Notes to Consolidated Financial Statements

Nikon Corporation and Consolidated Subsidiaries
Years ended March 31, 2009 and 2008

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 Financial Instruments 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 the 2008 financial statements to conform to the classifications used in 2009.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Nikon Corporation (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the approximate rate of ¥98.23 to U.S.$1, the rate of exchange at March 31, 2009. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Consolidation

The consolidated financial statements as of March 31, 2009 include the accounts of the Company and its 48 significant (48 in 2008) subsidiaries (collectively, the "Group"). Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Company has the ability to exercise significant influence are accounted for by the equity method.

Investments in 2 associated companies (2 associated companies in 2008) 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 excess of the cost of an acquisition over the fair value of the net assets of the acquired subsidiary at the date of acquisition ("Goodwill") is charged to income when incurred, if the amounts are immaterial, otherwise the amounts are 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) Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements

In May 2006, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Practical Issues Task Force (PITF) No.18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements". PITF No.18 prescribes: (1) the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements, (2) financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States of America tentatively may be used for the consolidation process, (3) however, the following items should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP unless they are not material: 1) amortization of goodwill; 2) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in the equity; 3) expensing capitalized development costs of R&D; 4) cancellation of the fair value model of accounting for property, plant, and equipment and investment properties and incorporation of the cost model of accounting; 5) recording the prior years' effects of changes in accounting policies in the income statement where retrospective adjustments to financial statements have been incorporated; and 6) exclusion of minority interests from net income, if contained. PITF No.18 was effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted.

The Company applied this accounting standard effective April 1, 2008. The effect of this change was to increase operating income by ¥6,029 million ($61,372 thousand) and income before income taxes by ¥5,981 million ($60,891 thousand). In addition, the Company adjusted the beginning balance of retained earnings at April 1, 2008 as if this accounting standard had been retrospectively applied.

(c) Business Combination

In October 2003, the Business Accounting Council (the "BAC") issued a Statement of Opinion, "Accounting for Business Combinations", and on December 27, 2005, the ASBJ issued ASBJ Statement No.7, "Accounting Standard for Business Divestitures" and ASBJ Guidance No.10, "Guidance for Accounting Standard for Business Combinations and Business Divestitures".

The accounting standard for business combinations allows companies to apply the pooling of interests method of accounting only when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests.

For business combinations that do not meet the uniting-of-interests criteria, the business combination is considered to be an

acquisition and the purchase method of accounting is required. This standard also prescribes the accounting for combinations of entities under common control and for joint ventures.

(d) 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 invested in bonds that represent short-term investments, all of which mature or become due within three months of the date of acquisition.

(e) Investment Securities

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

i) 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

ii) available-for-sale securities, which are not classified as held to maturity securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

Non-marketable available-for-sale securities are stated at cost determined by the moving average method.

For other than temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

The company records investments in limited liability investment partnerships (deemed "investment securities" under the provisions set forth in Article 2 Item 2 of the Financial Instruments and Exchange Law) using the amount of interest in such partnerships calculated based on ownership percentage and the most recent financial statements on the report date stipulated in the partnership agreement.

(f) Inventories

Prior to April 1 2008, inventories of the Company and its domestic subsidiaries were stated at cost, determined principally using the average method. In July 2006, the ASBJ issued ASBJ Statement No.9, "Accounting Standard for Measurement of Inventories". This standard requires that inventories held for sale in the ordinary course of business be measured at the lower of cost or net selling value, which is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expenses. The replacement cost may be used in place of the net selling value, if appropriate. The standard was effective for fiscal years beginning on or after April 1, 2008.

The Company and its domestic subsidiaries applied this new accounting standard for measurement of inventories effective April 1, 2008. The effect of this change was to decrease operating income and income before income taxes by ¥11,060 million ($112,592 thousand) respectively.

Inventories of foreign subsidiaries are stated at the lower of cost or market as determined principally using the average method.

In addition, loss on disposals of inventory and write-down of inventory, which were previously included in non-operating expenses, is included in cost of sales. As a result, operating income decreased by ¥4,426 million ($45,058 thousand).

(g) Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Company and its consolidated 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 from 5 to 10 years for machinery. The useful lives for lease assets are the terms of the respective leases.

(h) Long-lived Assets

The Group reviews its long-lived assets for impairment whenever events or changes in circumstances indicate 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.

(i) Retirement and Pension Plans

The Company has a defined benefit corporate pension plan (cash balance plan) and a defined contribution pension plan and its consolidated domestic subsidiaries have non-contributory funded pension plans. Certain foreign subsidiaries also have contributory pension plans.

The Group accounts 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.

As stated in 2(b), the company adjusted the amortization of actuarial gain or loss of pensions that has been directly recorded in the equity by foreign subsidiaries including the United States in the consolidation process so that net income is accounted for in accordance with Japanese GAAP.

(j) 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.

(k) Stock Options

On December 27, 2005, the ASBJ issued ASBJ Standard No.8, "Accounting Standard for Stock Options" and related guidance. The new standard and guidance are applicable to stock options newly granted on and after May 1, 2006.

This standard requires companies to recognize compensation expense for employee stock options based on the fair value at the date of grant and over the vesting period as consideration for receiving goods or services. The standard also requires companies to account for stock options granted to non-employees based on the fair value of either the stock option or the goods or services received. In the balance sheet, the stock options are presented as stock acquisition rights as a separate component of equity until exercised. The standard covers equity-settled, share-based payment transactions, but does not cover cash-settled, share-based payment transactions. In addition, the standard allows unlisted companies to measure options at their intrinsic value if they cannot reliably estimate fair value.

The Company applied the new accounting standard for stock options to those granted on and after May 1, 2006.

(l) Research and Development Costs

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

(m) Leases

In March 2007, the ASBJ issued ASBJ Statement No.13, "Accounting Standard for Lease Transactions", which revised the previous accounting standard for lease transactions issued in June 1993. The revised accounting standard for lease transactions is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted for fiscal years beginning on or after April 1, 2007.

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information was disclosed in the notes to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions capitalized to recognize lease assets and lease obligations in the balance sheet. In addition, the revised accounting standard permits leases which existed at the transition date and do not transfer ownership of the leased property to the lessee to be measured at the obligations under finance leases at the transition date and recorded as acquisition cost of lease assets.

The Company and its domestic subsidiaries applied the revised accounting standard effective April 1, 2008. In addition, the Company and its domestic subsidiaries accounted for leases which existed at the transition date and do not transfer ownership of the leased property to the lessee as acquisition cost of lease assets measured at the obligations under finance leases at the transition date. There was no effect on profit or loss from this change.

