)	(49,554)
Depreciation and amortization	19,626	20,145	182,752
Provision for employees' retirement benefits	(2,359)	1,440	(21,966)
Provision for retirement allowance for directors and corporate auditors	1,035		9,642
Loss on sales or disposal of property, plant and equipment	2,235	778	20,810
Gain on sales of property, plant and equipment	(6,063)	(13,359)	(56,453)
Loss on sales of investment securities	11	486	106
Gain on sales of investment securities	(438)	(3,418)	(4,078)
Other-net	1,830	3,105	17,031
Change in assets and liabilities:			
Increase in notes and accounts receivable-trade	(1,382)	(19,374)	(12,866)
Increase in inventories	(3,664)	(15,985)	(34,122)
Increase (decrease) in notes and accounts payable-trade	(7,137)	43,249	(66,456)
Other-net	15,313	(21,885)	142,593
Total adjustments	13,686	(8,090)	127,439
Net cash provided by operating activities	47,129	1,400	438,858
Investing activities:			
Capital expenditures	(19,102)	(18,186)	(177,877)
Proceeds from sales of property, plant and equipment	6,375	14,993	59,363
Purchases of investment securities	(518)	(15,246)	(4,825)
Proceeds from sales of investment securities	2,368	15,390	22,052
Net decrease in loans receivable	358	106	3,335
Other-net	(24)	(5,385)	(222)
Net cash used in investing activities	(10,543)	(8,328)	(98,174)
Financing activities:			
Net decrease in short-term borrowings	(6,723)	(15,907)	(62,606)
Proceeds from long-term debt	2,448	38,391	22,796
Repayments of long-term debt	(24,400)	(22,600)	(227,208)
Dividends paid	(2,951)	(5)	(27,481)
Other-net	(160)	(64)	(1,484)
Net cash used in financing activities	(31,786)	(185)	(295,983)
Foreign currency translation adjustments on cash and cash equivalents	498	(1,179)	4,638
Net increase (decrease) in cash and cash equivalents	5,298	(8,292)	49,339
Cash and cash equivalents of newly consolidated subsidiaries, beginning of year	196	917	1,824
Cash and cash equivalents of eliminated consolidated subsidiary, beginning of year	(86)	(264)	(803)
Cash and cash equivalents of merged previously non-consolidated subsidiary		46	
Cash and cash equivalents, beginning of year	16,099	23,692	149,914
Cash and cash equivalents, end of year	¥ 21,507	¥ 16,099	\$ 200,274

notes to consolidated financial statements

Nikon Corporation and Consolidated Subsidiaries Years ended March 31, 2005 and 2004

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Securities and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

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 2004 financial statements to conform to the classification used in 2005.

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 translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at the rate of ¥107.39 to U.S.\$1, the rate of exchange at March 31, 2005. Such translation should not be construed as representation 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, 2005 include the accounts of the Company and its 46 significant 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 (3 associated companies in 2004) 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 amounts in 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. Non-marketable available-for-sale securities 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 average method.

(e) Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment 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.

The Group accounted for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date. Retirement allowances for officers are recorded to state the liability at the amount that would be required if all officers retired at each balance sheet date.

(h) Retirement Allowances for Directors and Corporate Auditors

Retirement allowances for directors and corporate auditors are recorded to state the liability at the amount that would be required if all directors and corporate auditors retired at each balance sheet date.

(i) Research and Development Costs

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

(j) 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.

(k) Income Taxes

The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. These deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

(l) 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.

(m) 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 income to the extent that they are not hedged by forward exchange contracts.

(n) 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.

(o) 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: (a) 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 income and (b) 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 which qualify for hedge accounting are measured at market value at the balance sheet date, and the unrealized gains or losses are deferred until maturity as other liability or asset.

(p) Per Share Information

Basic net income per share is computed by dividing net income available to common shareholders 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.

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

(q) New Accounting Pronouncements

In August 2002, the Business Accounting Council issued a Statement of Opinion, "Accounting for Impairment of Fixed Assets", and in October 2003 the Accounting Standards Board of Japan (ASB) issued ASB Guidance No.6, "Guidance for Accounting Standard for Impairment of Fixed Assets". These new pronouncements are effective for fiscal years beginning on or after April 1, 2005 with early adoption permitted for fiscal year ending on or after March 31, 2004.

The new accounting standard requires an entity to review its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

The Company expects to adopt these pronouncements as of April 1, 2005 and is currently in the process of assessing the effect of adoption of these pronouncements.

3. ACCOUNTING CHANGES

(a) Inventory Valuation Method

Prior to April 1, 2004, inventories of foreign subsidiaries were stated at the lower of cost or market as determined principally using the first-in, first-out method.

In the year ended March 31, 2005, foreign subsidiaries changed their method of inventory valuation method to principally the average method. This change was made in order to minimize its effect to profit or loss from price changes as a result of re-considering the inventory valuation method due to new inventory management and financial accounting system. Effect of this change to profit or loss is not material.

This change was made during the second half year as re-consideration of inventory valuation method was finalized during the second half period.

Effect of this change to segment information is mentioned in the applicable note.

(b) Retirement Allowances for Directors, Corporate Auditors and Officers

Prior to April 1, 2004, retirement benefits for directors, corporate auditors and officers were charged to expenses when they were paid.

In the year ended March 31, 2005, the Company and certain consolidated subsidiaries changed its method of accounting for such retirement to the method that retirement allowances were recorded to state the liability at the amount that would be required if all directors and corporate auditors retired at each balance sheet date.

The change was made to achieve a more accurate allocation of cost and fiscal health.

The effect of this change was to decrease operating income by ¥177 million (\$1,648 thousand) and income before income taxes and minority interests by ¥1,159 million (\$10,798 thousand), respectively which included a cumulative effect of ¥983 million (\$9,150 thousand) of retroactive year. This cumulative effect was included in other expenses in the 2005 statement of income.

This change was made during the second half period due to the completion of revision of Company's rules for retirement benefits during the second half period.

Effect of this change to segment information is mentioned in the applicable note.

