

September 29, 2004

Patent Dispute Settlement; Financial Results Forecast Revision

On September 28, 2004 (Japan time), Nikon Corporation (Nikon), ASML Holding N.V. (ASML) and Carl Zeiss SMT AG (SMT) signed a Memorandum of Understanding which provides for a comprehensive settlement of legal proceedings and cross-license of patents between Nikon, ASML and SMT. Accordingly, we have revised the forecast of Financial Results for the Year ending March 2005 (April 1, 2004 – March 31, 2005) that was issued on May 10, 2004 (refer to item 4 in this document for a detailed breakdown).

1. Details regarding disputes (prior to settlement)

The major events in the disputes between Nikon (and subsidiaries) and ASML (and subsidiaries/affiliates) are as outlined below.

On December 21, 2001, Nikon filed a complaint against ASML with the U.S. International Trade Commission (ITC) requesting an exclusion order to prevent any further importation by ASML of infringing stepper and scanner equipment (used in manufacture of semiconductor devices) in the U.S. Since the ITC denied Nikon's request, Nikon appealed to the Court of Appeals for the Federal Circuit (CAFC) on May 12, 2003. Nikon also pursued patent infringement cases against ASML with the Federal District Court for the Northern District of California (NDCA), with the Tokyo District Court and in Korea as well.

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.

Note: All dates above are indicated in local time.

2. Provisions of settlement

The settlement provides that the parties terminate legal and administrative proceedings in Asia and the United States.

It also includes a payment to Nikon by ASML and SMT of a combined total of US \$145 million (approximately 16 billion Japanese Yen), and a comprehensive cross-license of patents related to lithography equipment used to manufacture semiconductor devices.

The payment schedule calls for an initial combined payment of US \$100 million (approximately 11 billion Japanese Yen) to be made in 2004, followed by three subsequent installments of US \$15 million each (approximately 1.7 billion Japanese Yen) due in 2005, 2006 and 2007.

We expect to execute definitive settlement and official cross-license agreements in November 2004.

3. Future outlook

According to the definitive agreement, scheduled to be executed in November, the aforementioned amount of US \$145 million (approximately 16 billion Japanese Yen) is expected to be incorporated into the Financial Results for the Fiscal Year ending March 2005.

4. Effects on previously issued financial results forecast

The chart below shows the impact of the transaction noted in item 3 above. This revised forecast does not include effects that might be caused by other factors.

Revised Consolidated Forecast for the Year ending March 2005 (April 1, 2004 – March 31, 2005)

(unit: 1 million yen)

	Net Sales	Ordinary Income	Net Income
Original Forecast	700,000	19,000	19,000
Revised Forecast	700,000	19,000	28,600
Difference	—	—	9,600
Ratio	—	—	50.5%
Results the Year ending March 2004	506,378	-4,280	2,409

Revised Non-Consolidated Forecast for the Year ending March 2005 (April 1, 2004 – March 31, 2005)

(unit: 1 million yen)

	Net Sales	Ordinary Income	Net Income
Original Forecast	530,000	6,000	7,000
Revised Forecast	530,000	6,000	16,600
Difference	—	—	9,600
Ratio	—	—	137.1%
Results the Year ending March 2004	375,958	-5,933	4,063