All other leases are accounted for as operating leases.

(n) Bonuses to directors and corporate auditors

Bonuses to directors and corporate auditors are accrued at the year end to which such bonuses are attributable.

(o) 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. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

(p) Foreign Currency Transactions

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

(q) Foreign Currency Financial Statements

The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of balance sheet date except for equity, which is translated at the historical exchange rate. Differences arising from such translation are shown as "Foreign currency translation adjustments" in a separate component of equity.

Revenue and expense accounts of consolidated foreign subsidiaries are translated into Japanese yen at the average exchange rate.

(r) Derivatives and Hedging Activities

The Group enters into derivative financial instruments ("derivatives"), including foreign exchange forward contracts, currency options, foreign currency swaps and interest rate swaps 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 purposes, 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. The interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements are recognized and included in interest expense or income.

(s) 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.

(t) New Accounting Pronouncements

Business Combinations—On December 26, 2008, the ASBJ issued a revised accounting standard for business combinations, ASBJ Statement No.21, "Accounting Standard for Business Combinations." Major accounting changes under the revised accounting standard are as follows;

(1) The current accounting standard for business combinations allows companies to apply the pooling of interests method of accounting when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests. The revised standard requires to account for such business combination by the purchase method and the pooling of interests method of accounting is no longer allowed.

(2) The current accounting standard accounts for the research and development costs to be charged to income as incurred. Under the revised standard, an in-process research and development (IPR&D) acquired by the business combination is capitalized as an intangible asset.

(3) The current accounting standard accounts for a bargain purchase gain (negative goodwill) to be systematically amortized within 20 years. Under the revised standard, the acquirer recognizes a bargain purchase gain in profit or loss on the acquisition date after reassessing whether it has correctly identified all of the assets acquired and all of the liabilities assumed with a review of such procedures used.

This standard is applicable to business combinations undertaken on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or after April 1, 2009.

Unification of Accounting Policies Applied to Foreign Associated Companies for the Equity Method—The current accounting standard requires to unify accounting policies within the consolidation group. However, the current guidance allows to apply the equity method for the financial statements of its foreign associated company which have been prepared in accordance with generally accepted accounting principles in their respective jurisdictions without unification of accounting policies.

On December 26, 2008, the ASBJ issued ASBJ Statement No.16 (Revised 2008), "Revised Accounting Standard for Equity Method of Accounting for Investments". The new standard requires adjustments to be made to conform the associate's accounting policies for similar transactions and events under similar circumstances to those of the parent company when the associate's financial statements are used in applying the equity method unless it is impractible to determine adjustments. In addition, financial statements prepared by foreign associated companies in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States tentatively may be used in applying the equity method if the following items are adjusted so that net income is accounted for in accordance with Japanese GAAP unless they are not material:

1) amortization of goodwill; 2) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in the equity; 3) expensing capitalized development costs of R&D; 4) cancellation of the fair value model of accounting for property, plant, and equipment and investment properties and incorporation of the cost model of accounting; 5) recording the prior years' effects of changes in accounting policies in the income statement where retrospective adjustments to the financial statements have been incorporated; and 6) exclusion of minority interests from net income, if contained.

This standard is applicable to equity method of accounting for investments effective on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or after April 1, 2009.

Asset Retirement Obligations—On March 31, 2008, the ASBJ published a new accounting standard for asset retirement obligations, ASBJ Statement No.18 "Accounting Standard for Asset Retirement Obligations" and ASBJ Guidance No.21 "Guidance on Accounting Standard for Asset Retirement Obligations". Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset.

The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

This standard is effective for fiscal years beginning on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or before March 31, 2010.

Construction Contracts—Under the current Japanese GAAP, either the completed-contract method or the percentage-of-completion method is permitted to account for construction contracts. In December 2007, the ASBJ issued a new accounting standard for construction contracts. Under this new accounting standard, the construction revenue and construction costs should be recognized by the percentage-of-completion method, if the outcome of a construction contract can be estimated reliably. When total construction revenue, total construction costs and the stage of completion of the contract at the balance sheet date can be reliably measured, the outcome of a construction contract can be estimated reliably. If the outcome of a construction contract cannot be reliably estimated, the completed-contract method shall be applied.

When it is probable that total construction costs will exceed total construction revenue, an estimated loss on the contract should be immediately recognized by providing for loss on construction contracts. This standard is applicable to construction contracts and software development contracts and effective for fiscal years beginning on or after April 1, 2009 with early adoption permitted for fiscal years beginning on or before March 31, 2009 but after December 27, 2007.

3. INVESTMENT SECURITIES

Investment securities at March 31, 2009 and 2008 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Non-Current:			
Equity securities	**¥40,718**	¥65,206	**$414,515**
Debt securities	**0**	0	**3**
Investment in a limited liability investment partnership	**952**	990	**9,691**
Total	**¥41,670**	¥66,196	**$424,209**

The carrying amounts and aggregate fair values of investment securities at March 31, 2009 and 2008 were as follows:

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2009				
Securities classified as:				
Available-for-sale:				
Equity securities	**¥44,707**	**¥3,822**	**¥8,211**	**¥40,318**
Total	**¥44,707**	**¥3,822**	**¥8,211**	**¥40,318**

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2008				
Securities classified as:				
Available-for-sale:				
Equity securities	¥47,763	¥19,092	¥2,066	¥64,789
Total	¥47,763	¥19,092	¥2,066	¥64,789

	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2009				
Securities classified as:				
Available-for-sale:				
Equity securities	**$455,127**	**$38,913**	**$83,597**	**$410,443**
Total	**$455,127**	**$38,913**	**$83,597**	**$410,443**

Carrying amounts of available-for-sale securities whose fair value is not readily determinable as of March 31, 2009 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Available-for-sale:			
Equity securities	**¥ 400**	¥ 418	**$ 4,072**
Investment in a limited liability investment partnership	**952**	990	**9,691**
Total	**¥1,352**	¥1,408	**$13,763**

Proceeds from sales of available-for-sale securities was ¥2,444 million for the fiscal year ended March 31, 2008. Gross realized gains and losses on these sales computed on the moving average cost basis, were ¥1,635 million and ¥94 million, respectively for the fiscal year ended March 31, 2008.