4. INVESTMENT SECURITIES

Investment securities at March 31, 2005 and 2004 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Non-Current :			
Equity securities	¥ 54,771	¥ 54,591	\$ 510,015
Trust bonds, debentures and other	2	1	20
Total	¥ 54,773	¥ 54,592	\$ 510,035

The carrying amounts and aggregate fair values of investment securities at March 31, 2005 and 2004 were as follows:

March 31, 2005	Millions of Yen			Fair Value
	Cost	Unrealized Gains	Unrealized Losses	
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 40,131	¥ 12,477	¥ 232	¥ 52,376
Debt securities	1		0	1
Total	¥ 40,132	¥ 12,477	¥ 232	¥ 52,377

March 31, 2004	Millions of Yen			Fair Value
	Cost	Unrealized Gains	Unrealized Losses	
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 39,547	¥ 10,603	¥ 332	¥ 49,818
Debt securities	1			1
Total	¥ 39,548	¥ 10,603	¥ 332	¥ 49,819

March 31, 2005	Thousands of U.S. Dollars			Fair Value
	Cost	Unrealized Gains	Unrealized Losses	
Securities classified as:				
Available-for-sale:				
Equity securities	\$ 373,694	\$ 116,187	\$ 2,159	\$ 487,722
Debt securities	5		0	5
Total	\$ 373,699	\$ 116,187	\$ 2,159	\$ 487,727

Carrying amounts of available-for-sale securities whose fair value is not readily determinable as of March 31, 2005 and 2004 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Available-for-sale:			
Equity securities	¥ 2,394	¥ 4,773	\$ 22,293
Other securities	2		15
Total	¥ 2,396	¥ 4,773	\$ 22,308

Proceeds from sales of available-for-sale securities for the fiscal years ended March 31, 2005 and 2004 were ¥2,356 million (\$21,940 thousand) and ¥15,347 million, respectively. Gross realized gains on these sales for the fiscal year ended March 31, 2005 and 2004 were ¥438 million (\$4,078 thousand) and ¥3,418 million, respectively. Gross realized losses on these sales for the fiscal years ended March 31, 2005 and 2004 were ¥11 million (\$106 thousand) and ¥486 million, respectively.

5. INVENTORIES

Inventories at March 31, 2005 and 2004 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Finished and semi-finished products	¥ 114,725	¥108,932	\$1,068,306
Work in process	111,042	112,037	1,034,007
Raw materials and supplies	19,856	16,537	184,896
Total	¥ 245,623	¥237,506	\$2,287,209

6. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at March 31, 2005 and 2004 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Short-term loans, principally from banks:			
2005: 0.3694%-4.0000%			
2004: 0.3675%-6.5000%	¥ 38,115	¥ 43,918	\$ 354,926
Total	¥ 38,115	¥ 43,918	\$ 354,926

Long-term debt at March 31, 2005 and 2004 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Loans, principally from banks and insurance companies:			
2005: 0.50%-5.510% due 2006-2013			
2004: 0.50%-5.510% due 2004-2011	¥ 11,723	¥ 11,098	\$ 109,167
Bonds	145,500	165,500	1,354,875
Total	157,223	176,598	1,464,042
Less: Current portion	(7,090)	(12,727)	(66,024)
Long-term debt, less current portion	¥ 150,133	¥163,871	\$1,398,018

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 U.S. Dollars
			2005	2004	2005
2.5% Yen Unsecured Bonds	November, 1997	November, 2007	¥ 10,000	¥ 10,000	\$ 93,119
2.575% Yen Unsecured Bonds	April, 1998	April, 2005		10,000	
1.76% Yen Unsecured Bonds	August, 1999	August, 2004		10,000	
1.0% Yen Unsecured Bonds	April, 2001	April, 2006	10,000	10,000	93,119
1.3% Yen Unsecured Bonds	December, 2001	December, 2006	10,000	10,000	93,119
1.7% Yen Unsecured Bonds	December, 2001	December, 2008	5,000	5,000	46,559
1.15% Yen Unsecured Bonds	February, 2003	February, 2008	10,000	10,000	93,119
1.4% Yen Unsecured Bonds	February, 2003	February, 2010	10,000	10,000	93,119
Yen Zero Coupon Convertible Bond	June, 2002	March, 2007	56,000	56,000	521,463
Yen Zero Coupon Convertible Bond	March, 2004	March, 2011	34,500	34,500	321,258
Total			¥ 145,500	¥165,500	\$1,354,875

The aggregate annual maturities of long-term debt for the years following March 31, 2005 are as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2006	¥ 7,090	\$ 66,024
2007	77,571	722,326
2008	21,712	202,180
2009	5,900	54,944
2010	10,399	96,832
Thereafter	34,551	321,736
Total	<u>¥ 157,223</u>	<u>\$ 1,464,042</u>

The yen zero coupon convertible bonds were issued with stock acquisition rights to subscribe for shares of common stock of the Company. The stock acquisition rights are exercisable through March 16, 2007 at ¥1,857 per share. The stock acquisition rights outstanding at March 31, 2005 entitled the holders to subscribe for 30,156,165 shares which was computed using the above-mentioned exercise price.

The yen zero coupon convertible bonds were issued with stock acquisition rights to subscribe for shares of common stock of the Company. The stock acquisition rights are exercisable through March 14, 2011 at ¥2,058 per share. The stock acquisition rights outstanding at March 31, 2005 entitled the holders to subscribe for 16,763,848 shares which was computed using the above-mentioned exercise price.

At March 31, 2005, the following assets were pledged as collateral for long-term debt.

	Millions of Yen	Thousands of U.S. Dollars
	<u>2005</u>	<u>2005</u>
Investment securities	¥ 6,808	\$ 63,391
Total	<u>¥ 6,808</u>	<u>\$ 63,391</u>

Liabilities secured by the above assets were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	<u>2005</u>	<u>2005</u>
Long-term debt, including current portion	¥ 3,651	\$ 33,999
Total	<u>¥ 3,651</u>	<u>\$ 33,999</u>

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.

7. RETIREMENT AND PENSION PLANS

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

Retirement allowances for officers are recorded to state the liability at the amount that would be required if all officers retired at each balance sheet date. On April 1, 2004, the Company revised the pension plan and implemented a defined benefit corporate pension plan (cash balance plan). As a result, the projected benefit obligation is to be decreased by ¥18,004 million (\$167,659 thousand) and the amount is being amortized as prior service cost over 10 years as of April 1, 2004.

The liability for employees' retirement benefits at March 31, 2005 and 2004 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Projected benefit obligation	¥ 100,138	¥115,743	\$ 932,474
Fair value of plan assets	(78,359)	(71,364)	(729,669)
Unrecognized actuarial loss	(18,867)	(23,288)	(175,691)
Unrecognized prior service cost	15,666	(626)	145,881
	18,578	20,465	172,995
Prepayment of service cost	113	545	1,055
Net Liability	¥ 18,691	¥ 21,010	\$ 174,050

The components of net periodic benefit costs for the fiscal years ended March 31, 2005 and 2004 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Service cost	¥ 3,353	¥ 5,142	\$ 31,221
Interest cost	2,628	3,041	24,469
Expected return on plan assets	(1,752)	(1,315)	(16,316)
Recognized actuarial loss	3,049	4,463	28,398
Amortization of prior service cost	(1,718)	82	(16,002)
Net periodic benefit costs	¥ 5,560	¥ 11,413	\$ 51,770

Assumptions used for the fiscal years ended March 31, 2005 and 2004 were principally set forth as follows:

	2005	2004
Discount rate	2.5%	2.5%
Expected rate of return on plans assets	2.0%	2.0%
Recognition period of actuarial gain (loss)	10 years	10 years
Amortization period of prior service cost	10 years	10 years

8. SHAREHOLDERS' EQUITY

Japanese companies are subject to the Japanese Commercial Code (the "Code")

The Code requires that all shares of common stock are 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 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 the amount of common stock. The amount of total additional paid-in capital and legal reserve that exceeds 25% of the amount of 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 Code allows Japanese companies to repurchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. 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 shareholders meeting.

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. The amount of retained earnings available for dividends under the Code was ¥64,126 million (\$597,135 thousand) as of March 31, 2005, based on the amount recorded in the parent company's general books of account.

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.

9. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for the fiscal years ended March 31, 2005 and 2004 principally consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Advertising expenses	¥ 42,551	¥ 30,823	\$ 396,230
Provision of warranty costs	5,305	4,005	49,402
Employees' salaries	27,963	27,502	260,384
Employees' retirement benefit plan	3,256	5,295	30,317
Employees' bonuses and others	11,926	11,801	111,051
Research and development costs	33,561	30,165	312,514

10. 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 40.6% for the fiscal year ended March 31, 2005 due to the new local tax law, and 42% for the fiscal year ended March 31, 2004.

The tax effects of significant temporary differences and loss carry-forwards which result in deferred tax assets and liabilities at March 31, 2005 and 2004, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Deferred tax assets :			
Write-down of inventories	¥ 14,345	¥ 10,490	\$ 133,574
Warranty reserve	1,863	1,375	17,349
Liability for employees' retirement benefits	9,830	10,573	91,531
Depreciation and amortization	14,225	12,068	132,459
Net operating loss carryforwards	914	2,494	8,513
Accrued bonus	3,588	2,928	33,410
Other	5,921	3,569	55,141
Total	¥ 50,686	¥ 43,497	\$ 471,977
Deferred tax liabilities :			
Deferred gains on sales of property to be replaced	7,388	7,192	68,798
Unrealized gain on available-for-sale securities	4,872	4,061	45,372
Undistributed earnings of foreign subsidiaries	2,693	2,392	25,064
Other	600	713	5,589
Total	¥ 15,553	¥ 14,358	\$ 144,823
Net deferred tax assets	¥ 35,133	¥ 29,139	\$ 327,154

A valuation allowance of ¥3,012 million (\$28,051 thousand) in 2005 and ¥3,228 million in 2004 were deducted from the amounts calculated above, respectively.

A reconciliation between the normal effective statutory tax rate for the fiscal years ended March 31, 2005 and 2004, and the actual effective tax rates reflected in the consolidated statements of income were as follows:

	Year ended March 31,	
	2005	2004
Normal statutory tax rate	40.6%	42%
Tax credit for research and development costs	(5.7)	
Consolidated adjustment on unrealizable profits in inventories	(11.1)	10.3
Dividends from foreign subsidiaries not applicable to foreign tax credits	5.2	6.1
Increase in valuation allowance	3.0	5.3
Effect on tax levied based on paid-in capital		5.2
Other-net	(4.2)	5.5
Actual effective tax rate	27.8%	74.4%

11. RESEARCH AND DEVELOPMENT COSTS

Research and development costs incurred were ¥33,561 million (\$312,514 thousand) and ¥30,165 million for the fiscal years ended March 31, 2005 and 2004, respectively.

12. 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 ¥2,596 million (\$24,177 thousand) and ¥2,519 million for the fiscal years ended March 31, 2005 and 2004, respectively.

The minimum rental commitments under noncancelable operating leases at March 31, 2005 and 2004 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Due within one year	¥ 1,965	¥ 1,110	\$ 18,294
Due after one year	3,915	1,969	36,461
Total	¥ 5,880	¥ 3,079	\$ 54,755

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, 2005 and 2004 was as follows:

	Millions of Yen			Thousands of U.S. Dollars		
	2005			2005		
	Machinery and Equipment	Furniture and Fixtures	Total	Machinery and Equipment	Furniture and Fixtures	Total
Acquisition cost	¥ 7,312	¥ 5,489	¥ 12,801	\$ 68,091	\$ 51,111	\$ 119,202
Accumulated depreciation	3,568	2,898	6,466	33,229	26,981	60,210
Net leased property	¥ 3,744	¥ 2,591	¥ 6,335	\$ 34,862	\$ 24,130	\$ 58,992

	Millions of Yen		
	2004		
	Machinery and Equipment	Furniture and Fixtures	Total
Acquisition cost	¥ 6,510	¥ 6,308	¥ 12,818
Accumulated depreciation	3,076	3,589	6,665
Net leased property	¥ 3,434	¥ 2,719	¥ 6,153

Obligations under finance leases at March 31, 2005 and 2004 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Due within one year	¥ 2,141	¥ 2,238	\$ 19,933
Due after one year	4,194	3,915	39,059
Total	¥ 6,335	¥ 6,153	\$ 58,992

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 income, computed by the straight-line method, was ¥2,596 million (\$24,177 thousand) and ¥2,519 million for the fiscal years ended March 31, 2005 and 2004, respectively.