The carrying values of debt securities by contractual maturities for securities classified as available-for-sale at March 31, 2009 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
	Available for sale	Available for sale	Available for sale
Due in one year or less			
Due after one year through five years	**¥0**	¥0	**$3**
Total	**¥0**	¥0	**$3**

4. INVENTORIES

Inventories at March 31, 2009 and 2008 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Finished and semi-finished products	**¥114,143**	¥117,082	**$1,162,000**
Work in process	**122,961**	118,303	**1,251,761**
Raw materials and supplies	**28,111**	29,336	**286,175**
Total	**¥265,215**	¥264,721	**$2,699,936**

5. LONG-LIVED ASSETS

The Group reviewed its long-lived assets for impairment as of March 31, 2009 and recognized an impairment loss of ¥721 million ($7,337 thousand) as other expense for land, building, machinery and equipment in Japan, Asia and Europe. This is because the recoverable amounts of the land and building were lower than the carrying amounts, and the machinery and equipment were not planned for use in the future after production of the relevant products ceased.

6. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at March 31, 2009 and 2008 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Short-term loans, principally from banks:			
2009: 0.95940%–2.60000%			
2008: 1.15250%–1.23083%	**¥15,770**	¥8,500	**$160,541**
Commercial paper:			
2009: 0.19500%–0.54310%	**20,000**		**203,604**
Total	**¥35,770**	¥8,500	**$364,145**

Long-term debt at March 31, 2009 and 2008 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Loans, principally from banks and insurance companies:			
2009: 0.9400%–4.3600% due 2010–2016			
2008: 0.7400%–4.3600% due 2008–2013	**¥27,360**	¥18,535	**$278,528**
Obligations under finance leases	**8,910**		**90,709**
Bonds	**42,900**	49,500	**436,730**
Total	**79,170**	68,035	**805,967**
Less: Current portion	**(13,607)**	(7,822)	**(138,527)**
Long-term debt, less current portion	**¥65,563**	¥60,213	**$667,440**

The following is a summary of the terms of bonds which the Company may at any time purchase in any price in the open market or otherwise acquire. 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).

			Millions of Yen		Thousands of U.S. Dollars
	Issued in	Maturity	**2009**	2008	**2009**
1.7% Yen Unsecured Bonds	December, 2001	December, 2008		¥ 5,000	
1.4% Yen Unsecured Bonds	February, 2003	February, 2010	**¥10,000**	10,000	**$101,802**
Yen Zero Coupon Convertible Bonds	March, 2004	March, 2011	**32,900**	34,500	**334,928**
Total			**¥42,900**	¥49,500	**$436,730**

The aggregate annual maturities of long-term debt for the years following March 31, 2009 are as follows:

Year ending March 31	Millions of Yen	Thousands of U.S. Dollars
2010	**¥13,607**	**$138,527**
2011	**45,652**	**464,740**
2012	**3,353**	**34,134**
2013	**5,779**	**58,833**
2014	**5,496**	**55,953**
Thereafter	**5,283**	**53,780**
Total	**¥79,170**	**$805,967**

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, 2009 entitled the holders to subscribe to 15,986,394 shares, which was computed using the above-mentioned exercise price.

At March 31, 2009, the following assets were pledged as collateral for the long-term debt.

	Millions of Yen	Thousands of U.S. Dollars
	2009	**2009**
Investment securities	**¥4,309**	**$43,864**

Liabilities secured by the above assets were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2009	**2009**
Long-term debt, including current portion	**¥6,540**	**$66,578**

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 has a defined benefit corporate pension plan (cash balance plan) and a defined contribution pension plan, and its consolidated domestic subsidiaries have non-contributory funded pension plans. 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.

As stated in 2 (b), the Company adjusted the amortization of actuarial gain or loss of pensions that has been directly recorded in the equity by foreign subsidiaries including the United States, etc., in the consolidation process so that net income is accounted for in accordance with Japanese GAAP.

The liability for employees' retirement benefits at March 31, 2009 and 2008 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Projected benefit obligation	**¥108,026**	¥105,542	**$1,099,724**
Fair value of plan assets	**(72,919)**	(93,664)	**(742,326)**
Unrecognized actuarial gain and loss	**(30,575)**	(11,163)	**(311,261)**
Unrecognized prior service cost	**8,794**	11,746	**89,525**
	13,326	12,461	**135,662**
Prepayment of service cost	**696**	563	**7,090**
Net liability	**¥ 14,022**	¥ 13,024	**$ 142,752**

The projected benefit obligation includes retirement allowance for officers of ¥176 million ($1,794 thousand) and ¥171 million at March 31, 2009 and 2008, respectively.

The components of net periodic benefit costs for the fiscal years ended March 31, 2009 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Service cost	**¥3,569**	¥3,660	**$36,335**
Interest cost	**2,940**	2,871	**29,931**
Expected return on plan assets	**(2,400)**	(2,652)	**(24,427)**
Recognized actuarial loss	**2,718**	1,288	**27,670**
Amortization of prior service cost	**(1,851)**	(1,861)	**(18,853)**
Net periodic retirement benefit costs	**¥4,976**	¥3,306	**$50,656**

In addition to the above, the Company and certain of its overseas subsidiaries charged ¥1,703 million ($17,345 thousand) and ¥1,056 million to income for the fiscal years ended March 31, 2009 and 2008, respectively.

Assumptions used for the fiscal years ended March 31, 2009 and 2008 were principally as set forth below:

	2009	2008
Discount rate	**2.50%**	2.50%
Expected rate of return on plans assets	**2.00%**	2.00%
Recognition period of actuarial gain (loss)	**10 years**	10 years
Amortization period of prior service cost	**10 years**	10 years

8. EQUITY

Since May 1, 2006, Japanese companies have been subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

(a) Dividends
Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as; (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors of such company may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Company meets all the above criteria.

The Companies Act permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

(b) Increases/Decreases and Transfer of Common Stock, Reserve and Surplus
The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(c) Treasury Stock and Treasury Stock Acquisition Rights
The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula.

Under the Companies Act, stock acquisition rights are presented as a separate component of equity.

The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

9. STOCK OPTION

The stock options outstanding as of March 31, 2009 and 2008 were as follows:

Stock Options	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
2001 Stock Options	9 directors 13 officers	99,000 shares	2001.6.28	¥1,321	From June 29, 2003 To June 28, 2011
2003 Stock Options	11 directors 11 officers	203,000 shares	2003.6.27	¥1,048	From June 28, 2005 To June 27, 2013
2004 Stock Options	12 directors 10 officers	210,000 shares	2004.6.29	¥1,225	From June 30, 2006 To June 29, 2014
2005 Stock Options	11 directors 10 officers	178,000 shares	2005.6.29	¥1,273	From June 30, 2007 To June 29, 2015
2007 Stock Options	12 directors 12 officers	99,000 shares	2007.3.14	¥2,902	From February 28, 2009 To February 27, 2017
2007 Stock Options	8 directors 15 officers	26,100 shares	2007.8.27	¥ 1	From August 28, 2007 To August 27, 2037
2008 Stock Options	8 directors 16 officers	117,900 shares	2008.11.25	¥ 1	From November 26, 2008 To November 25, 2038

The stock option activity is as follows:

	(Shares)						
	2001 Stock Options	2003 Stock Options	2004 Stock Options	2005 Stock Options	2007 Stock Options	2007 Stock Options	2008 Stock Options
For the year ended March 31, 2008							
Non-vested							
March 31, 2007—Outstanding				178,000	99,000		
Granted							
Canceled							
Vested				178,000			
March 31, 2008—Outstanding					99,000		
Vested							
March 31, 2007—Outstanding	69,000	141,000	193,000				
Vested				178,000		26,100	
Exercised	10,000	63,000	29,000	21,000			
Canceled							
March 31, 2008—Outstanding	59,000	78,000	164,000	157,000		26,100	
Exercise price	¥ 1,321	¥ 1,048	¥ 1,225	¥ 1,273	¥ 2,902	¥ 1	
Average stock price at exercise	¥ 3,550	¥ 3,458	¥ 3,107	¥ 3,130			
Fair value price at grant date					¥ 840	¥ 3,259	
For the year ended March 31, 2009							
Non-vested							
March 31, 2008—Outstanding					99,000		117,900
Granted							
Canceled							
Vested					99,000		117,900
March 31, 2009—Outstanding							
Vested							
March 31, 2008—Outstanding	59,000	78,000	164,000	157,000		26,100	
Vested					99,000		117,900
Exercised	5,000	19,000	13,000	9,000			
Canceled							
March 31, 2009—Outstanding	54,000	59,000	151,000	148,000	99,000	26,100	117,900
Exercise price	¥ 1,321	¥ 1,048	¥ 1,225	¥ 1,273	¥ 2,902	¥ 1	¥ 1
Average stock price at exercise	¥ 3,139	¥ 3,145	¥ 3,157	¥ 3,191			
Fair value price at grant date					¥ 840	¥ 3,259	¥ 734

The assumptions used to measure the fair value of 2008 Stock Options which were granted on November 25, 2008.

Estimate method:	Black-Scholes option pricing model
Volatility of stock price:	43.022%
Estimate remaining outstanding period:	fifteen years
Estimate dividend:	¥25.00 per share
Interest rate with risk free:	1.908%

10. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for the fiscal years ended March 31, 2009 and 2008 principally consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Advertising expenses	**¥74,891**	¥75,275	**$762,408**
Provision for doubtful receivables	**4,868**	749	**49,564**
Provision of warranty costs	**5,833**	6,545	**59,384**
Employees' salaries	**32,483**	34,152	**330,682**
Net periodic retirement benefit cost	**3,354**	3,015	**34,143**
Employees' bonuses and others	**14,851**	17,689	**151,185**
Research and development costs	**61,489**	58,373	**625,971**

11. 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 years ended March 31, 2009 and 2008.

The tax effects of significant temporary differences and loss carry-forwards which result in deferred tax assets and liabilities at March 31, 2009 and 2008, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Deferred tax assets:			
Write-down of inventories	**¥24,869**	¥23,164	**$253,175**
Warranty reserve	**1,961**	3,009	**19,966**
Liability for employees' retirement benefits	**8,128**	6,769	**82,749**
Depreciation and amortization	**17,592**	15,028	**179,087**
Unrealized gain on available-for-sale securities	**2,512**		**25,576**
Accrued bonus	**2,801**	5,008	**28,517**
Other	**7,529**	10,851	**76,632**
Total	**¥65,392**	¥63,829	**$665,702**
Deferred tax liabilities:			
Deferred gains on sales of property to be replaced	**¥ 4,315**	¥ 4,924	**$ 43,932**
Unrealized gain on available-for-sale securities		5,693	
Undistributed earnings of foreign subsidiaries	**3,858**	8,258	**39,273**
Other	**1,254**	733	**12,765**
Total	**9,427**	19,608	**95,970**
Net deferred tax assets	**¥55,965**	¥44,221	**$569,732**

A valuation allowance of ¥3,085 million ($31,405 thousand) in 2009 and ¥2,613 million in 2008 were deducted from the amounts calculated above, respectively.

A reconciliation between the normal effective statutory tax rate for the fiscal years ended March 31, 2009 and 2008, and the actual effective tax rates reflected in the consolidated statements of income is as follows:

	Year ended March 31,	
	2009	2008
Normal statutory tax rate	**40.6%**	40.6%
Tax credit for research and development costs	**(4.0)**	(2.7)
Tax difference of consolidated subsidiaries	**(6.0)**	(3.3)
Dividends from foreign subsidiaries not applicable to foreign tax credits	**9.1**	
Increase in valuation allowance	**3.5**	
Tax effect on retained earnings for foreign subsidiaries	**(11.2)**	1.7
Tax benefits for a foreign manufacturing subsidiary	**(4.4)**	(1.3)
Other-net	**0.8**	0.3
Actual effective tax rate	**28.4%**	35.3%

12. RESEARCH AND DEVELOPMENT COST

Research and development costs incurred were ¥61,489 million ($625,971 thousand) and ¥58,373 million for the fiscal years ended March 31, 2009 and 2008, respectively.

13. LEASES

The Group leases mainly certain machinery and equipment for manufacturing.

The minimum rental commitments under noncancellable operating leases at March 31, 2009 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Due within one year	**¥2,258**	¥3,139	**$22,987**
Due after one year	**2,454**	4,183	**24,978**
Total	**¥4,712**	¥7,322	**$47,965**

Pro forma information for the year ended March 31, 2008 of leased property such as acquisition cost, accumulated depreciation, accumulated impairment loss, obligations under finance leases, depreciation expense, interest expense and other information of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis was as follows:

	Millions of Yen		
	2008		
	Machinery and Equipment	Furniture and Fixtures	Total
Acquisition cost	¥8,171	¥7,076	¥15,247
Accumulated depreciation	3,602	3,032	6,634
Net leased property	¥4,569	¥4,044	¥ 8,613

Obligations under finance leases at March 31, 2008:

	Millions of Yen
	2008
Due within one year	¥2,870
Due after one year	5,743
Total	¥8,613

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 ¥2,912 million for the fiscal year ended March 31, 2008.