13. 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, 2005 and 2004, were as follows:

	Millions of Yen			Thousands of U.S. Dollars		
	2005		Net	2005		Net
	Contract or Notional Amount	Fair Value	Unrealized Gain (Loss)	Contract or Notional Amount	Fair Value	Unrealized Gain (Loss)
Foreign exchange forward contracts :						
Selling USD	¥ 44,637	¥ 45,638	¥ (1,001)	\$ 415,652	\$ 424,970	\$ (9,318)
Selling EUR	14,482	14,715	(233)	134,853	137,026	(2,173)
Buying JPY	26	26	0	242	243	1
Buying USD	2,928	3,003	75	27,268	27,965	697
Buying EUR	2,870	2,861	(9)	26,724	26,644	(80)
Total			(1,168)			(10,873)
Currency option contracts :						
Selling put EUR	¥ 2,250	¥	¥	\$ 20,952	\$	\$
Option premiums	12	21	(9)	115	198	(83)
Buying call EUR	2,250			20,952		
Option premiums	10	15	5	99	142	43
Total			(4)			(40)
Interest rate swaps :						
(fixed rate receipt, floating rate payment)	¥ 20,000	¥ 517	¥ 517	\$ 186,237	\$ 4,814	\$ 4,814
(fixed rate payment, floating rate receipt)	10,000	(462)	(462)	93,119	(4,298)	(4,298)
Total	¥ 30,000	¥ 55	¥ 55	\$ 279,356	\$ 516	\$ 516
Millions of Yen						
2004						
	Contract or Notional Amount	Fair Value	Net Unrealized Gain (Loss)			
Foreign exchange forward contracts :						
Selling USD	¥ 19,523	¥ 19,202	¥ 321			
Selling EUR	19,787	19,088	699			
Buying JPY	2,583	2,673	90			
Buying USD	580	574	(6)			
Buying EUR	4,656	4,539	(117)			
Total			987			
Interest rate swaps :						
(fixed rate receipt, floating rate payment)	¥ 20,000	549	549			
(fixed rate payment, floating rate receipt)	10,000	(535)	(535)			
Total	¥ 30,000	¥ 14	¥ 14			

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

14. CONTINGENT LIABILITIES

Contingent liabilities at March 31, 2005 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	<u>2005</u>	<u>2005</u>
As the endorser of trade notes receivable discounted with banks	¥ 12	\$ 116
As the guarantor of bank loans and indebtedness, principally of employees, unconsolidated subsidiaries and associated companies	6,200	57,734
Total	<u>¥ 6,212</u>	<u>\$ 57,850</u>

The following debt was assumed by Bank of Tokyo Mitsubishi:

	Millions of Yen	Thousands of U.S. Dollars
2.575%Yen Unsecured Bonds (Maturity: April 1, 2005)	¥ 10,000	\$ 93,119

Note: The above debt is not reported in the Liabilities section of the consolidated balance sheet. Although, the liability to the bond holders will remain with the Company until maturity.

15. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the fiscal years ended March 31, 2005 and 2004 were as follows:

	Yen in millions	Thousands of shares	Yen	U.S.Dollars
	Net income	Weighted average Shares	EPS	
For the year ended March 31, 2005:				
Basic EPS				
Net income available to common shareholders	¥ 24,079	369,352	¥65.19	\$ 0.61
Effect of Dilutive Securities				
Warrants		22		
Convertible bonds		46,920		
Diluted EPS				
Net income for computation	¥ 24,079	416,294	¥57.84	\$ 0.54
	Yen in millions	Thousands of shares	Yen	U.S.Dollars
	Net income	Weighted average Shares	EPS	
For the year ended March 31, 2004:				
Basic EPS				
Net income available to common shareholders	¥ 2,410	369,361	¥ 6.52	\$ 0.062
Effect of Dilutive Securities				
Warrants		40		
Convertible bonds		30,935		
Diluted EPS				
Net income for computation	¥ 2,410	400,336	¥ 6.02	\$ 0.057

16. SUBSEQUENT EVENTS

At the general shareholders' meeting held on June 29, 2005, The Company's shareholders approved the following stock option plan for the Company's directors and administrative directors and appropriation of Retained Earnings.

(a) Stock option plan

The plan provides for granting options to directors and administrative directors to purchase up to 178 thousand shares of the Company's common stock in the period from June 30, 2007 to June 29, 2015. 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.

(b) Appropriations of Retained Earnings

The Company's shareholders approved appropriation of retained earnings as follows:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥4.00 (\$0.04) per share	¥ 1,478	\$ 13,761
Bonuses to directors and corporate auditors	63	583

17. SEGMENT INFORMATION

Information about industry segments, geographic segments and sales to foreign customers of the Group for the fiscal years ended March 31, 2005 and 2004, 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, 2005							
Net sales							
Outside customers	¥ 212,471	¥ 354,181	¥ 50,657	¥ 21,159	¥ 638,468	¥	¥ 638,468
Intersegment sales/transfer	1,855	1,308	1,527	23,094	27,784	(27,784)	
Total	214,326	355,489	52,184	44,253	666,252	(27,784)	638,468
Operating expenses	202,939	338,648	49,358	44,900	635,845	(27,922)	607,923
Operating income (loss)	¥ 11,387	¥ 16,841	¥ 2,826	¥ (647)	¥ 30,407	¥ 138	¥ 30,545
Assets	¥ 249,904	¥ 182,772	¥ 36,386	¥ 57,573	¥ 526,635	¥ 106,791	¥ 633,426
Depreciation and amortization	8,897	5,833	969	4,006	19,705		19,705
Capital expenditures	8,679	11,184	751	1,845	22,459		22,459

	Millions of Yen						
	Precision Equipment	Imaging Products	Instruments	Other	Total	(Eliminations) or corporate	Consolidated
For the year ended March 31, 2004							
Net sales							
Outside customers	¥ 156,572	¥ 283,347	¥ 46,705	¥ 19,754	¥ 506,378		¥ 506,378
Intersegment sales/transfer	1,482	1,366	1,287	19,889	24,024	¥ (24,024)	
Total	158,054	284,713	47,992	39,643	530,402	(24,024)	506,378
Operating expenses	178,860	259,491	45,307	42,875	526,533	(23,830)	502,703
Operating income (loss)	¥ (20,806)	¥ 25,222	¥ 2,685	¥ (3,232)	¥ 3,869	¥ (194)	¥ 3,675
Assets	¥ 236,542	180,213	¥ 35,218	¥ 58,818	¥ 510,791	¥ 95,722	¥ 606,513
Depreciation and amortization	9,685	5,063	1,132	4,333	20,213		20,213
Capital expenditures	5,134	13,381	1,840	1,912	22,267		22,267

	Thousands of U.S. Dollars						
	Precision Equipment	Imaging Products	Instruments	Other	Total	(Eliminations) or corporate	Consolidated
For the year ended March 31, 2005							
Net sales							
Outside customers	\$1,978,494	\$3,298,087	\$ 471,711	\$ 197,032	\$5,945,324	\$	\$5,945,324
Intersegment sales/transfer	17,278	12,177	14,219	215,043	258,717	(258,717)	
Total	1,995,772	3,310,264	485,930	412,075	6,204,041	(258,717)	5,945,324
Operating expenses	1,889,740	3,153,435	459,617	418,102	5,920,894	(260,001)	5,660,893
Operating income (loss)	\$ 106,032	\$ 156,829	\$ 26,313	\$ (6,027)	\$ 283,147	\$ 1,284	\$ 284,431
Assets	\$2,327,073	\$1,701,947	\$ 338,822	\$ 536,110	\$4,903,952	\$ 994,422	\$5,898,374
Depreciation and amortization	82,841	54,318	9,020	37,307	183,486		183,486
Capital expenditures	80,818	104,142	6,997	17,177	209,134		209,134

Precision Equipment : IC steppers, LCD steppers, etc.

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

Instruments : Microscopes, Measuring instruments, Inspection equipment etc.

Other : Sport optics products, Ophthalmic frames, Surveying instruments, etc.

Notes: 1. Amortization of Goodwill is included in "Depreciation and amortization" for the year ended March 31, 2005 and 2004.

2. As described in Note 3(a), in the year ended March 31, 2005, foreign subsidiaries changed their method of inventory valuation method to principally the average method. This change was made in order to minimize its impact to profit or loss from price changes as a result of re-considering the inventory valuation method due to new inventory management and financial accounting system. Effect of this change to profit or loss is not material. This change was made during the second half year as re-consideration of inventory valuation method was finalized during the second half period.

3. As described in Note 3(b), in the year ended March 31, 2005, the Company and certain consolidated subsidiaries changed its method of accounting for such retirement to the method that retirement allowances were recorded to state the liability at the amount that would be required if all directors and corporate auditors retired at each balance sheet date. The change was made to achieve a more accurate allocation of cost and fiscal health.

The effect of this change was to decrease operating income by ¥177 million (\$1,648 thousand) in Other segment.

This change was made during the second half period due to the completion of revision of Company's rules for retirement benefits during the second half period.

(b) Geographic Segments

	Thousands of U.S. Dollars						
	Japan	North America	Europe	Asia	Total	(Eliminations) or corporate	Consolidated
For the year ended March 31, 2005							
Net sales							
Outside customers	¥ 275,992	¥ 165,085	¥ 142,143	¥ 55,248	¥ 638,468	¥	¥ 638,468
Intersegment sales	282,026	2,895	111	78,779	363,811	(363,811)	
Total	558,018	167,980	142,254	134,027	1,002,279	(363,811)	638,468
Operating expenses	540,180	162,372	139,392	128,902	970,846	(362,923)	607,923
Operating income	¥ 17,838	¥ 5,608	¥ 2,862	¥ 5,125	¥ 31,433	¥ (888)	¥ 30,545
Assets	¥ 478,739	¥ 70,328	¥ 57,865	¥ 45,776	¥ 652,708	¥ (19,282)	¥ 633,426

	Thousands of U.S. Dollars						
	Japan	North America	Europe	Asia	Total	(Eliminations) or corporate	Consolidated
For the year ended March 31, 2004							
Net sales							
Outside customers	¥ 196,562	¥ 148,696	¥ 124,134	¥ 36,986	¥ 506,378		¥ 506,378
Intersegment sales	238,627	3,121	629	18,904	261,281	¥ (261,281)	
Total	435,189	151,817	124,763	55,890	767,659	(261,281)	506,378
Operating expenses	439,011	146,207	123,900	53,742	762,860	(260,157)	502,703
Operating income (loss)	¥ (3,822)	¥ 5,610	¥ 863	¥ 2,148	¥ 4,799	¥ (1,124)	¥ 3,675
Assets	¥ 468,545	¥ 58,828	¥ 53,040	¥ 33,151	¥ 613,564	¥ (7,051)	¥ 606,513

	Thousands of U.S. Dollars						
	Japan	North America	Europe	Asia	Total	(Eliminations) or corporate	Consolidated
For the year ended March 31, 2005							
Net sales							
Outside customers	\$ 2,569,998	\$ 1,537,251	\$ 1,323,610	\$ 514,465	\$ 5,945,324	\$	\$ 5,945,324
Intersegment sales	2,626,186	26,955	1,035	733,576	3,387,752	(3,387,752)	
Total	5,196,184	1,564,206	1,324,645	1,248,041	9,333,076	(3,387,752)	5,945,324
Operating expenses	5,030,078	1,511,985	1,298,002	1,200,318	9,040,383	(3,379,490)	5,660,893
Operating income	\$ 166,106	\$ 52,221	\$ 26,643	\$ 47,723	\$ 292,693	\$ (8,262)	\$ 284,431
Assets	\$ 4,457,944	\$ 654,887	\$ 538,833	\$ 426,261	\$ 6,077,925	\$ (179,551)	\$ 5,898,374

Notes: 1. As described in Note 3(a), in the year ended March 31, 2005, foreign subsidiaries changed their method of inventory valuation method to principally the average method. This change was made in order to minimize its impact to profit or loss from price changes as a result of re-considering the inventory valuation method due to new inventory management and financial accounting system. Effect of this change to profit or loss is not material.

This change was made during the second half year as re-consideration of inventory valuation method was finalized during the second half period.

2. As described in Note 3(b), in the year ended March 31, 2005, the Company and certain consolidated subsidiaries changed their method of accounting for such retirement to the method that retirement allowances were recorded to state the liability at the amount that would be required if all directors and corporate auditors retired at each balance sheet date. The change was made to achieve a more accurate allocation of cost and fiscal health.

The effect of this change was to decrease operating income by ¥177 million (\$1,648 thousand) in Japan.

This change was made during the second half period due to the completion of revision of Company's rules for retirement benefits during the second half period.

(c) Export Sales

For the years ended March 31, 2005 and 2004

	Millions of Yen, %				Thousands of U.S. Dollars
	2005	(A)/(B)	2004	(A)/(B)	2005
Export sales (A)					
North America	¥ 160,840	25.2%	¥146,624	29.0%	\$1,497,722
Europe	138,793	21.7	122,583	24.2	1,292,418
Asia	175,193	27.5	96,726	19.1	1,631,375
Other Area	6,929	1.1	3,770	0.7	64,520
Total	¥ 481,755	75.5%	369,703	73.0%	\$4,486,035
Net sales (B)	¥ 638,468		¥506,378		\$5,945,324

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

18. TRADE MATTERS

Nikon Corporation (Nikon), ASML HOLDING N.V. (ASML) and Carl Zeiss SMT AG (SMT) have signed on December 10, 2004, a final agreement (Final Agreement) for comprehensive settlement of legal proceedings and cross-licensing of patents related to lithography equipment used to manufacture semiconductor devices in accordance with a Memorandum of Understanding entered into on September 29, 2004 (MOU).