14. 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 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 the Group's 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 that regulate the authorization and credit limit amount.

Derivatives contracts outstanding at March 31, 2009 and 2008 were as follows:

	Millions of Yen			Thousands of U.S. Dollars		
	2009			2009		
	Contract or Notional Amount	Fair Value	Net Unrealized Gain (Loss)	Contract or Notional Amount	Fair Value	Net Unrealized Gain (Loss)
Forward Exchange Contracts:						
Selling USD	**¥34,772**	**¥35,135**	**¥(363)**	**$353,990**	**$357,683**	**$(3,693)**
Selling EUR	**24,062**	**24,510**	**(448)**	**244,952**	**249,513**	**(4,561)**
Selling Other	**3,739**	**3,677**	**62**	**38,064**	**37,438**	**626**
Buying JPY	**2,217**	**2,071**	**(146)**	**22,574**	**21,085**	**(1,489)**
Buying USD	**3,132**	**3,138**	**6**	**31,886**	**31,950**	**64**
Buying Other	**314**	**304**	**(10)**	**3,192**	**3,093**	**(99)**
Total			**¥(899)**			**$(9,152)**

	Millions of Yen		
	2008		
	Contract or Notional Amount	Fair Value	Net Unrealized Gain (Loss)
Forward Exchange Contracts:			
Selling USD	¥43,403	¥41,067	¥2,336
Selling EUR	20,610	20,480	130
Buying JPY	4,275	4,285	10
Buying USD	5,889	5,855	(34)
Total			¥2,442

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

15. CONTINGENT LIABILITIES

Contingent liabilities at March 31, 2009 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2009	2009
As the guarantor of bank loans and indebtedness, principally of employees, unconsolidated subsidiaries and associated companies	**¥2,486**	**$25,305**
Total	**¥2,486**	**$25,305**

16. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2009 and 2008 were as follows:

	Millions of Yen	Thousands of shares	Yen	U.S. Dollars
	Net Income	Weighted Average Shares	EPS	
For the year ended March 31, 2009:				
Basic EPS				
Net income available to common shareholders	**¥28,056**	**396,520**	**¥70.76**	**$0.72**
Effect of Dilutive Securities				
Warrants (Stock Option)		**258**		
Convertible bonds		**16,361**		
Diluted EPS				
Net income for computation	**¥28,056**	**413,139**	**¥67.91**	**$0.69**
For the year ended March 31, 2008:				
Basic EPS				
Net income available to common shareholders	¥75,484	399,378	¥189.00	
Effect of Dilutive Securities				
Warrants (Stock Option)		371		
Convertible bonds		16,764		
Diluted EPS				
Net income for computation	¥75,484	416,513	¥181.23	

17. BUSINESS SPIN-OFF

On April 2, 2007, Tochigi Nikon Precision Co., Ltd., a wholly owned consolidated subsidiary, was spun off from Tochigi Nikon Corporation, a wholly owned consolidated subsidiary. The new subsidiary was established to promote the Nikon Group's in-house company system firmly, respond to market changes quickly and strengthen competitiveness and profitability. The precision equipment business of Tochigi Nikon Corporation was transferred to Tochigi Nikon Precision Co., Ltd.

After this spin-off, Tochigi Nikon Precision Co., Ltd. belongs to the Precision Equipment Company and Tochigi Nikon Corporation belongs to the Imaging Company.

As this spin-off was a transaction under common control, all intercompany transactions were eliminated and there was no accounting effect of this transaction on the consolidated financial statements for the year ended March 31, 2008.

On April 1, 2008, Sendai Nikon Precision Co., Ltd., a wholly owned consolidated subsidiary, was spun off from Sendai Nikon Corporation, a wholly owned consolidated subsidiary. The new subsidiary was established to promote the Nikon Group's in-house company system firmly, respond to market changes more quickly and strengthen competitiveness and profitability. The precision equipment business of Sendai Nikon Corporation was transferred to Sendai Nikon Precision Co., Ltd.

After this spin-off, Sendai Nikon Precision Co., Ltd. belongs to the Precision Equipment Company and Sendai Nikon Corporation belongs to the Imaging Company.

As this spin-off was a transaction under common control, all intercompany transactions were eliminated and there was no accounting effect of this transaction on the consolidated financial statements for the year ended March 31, 2009.

18. SUBSEQUENT EVENTS

(a) Reorganization of Business Locations And Structural Reform of Nikon's Precision Equipment Company

Nikon Corporation will implement global business locations reorganization and structural reform to enhance profit and competitiveness of their Precision Equipment Company.

Nikon has been implementing, from the beginning of the last year, various measures such as business expense reduction, capital expenditure revision with anticipation of deteriorating management environment.

The Precision Equipment Company, with IC/LCD Steppers and Scanners businesses, is facing further severe business conditions amid abrupt and sharp economic decline since the latter half of the last year. To cope with this environment, it has endeavored to improve product competitiveness, adjust production, adjust workforce to an appropriate level, reduce business expense, and lower fixed cost.

However, judging that further enhancement of business structure is indispensable under the expected market condition of both

businesses, Nikon has decided to implement drastic measures for fixed cost reduction in every business step of production, marketing and servicing.

1. Reorganization of Japanese Production Locations

< Background and Outline >

Production subsidiaries in Japan are currently manufacturing Steppers and Scanners as well as related devices. We have concluded that it is difficult to maintain the current production system by 4 subsidiaries based on our analysis of both IC and LCD market deterioration and study of expected market fluctuation. The currently operating 4 production subsidiaries in Japan will be integrated into 2 subsidiaries. With this integration, Nikon will adjust the workforce of Nikon's Kumagaya plant to an appropriate level.

The 4 subsidiaries are Tochigi Nikon Precision Co., Ltd., Mito Nikon Precision Corporation, Sendai Nikon Precision Corporation and Zao Nikon Co., Ltd. They will be merged to Tochigi Nikon Precision Co., Ltd. and Zao Nikon Co., Ltd. via corporate split and merger as of October 1, 2009. Details of the new companies will be decided later.

Our current production system in Japan consists of our own 2 production plants and these 4 production subsidiaries. After the reorganization of these 4 subsidiaries, Nikon's Kumagaya Plant and Tochigi Nikon Precision Co., Ltd. will be in charge of production for IC Steppers and Scanners, and Nikon's Yokohama Plant, its Yokosuka Branch and Zao Nikon Co., Ltd. will be in charge of production for LCD Steppers and Scanners.