(a) Legal Proceedings of Settlement

On December 21, 2001, Nikon Corporation and its wholly-owned subsidiaries, Nikon Precision Inc. and Nikon Research Corporation of America filed a complaint in the US International Trade Commission (the "ITC") against ASM Lithography Holding N.V., and ASM Lithography B.V. (both Netherlands corporations) and ASM Lithography, Inc., a U.S. sales subsidiary of ASM Lithography Holding N.V. ("ASML") for an exclusion order from the ITC to prevent any further importation of stepper and scanner machines (both lithography equipment used to manufacture semiconductor devices) that were infringing Nikon's patents in the U.S.

The ITC dismissed Nikon's request for an exclusion order. Subsequently, Nikon Corporation, Nikon Precision Inc. and Nikon Research Corporation of America filed a Notice on May 12, 2003 in the Court of Appeals of the Federal Circuit appealing the ITC decision.

Nikon Corporation and its subsidiaries then filed suit for patent infringement against ASM Lithography B.V., ASM Lithography Inc., ASML Netherlands B.V. and its affiliated companies in the Federal District Court of the Northern District of California (NDCA), and in the Tokyo District, Seoul District and Suwon District Courts.

As a result of several settlement discussions, Nikon basically agreed to settle the case since it concluded that its goal has been accomplished in principle. The NDCA allowed SMT to join in the case, and therefore, they are party to the Memorandum of Understanding.

(b) Description of Settlement

The Final Agreement includes payment to Nikon by ASML and SMT. ASML and SMT will pay Nikon a total of US \$145 million. An initial payment of US \$100 million was made in November 2004, and the remaining US \$45 million will be paid in equal installments in 2005, 2006 and 2007. The total amount of ¥15,879 million (equivalent of US\$145 million) payable by ASML to Nikon is treated for accounting purposes as Special Gains for the period ended March 31, 2005.

The Final Agreement also includes the cross-license between ASML and SMT of patents related to lithography equipment used to manufacture semiconductor devices.

In consideration for such payment to Nikon and the cross-license, Nikon, ASML and SMT withdrew all patent disputes pending between the parties in Asia and the U.S. in November 2004.

Deloitte.

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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, 2005 and 2004, and the related consolidated statements of income, 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 generally accepted 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, 2005 and 2004, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

As discussed in Note 3(b) to the consolidated financial statements, the Company and certain consolidated subsidiaries changed its method of accounting for retirement allowances for directors, corporate auditors and officers in the fiscal year ended March 31, 2005.

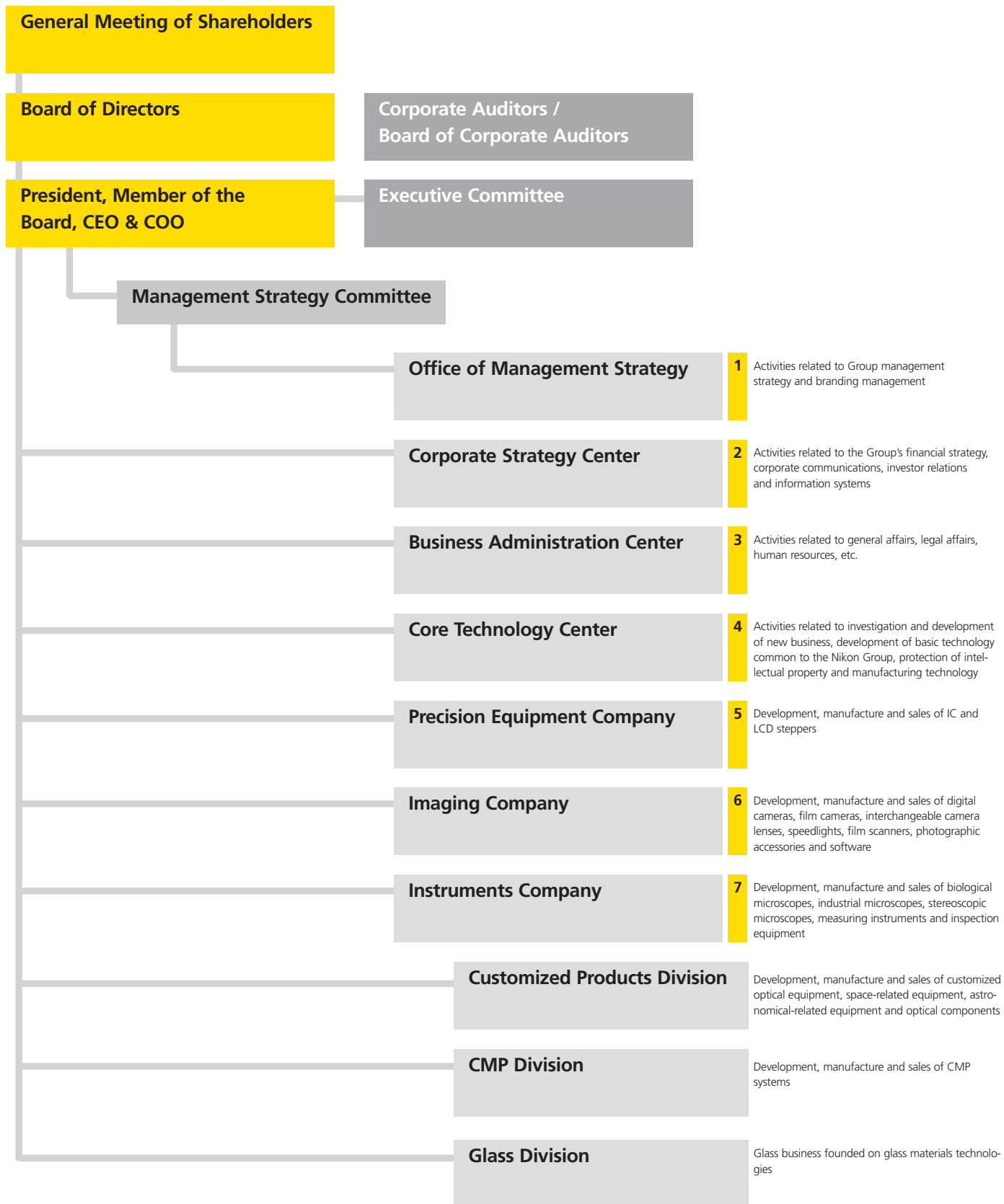
Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu

June 29, 2005

organization of nikon group

AS OF JULY 1, 2005



nikon group companies

AS OF JULY 1, 2005

Domestic Companies

	Name	Consolidated	Main Business
1	Tochigi Nikon Corporation	*	Manufacture of IC/LCD steppers and optical lenses
	Setagaya Industry Co., Ltd.	*	Processing and assembly of parts for interchangeable camera lenses
	Hikari Glass Co., Ltd.	*	Manufacture and sales of optical glass, molded optical glass
	Nikon Optical Shop Co., Ltd.		Retail sales of ophthalmic frames and lenses
	Nikon Eyewear Co., Ltd.	*	Development, manufacture, sales and servicing of ophthalmic frames and sunglasses
	Nikon Vision Co., Ltd.	*	Development, manufacture, sales and servicing of sport optics products
	Nikon Engineering Co., Ltd.	*	Design, manufacture, and sales of microprocessing systems and customized microscopes
	Nikon-Trimble Co., Ltd.		Development, manufacture, sales and servicing of surveying instruments
	Nikon-Essilor Co., Ltd.		Development, manufacture, sales and servicing of ophthalmic lenses
2	Nikon Systems Inc.	*	Development and support of computer software
3	Nikon Logistics Corporation	*	Logistics
	Nikon Life Co., Ltd.	*	Employee welfare activities
	Nikon Tsubasa Inc.		Processing, assembly and packing of parts for optical instruments
4	Nikon Technologies, Inc.	*	Chemical analysis and measurement, patent investigation, and translation
5	Mito Nikon Corporation	*	Manufacture of devices for IC/LCD steppers and cameras
	Zao Nikon Co., Ltd.	*	Manufacture of devices for IC/LCD steppers and surveying instruments
	Nikon Tec Corporation	*	Maintenance and servicing of IC/LCD steppers, sales of used steppers
6	Sendai Nikon Corporation	*	Manufacture of cameras, LCD steppers, and devices for IC steppers
	Nikon Photo Products Inc.	*	Sales and servicing of cameras
7	Kurobane Nikon Co., Ltd.	*	Manufacture of objective lenses for microscopes / measuring instruments / inspection equipment, and optical components
	Nikon Instech Co., Ltd.	*	Sales, maintenance and servicing of microscopes, measuring instruments, and inspection equipment
	Kogaku Co., Ltd.	*	Sales, maintenance and servicing of microscopes, measuring instruments, and inspection equipment
	Okuma Shokai Co., Ltd.	*	Sales, maintenance and servicing of microscopes, measuring instruments, and inspection equipment

Overseas Companies

	Name	Consolidated	Main 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 affiliates in the U.S.
	Nikon Holdings Europe B.V.	*	Centralized supply, administration and management of funds of affiliates in Europe
5	Nikon Precision Inc.	*	Import, sales, maintenance and servicing of IC steppers
	Nikon Research Corporation of America	*	R&D for IC-related equipment
	Nikon Precision Europe GmbH	*	Import, sales, maintenance and servicing of IC steppers
	Nikon Precision Korea Ltd.	*	Maintenance and servicing of IC/LCD steppers
	Nikon Precision Taiwan Ltd.	*	Maintenance and servicing of IC/LCD steppers
	Nikon Precision Singapore Pte Ltd	*	Maintenance and servicing of IC/LCD steppers
	Nikon Precision Shanghai Co., Ltd.	*	Consulting for maintenance and servicing of IC/LCD steppers
6	Nikon Inc.	*	Import, sales and servicing of cameras
	Nikon Canada Inc.	*	Import, sales and servicing of cameras, microscopes and measuring instruments
	Nikon Europe B.V.	*	Import, sales and servicing of cameras
	Nikon AG	*	Import, sales and servicing of cameras, microscopes, and measuring instruments
	Nikon GmbH	*	Import, sales and servicing of cameras, microscopes, and measuring instruments
	Nikon U.K. Ltd.	*	Import, sales and servicing of cameras, microscopes, and measuring instruments
	Nikon France S.A.S.	*	Import, sales and servicing of cameras, microscopes, and measuring instruments
	Nikon Nordic AB	*	Import, sales and servicing of cameras
	Nikon Kft.		Import, sales and servicing of cameras
	Nikon s.r.o.		Import, sales and servicing of cameras
	Nikon Polska Sp.z.o.o.		Import, sales and servicing of cameras
	Nikon Hong Kong Ltd.	*	Import, sales and servicing of cameras
	Nikon Singapore Pte Ltd	*	Import, sales and servicing of cameras, microscopes, and measuring instruments
	Nikon (Malaysia) Sdn. Bhd.	*	Support for sales and servicing of cameras, microscopes, and measuring instruments
	Nikon (Thailand) Co., Ltd.	*	Manufacture of cameras, interchangeable lenses and digital camera components
	Nikon Imaging (China) Co., Ltd.	*	Manufacture of digital cameras and digital camera components
	Nikon Imaging (China) Sales Co., Ltd.		Import, sales and servicing of cameras
	Guang Dong Nikon Camera Co., Ltd.		Manufacture of digital camera components
	Hang Zhou Nikon Camera Co., Ltd.		Manufacture of digital camera components
7	Nikon Instruments Inc.	*	Import, sales, maintenance and servicing of microscopes, measuring instruments and inspection equipment
	Nikon Instruments Europe B.V.	*	Import, sales, maintenance and servicing of microscopes and measuring instruments
	Nikon Instruments S.p.A.	*	Import, sales, maintenance and servicing of microscopes and measuring instruments
	Nikon Instruments (Shanghai) Co., Ltd.		Marketing, maintenance and servicing of microscopes, measuring instruments and inspection equipment
	Nikon Instruments Korea Co., Ltd.		Sales, maintenance and servicing of microscopes and measuring instruments
	Nanjing Nikon Jiangnan Optical Instrument Co., Ltd.		Manufacture of microscopes and objective lenses for microscopes