2. Structural Reform of Marketing and Servicing in the US and Europe

< Background and Outline >

Nikon Precision Inc. and Nikon Precision Europe GmbH have been in charge of marketing and servicing as representative subsidiaries in the North America and Europe. Their marketing and servicing operation will be unified and streamlined as much as possible for structural reform of the Precision Equipment Company and offering better and more efficient support to the customers who have business bases in these two regions.

3. Structural Reform of Servicing in Japan and Asia

< Background and Outline >

Nikon Corporation is directly operating sales in Japan and Asian region, and its subsidiaries are offering maintenance and servicing in each country/territory. These subsidiaries will be streamlined in accordance with their actual business for more efficient business operation. As a part of this reform, the Singaporean subsidiary will be downsized and transfer a part of their business to the Taiwanese subsidiary.

With these reorganization and reform, we are planning to curtail fixed cost of approximately ¥8 billion with about 800 out of 2,900 of Japanese manufacturing workforce reduction and about 200 out of 1,700 overseas of marketing and servicing, domestic servicing workforce reduction. Nikon is estimating a special loss of ¥4 billion or more for the above measures in the fiscal year ending March 31, 2010.

(b) Announcement of a Tender Offer in Belgium

The Board of Directors of Nikon, at its meeting held on June 3, 2009, made the decision to acquire all outstanding shares and warrants of Metris NV, a Belgian company manufacturing measurement equipment (with its headquarters in Leuven, the Kingdom of Belgium, listed on the NYSE (Euronext Brussels Stock Exchange) ("Metris") in a public cash tender offer ("Tender Offer").

Please note that this Tender Offer does not correspond to Tender Offers as stipulated in Article 27, Section 2-1 of Japan's Financial Instruments and Exchange Law.

1. Objective of the Tender Offer

Acquiring Strong Technological Capabilities

Metris has original as well as advanced technology and products in the market for non-contact, three-dimensional measurement systems. Nikon, on the other hand, has established a strong position as a manufacturer of precision measuring equipment, drawing on its core technologies in optics, precision machinery, and image processing. By combining the technologies of both companies and pursuing product development, the Nikon Group will be able to enhance its superior technological positions.

Synergies in Product Lineup and Geographic Complementarity

Metris has shown high rates of growth since its establishment in 1998 by drawing on its high-level technological capabilities as a competitive strength in the field of middle and large-scale measuring equipment, principally a high quality, stable consumer base, mainly in the automobile and aircraft industries. On the other hand, Nikon has a high market share in the high-precision measuring equipment field, focused mainly on electronic components and certain other areas. By combining the products handled by both companies, it will be possible not only to significantly strengthen the product lineup of the Nikon Group, but also strengthen the customer base.

In addition, the sales channels of Metris, covering markets around the world, with special strengths in the European and North American markets, will be complementary with those of Nikon, principally in Japan and the rest of Asia. The integration of Metris into the Nikon Group will strengthen Nikon's sales channels in the European and U.S. markets and create sales opportunities for Metris products in the Japanese and other Asian markets, thus making it possible to expand the earnings bases of both companies.

2. Outline of the Tender Offer

Outline of Company Being Acquired

1. Company name	Metris NV
2. Lines of business	Manufacturing and sale of equipment and related software for three-dimensional measuring systems
3. Date of incorporation	1998/6/5
4. Registered address	Geldenaaksebaan 329, 3001, Leuven, Belgium
5. Representative	Bart Van Coppenolle, Chief Executive Officer
6. Paid-in capital	€46,063,351.53 (As of December 31, 2008)
7. Stock listings	NYSE Euronext Brussels

8. Total shares — Shares issued and outstanding 12,605,723. Warrants granted and outstanding giving the right to subscribe to 2,117,144 new shares (As of May 31, 2009).
9. Number of employees — 544 (As of December 31, 2008)
10. Trends in performance

Unit: €1,000

	Year ended December 31, 2007	Year ended December 31, 2008
Consolidated net sales	92,842	88,717
Consolidated net income	6,967	(14,032)
Consolidated total assets	202,065	221,062
Consolidated net assets	100,798	82,063

Period of the Tender Offer: A period of 4 weeks is scheduled for the Tender Offer, following approval of the Tender Offer Prospectus from the Belgian Banking, Finance and Insurance Commission.
Price to Be Offered: €5.5
Basis for the Assessment of the Tender Offer Price: The scheduled Tender Offer price of €5.5 per share corresponds to the average price of Metris shares on the NYSE Euronext Brussels Stock Exchange for the one month period ending on May 26, 2009, plus a premium of approximately 147.5%.
Amount Required for the Tender Offer: €72 million
Note: In the event that 100% of the shares of Metris can be purchased as a result of this Tender Offer
Number of Shares Scheduled to Be Acquired: Shares issued and outstanding: 12,605,723. Warrants granted and outstanding giving the right to subscribe to: 2,117,144 new shares (As of May 31, 2009)
Change in Ownership Percentage as a Result of the Tender Offer: 100% ownership by the acquirer
Note: Assuming Nikon can purchase 100% of the shares of Metris through the public Tender Offer.
Date of the Announcement of the Tender Offer: June 3, 2009
Existence of an Agreement with the Company to Be Acquired Related to the Tender Offer: Yes, a support agreement exists. Bart Van Coppenolle, Chief Executive Officer of Metris, and the Board of Directors of Metris, have expressed their support for the Tender Offer.
Others: Please note that, accompanying this Tender Offer, 5 shareholders representing approximately 20% of the shares of Metris have made firm commitments to tender their shares.

(c) Issuance of Unsecured Straight Bonds

The Company issued its 16th and 17th Unsecured Straight Bonds.

1. 16th Unsecured Straight Bonds

(1) Amount of Issue: 10 billion yen
(2) Denomination of each bond: 100 million yen
(3) Book-entry bonds: The provisions of the Law Concerning Book-Entry Transfer of Corporate Bonds, Stocks, etc. shall apply to the Bonds.
(4) Interest Rate: 1.30% per annum
(5) Issue Price: 100 yen per face value of 100 yen
(6) Redemption Price: 100% of the principal amount
(7) Maturity Date: June 23, 2014
(8) Interest Payment dates: June 23 and December 23 each year
(9) Offering Period: June 16, 2009
(10) Payment Date: June 23, 2009
(11) Security or Guarantee: No security or guarantee is pledged and no assets are specifically reserved to secure these Bonds.
(12) Covenants: Negative pledge clause
(13) Lead Managing Underwriters: Nikko Citigroup Limited and Mitsubishi UFJ Securities Co., Ltd.
(14) Fiscal, Issue and Payment Agent: The Bank of Tokyo-Mitsubishi UFJ, Ltd.
(15) Book-entry transfer Institution: Japan Securities Depository Center, Inc.
(16) Rating: A+ (Japan Credit Rating Agency, Ltd.)

2. 17th Unsecured Straight Bonds

(1) Amount of Issue: 10 billion yen
(2) Denomination of each bond: 100 million yen
(3) Book-entry bonds: The provisions of the Law Concerning Book-Entry Transfer of Corporate Bonds, Stocks, etc. shall apply to the Bonds.
(4) Interest Rate: 1.65% per annum
(5) Issue Price: 100 yen per face value of 100 yen
(6) Redemption Price: 100% of the principal amount
(7) Maturity Date: June 23, 2016
(8) Interest Payment dates: June 23 and December 23 each year
(9) Offering Period: June 16, 2009
(10) Payment Date: June 23, 2009
(11) Security or Guarantee: No security or guarantee is pledged and no assets are specifically reserved to secure these Bonds.
(12) Covenants: Negative pledge clause
(13) Lead Managing Underwriters: Mitsubishi UFJ Securities Co., Ltd. and Nikko Citigroup Limited.
(14) Fiscal, Issue and Payment Agent: The Bank of Tokyo-Mitsubishi UFJ, Ltd.
(15) Book-entry transfer Institution: Japan Securities Depository Center, Inc.
(16) Rating: A+ (Japan Credit Rating Agency, Ltd.)

19. SEGMENT INFORMATION

Information about industry segments, geographic segments and sales to foreign customers of the Group for the fiscal years ended March 31, 2009 and 2008, 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, 2009							
Net sales							
Outside customers	**¥219,915**	**¥596,468**	**¥44,643**	**¥18,693**	**¥879,719**		**¥879,719**
Intersegment sales/transfer	**1,460**	**945**	**1,773**	**31,707**	**35,885**	**¥(35,885)**	
Total	**221,375**	**597,413**	**46,416**	**50,400**	**915,604**	**(35,885)**	**879,719**
Operating expenses	**213,334**	**557,374**	**49,140**	**47,524**	**867,372**	**(35,838)**	**831,534**
Operating income (loss)	**¥ 8,041**	**¥ 40,039**	**¥ (2,724)**	**¥ 2,876**	**¥ 48,232**	**¥ (47)**	**¥ 48,185**
Assets	**¥270,694**	**¥193,902**	**¥31,341**	**¥73,707**	**¥569,644**	**¥180,161**	**¥749,805**
Depreciation and amortization	**11,992**	**12,248**	**1,482**	**7,188**	**32,910**		**32,910**
Capital expenditures	**16,622**	**18,255**	**1,640**	**6,950**	**43,467**		**43,467**

	Millions of Yen						
	Precision Equipment	Imaging Products	Instruments	Other	Total	(Eliminations) or Corporate	Consolidated
For the year ended March 31, 2008							
Net sales							
Outside customers	¥290,814	¥586,147	¥59,043	¥19,788	¥955,792		¥955,792
Intersegment sales/transfer	1,077	1,964	2,198	36,634	41,873	¥(41,873)	
Total	291,891	588,111	61,241	56,422	997,665	(41,873)	955,792
Operating expenses	248,543	504,137	57,160	52,786	862,626	(42,003)	820,623
Operating income	¥43,348	¥83,974	¥ 4,081	¥ 3,636	¥135,039	¥ 130	¥135,169
Assets	¥270,070	¥229,879	¥38,965	¥60,762	¥599,676	¥220,946	¥820,622
Depreciation and amortization	8,643	10,133	1,328	5,575	25,678		25,678
Capital expenditures	9,867	24,470	1,707	3,785	39,829		39,829

	Thousands of U.S. Dollars						
	Precision Equipment	Imaging Products	Instruments	Other	Total	(Eliminations) or Corporate	Consolidated
For the year ended March 31, 2009							
Net sales							
Outside customers	**$2,238,779**	**$6,072,159**	**$454,469**	**$190,300**	**$8,955,707**		**$8,955,707**
Intersegment sales/transfer	**14,863**	**9,624**	**18,047**	**322,781**	**365,315**	**$ (365,315)**	
Total	**2,253,642**	**6,081,783**	**472,516**	**513,081**	**9,321,022**	**(365,315)**	**8,955,707**
Operating expenses	**2,171,782**	**5,674,176**	**500,244**	**483,807**	**8,830,009**	**(364,832)**	**8,465,177**
Operating income (loss)	**$ 81,860**	**$ 407,607**	**$ (27,728)**	**$ 29,274**	**$ 491,013**	**$ (483)**	**$ 490,530**
Assets	**$2,755,721**	**$1,973,960**	**$319,060**	**$750,345**	**$5,799,086**	**$1,834,073**	**$7,633,159**
Depreciation and amortization	**122,080**	**124,687**	**15,088**	**73,175**	**335,030**		**335,030**
Capital expenditures	**169,211**	**185,840**	**16,695**	**70,760**	**442,506**		**442,506**

Major products of each Industry:

Precision Equipment: IC steppers and scanners, LCD steppers and scanners
Imaging Products: Digital cameras, Film cameras, Interchangeable lenses
Instruments: Microscopes, Measuring instruments, Inspection equipment
Other : LCD Photomask Substrates, Sport optics products

Notes: 1. Amortization of Goodwill is included in "Depreciation and amortization" for the years ended March 31, 2009 and 2008.

2. Prior to April 1, 2008, inventories of the Company and its domestic subsidiaries were stated at cost, determined principally using the average method. In July 2006, the ASBJ issued ASBJ Statement No. 9, "Accounting Standard for Measurement of Inventories". This standard requires that inventories held for sale in the ordinary course of business be measured at the lower of cost or net selling value, which is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expenses. The replacement cost may be used in place of the net selling value, if appropriate. The standard was effective for fiscal years beginning on or after April 1, 2008.

The Company and its domestic subsidiaries applied this new accounting standard for measurement of inventories effective April 1, 2008. The effect of this change was to decrease operating income of the Precision Equipment segment by ¥9,363 million ($95,319 thousand), the Imaging Products segment by ¥613 million ($6,237 thousand), the Instruments segment by ¥665 million ($6,765 thousand) and the Other segment by ¥420 million ($4,271 thousand), respectively.