*Consolidated as of March 31, 2005

directors, auditors and officers

AS OF JULY 1, 2005

Board of Directors

*President, Member of the Board, Chief Executive Officer & Chief Operating Officer	Michio Kariya	In charge of items related to Group's management policies and Company's operations
*Executive Vice President, Member of the Board & Chief Financial Officer	Ichiro Terato	Assistant of President, Member of the Board, financial and IR strategies
Senior Managing Director, Member of the Board & Senior Executive Officer	Makoto Kimura	President of Imaging Company
Senior Managing Director, Member of the Board & Senior Executive Officer	Kyoichi Suwa	President of Core Technology Center, General Manager of Production Technology Headquarters, Core Technology Center & General Manager of Glass Division
Managing Director, Member of the Board & Senior Executive Officer	Mamoru Kajiwara	President of Corporate Strategy Center, General Manager of Information System Management Department, Corporate Strategy Center & President of Business Administration Center
Managing Director, Member of the Board & Senior Executive Officer	Norio Miyauchi	Divisional President of Office of Management Strategy
Managing Director, Member of the Board & Senior Executive Officer	Naoki Tomino	Vice President of Imaging Company
Managing Director, Member of the Board & Senior Executive Officer	Kazuo Ushida	President of Precision Equipment Company
Managing Director, Member of the Board & Senior Executive Officer	Yoshimichi Kawai	Vice President of Precision Equipment Company & General Manager of Production Headquarters, Precision Equipment Company
Director, Member of the Board	Shunji Kono	Counselor, Tokio Marine & Nichido Fire Insurance Co., Ltd.
Director, Member of the Board	Ryotaro Kaneko	President, Meiji Yasuda Life Insurance Company
Director, Member of the Board & Executive Officer	Hidetoshi Mori	President of Instruments Company
Director, Member of the Board & Executive Officer	Yutaka Ichihara	Vice President of Core Technology Center & General Manager of Optical Technology Headquarters, Core Technology Center

Corporate Auditors

Standing Corporate Auditor	Masami Kurosawa	
Standing Corporate Auditor	Hisayuki Shimizu	
Corporate Auditor	Toyoshi Nakano	Senior Advisor, The Mitsubishi Trust and Banking Corporation
Corporate Auditor	Susumu Kani	Corporate Advisor, Mitsubishi Corporation

Executive Officers

Executive Officer	Takao Watanabe	Vice President of Core Technology Center, General Manager of Intellectual Property Headquarters, Core Technology Center
Executive Officer	Hideshi Hirai	Vice President of Corporate Strategy Center
Executive Officer	Masami Kumazawa	Vice President of Precision Equipment Company
Executive Officer	Tetsuro Goto	General Manager of Development Management Department, Imaging Company
Executive Officer	Koji Morishita	Vice President of Business Administration Center
Executive Officer	Jun Iwasaki	General Manager of LCD Equipment Division, Precision Equipment Company
Executive Officer	Toshiyuki Masai	President & CEO, Nikon Inc.
Executive Officer	Norio Hashizume	Vice President of Corporate Strategy Center
Executive Officer	Yasuyuki Okamoto	General Manager of Marketing Management Department, Imaging Company
Executive Officer	Toshikazu Umatate	General Manager of Development Headquarters, Precision Equipment Company

*Indicates Representative Director of the Board

investor information

Nikon Corporation

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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

16,758

Common Stock

Authorized:

1,000,000,000 shares

Issued:

369,945,332 shares

¥36,661 million

Number of Shareholders

32,148

Stock Exchange Listings

Tokyo, Osaka, Fukuoka, Sapporo

Transfer Agent and Registrar

The Mitsubishi Trust and Banking Corporation

Transfer Agent Department

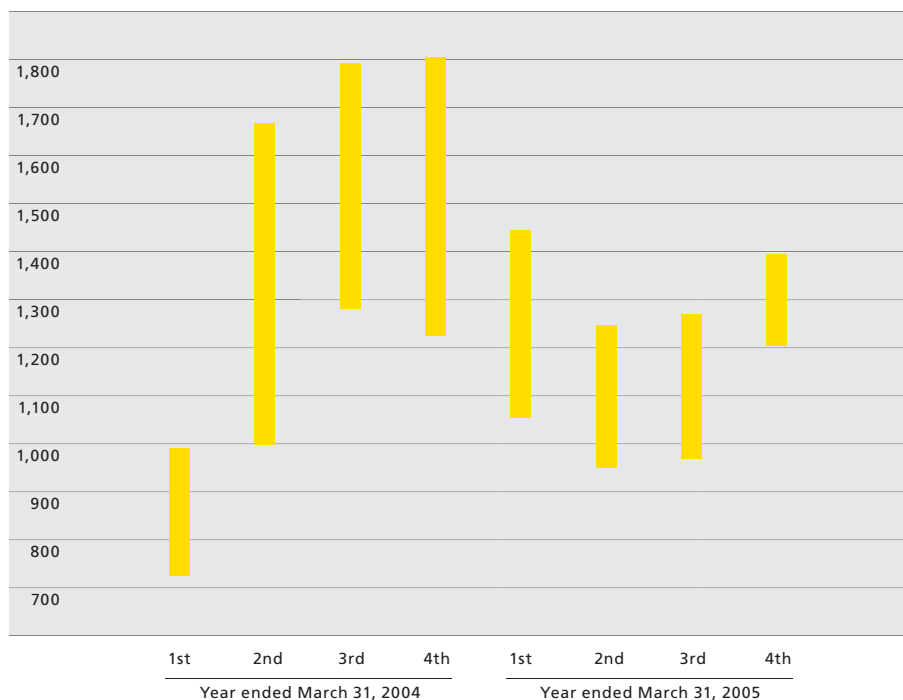
4-5, Marunouchi 1-chome,

Chiyoda-ku, Tokyo 100-8212, Japan

(As of March 31, 2005)

Major Shareholders	Number of shares held (thousands)	Percentage of total shares issued
The Master Trust Bank of Japan, Ltd., Trust Account	26,895	7.3
Meiji Yasuda Life Insurance Company	20,565	5.6
Japan Trustee Services Bank, Ltd., Trust Account	14,983	4.1
The Chase Manhattan Bank NA London	14,877	4.0
The Bank of Tokyo-Mitsubishi, Ltd.	12,297	3.3
State Street Bank and Trust Company	10,421	2.8
Tokio Marine & Nichido Fire Insurance Co., Ltd.	10,067	2.7
The Mitsubishi Trust and Banking Corporation	9,134	2.5
Nippon Life Insurance Company	8,769	2.4
The Jojo Bank, Ltd.	6,801	1.8

Price Range of Common Stock (¥)



For further information or additional copies of this annual report, please contact the Corporate Communications & IR 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>



NIKON CORPORATION

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