In addition, loss on disposals of inventory and write-down of inventory, which were previously included in non-operating expenses, is included in cost of sales.

As a result, the effect of this change was to decrease operating income of the Precision Equipment segment by ¥1,851 million ($18,840 thousand), the Imaging Products segment by ¥882 million ($8,978 thousand), the Instruments segment by ¥459 million ($4,674 thousand) and the Other segment by ¥1,235 million ($12,574 thousand), respectively.

3. As discussed in Note 2 (b), effective April 1, 2008, the Company applied PITF No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements". The effect of this change was to increase operating income of the Precision Equipment segment by ¥5,866 million ($59,718 thousand), the Instruments segment by ¥168 million ($1,715 thousand), the Other segment by ¥2 million ($14 thousand), and decrease operating income of the Imaging Products segment by ¥7 million ($75 thousand).

(b) Geographic Segments

	Millions of Yen						
	Japan	North America	Europe	Asia/Oceania	Total	(Eliminations) or Corporate	Consolidated
For the year ended March 31, 2009							
Net sales							
Outside customers	**¥259,844**	**¥272,457**	**¥219,119**	**¥128,299**	**¥ 879,719**		**¥879,719**
Intersegment sales	**463,696**	**2,200**	**221**	**141,038**	**607,155**	**¥(607,155)**	
Total	**723,540**	**274,657**	**219,340**	**269,337**	**1,486,874**	**(607,155)**	**879,719**
Operating expenses	**703,368**	**271,732**	**213,174**	**257,373**	**1,445,647**	**(614,113)**	**831,534**
Operating income	**¥ 20,172**	**¥ 2,925**	**¥ 6,166**	**¥ 11,964**	**¥ 41,227**	**¥ 6,958**	**¥ 48,185**
Assets	**¥517,782**	**¥ 79,538**	**¥ 41,915**	**¥ 54,078**	**¥ 693,313**	**¥ 56,492**	**¥749,805**

	Millions of Yen						
	Japan	North America	Europe	Asia/Oceania	Total	(Eliminations) or Corporate	Consolidated
For the year ended March 31, 2008							
Net sales							
Outside customers	¥379,990	¥240,591	¥214,215	¥120,996	¥ 955,792		¥955,792
Intersegment sales	436,719	2,147	232	166,116	605,214	¥(605,214)	
Total	816,709	242,738	214,447	287,112	1,561,006	(605,214)	955,792
Operating expenses	712,671	230,420	206,849	271,311	1,421,251	(600,628)	820,623
Operating income	¥104,038	¥ 12,318	¥ 7,598	¥ 15,801	¥ 139,755	¥ (4,586)	¥135,169
Assets	¥543,974	¥ 71,553	¥ 54,056	¥ 71,828	¥ 741,411	¥ 79,211	¥820,622

	Thousands of U.S. Dollars						
	Japan	North America	Europe	Asia/Oceania	Total	(Eliminations) or Corporate	Consolidated
For the year ended March 31, 2009							
Net sales							
Outside customers	**$2,645,258**	**$2,773,665**	**$2,230,675**	**$1,306,109**	**$ 8,955,707**		**$8,955,707**
Intersegment sales	**4,720,512**	**22,399**	**2,254**	**1,435,791**	**6,180,956**	**$(6,180,956)**	
Total	**7,365,770**	**2,796,064**	**2,232,929**	**2,741,900**	**15,136,663**	**(6,180,956)**	**8,955,707**
Operating expenses	**7,160,419**	**2,766,284**	**2,170,157**	**2,620,103**	**14,716,963**	**(6,251,786)**	**8,465,177**
Operating income	**$ 205,351**	**$ 29,780**	**$ 62,772**	**$ 121,797**	**$ 419,700**	**$ 70,830**	**$ 490,530**
Assets	**$5,271,120**	**$ 809,709**	**$ 426,708**	**$ 550,523**	**$ 7,058,060**	**$ 575,099**	**$7,633,159**

North America .... U.S.A., Canada
Europe .... The Netherlands, Germany, United Kingdom, etc.
Asia/Oceania .... China, South Korea, Taiwan, Thailand, Australia, etc.

Notes: 1. Prior to April 1, 2008, inventories of the Company and its domestic subsidiaries were stated at cost, determined principally using the average method. In July 2006, the ASBJ issued ASBJ Statement No. 9, "Accounting Standard for Measurement of Inventories". This standard requires that inventories held for sale in the ordinary course of business be measured at the lower of cost or net selling value, which is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expenses. The replacement cost may be used in place of the net selling value, if appropriate. The standard was effective for fiscal years beginning on or after April 1, 2008.

The Company and its domestic subsidiaries applied this new accounting standard for measurement of inventories effective April 1, 2008. The effect of this change was to decrease operating income of Japan by ¥11,060 million ($112,592 thousand).

In addition, loss on disposals of inventory and write-down of inventory, which were previously included in non-operating expenses, is included in cost of sales. The effect of this change was to decrease operating income of Japan by ¥4,230 million ($43,066 thousand), Asia/Oceania by ¥346 million ($3,518 thousand), and increase operating income of Europe by ¥149 million ($1,518 thousand) respectively.

2. As discussed in Note 2 (b), effective April 1, 2008, the Company applied PITF No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements". The effect of this change was to increase operating income of North America by ¥6,044 million ($61,532 thousand), Asia/Oceania by ¥92 million ($934 thousand), and decrease operating income of Europe by ¥107 million ($1,094 thousand).

(c) Export Sales

For the years ended March 31, 2009 and 2008

	Millions of Yen, %				Thousands of U.S. Dollars
	2009	(A)/(B)	2008	(A)/(B)	**2009**
Export sales (A)					
North America	**¥261,369**	**29.7%**	¥229,827	24.1%	**$2,660,783**
Europe	**208,958**	**23.7**	208,916	21.9	**2,127,228**
Asia/Oceania	**232,034**	**26.4**	244,737	25.5	**2,362,152**
Other Area	**13,677**	**1.6**	13,318	1.4	**139,237**
Total	**¥716,038**	**81.4%**	¥696,798	72.9%	**$7,289,400**
Net sales (B)	**¥879,719**		¥955,792		**$8,955,707**

North America .... U.S.A., Canada
Europe .... The Netherlands, Germany, United Kingdom, etc.
Asia/Oceania .... China, South Korea, Taiwan, Singapore, Australia, etc.
Other Area .... Middle & South America, Africa, etc.