



## The year ended March 31, 2007 Financial Results

**Company name:** NIKON CORPORATION

**Code number:** 7731

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**Representative:** Michio Kariya, President, Member of the Board, C.E.O. and C.O.O.

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**Stock listings:** Tokyo Stock Exchange, Osaka Securities Exchange

**Date for the annual shareholders' meeting:** June 28, 2007

**Date for the filing of the consolidated financial statements:** June 28, 2007

**Date of year-end dividend payout:** June 29, 2007

### 1. Results of Year ended March 31, 2007 (From April 1, 2006 to March 31, 2007)

(Note) Amount Unit: 1 Million Yen unless otherwise specified (Amounts less than 1 Million Yen are omitted.)

#### (1) Financial Results

	Net Sales	Change	Operating Income	Change	Ordinary Income	Change
Year ended March 31, 2007	¥822,813	12.6%	¥102,006	53.2%	¥89,551	105.9%
Year ended March 31, 2006	¥730,943	14.5%	¥66,587	118.0%	¥43,496	196.0%

	Net Income	Change	Net Income per share of Common Stock (Yen)	Net Income per share of Common Stock after dilution (Yen)	Ratio of Net Income to Shareholders' Equity	Ratio of Ordinary Income to Total Assets	Ratio of Operating Income to Net Sales
Year ended March 31, 2007	¥54,824	89.4%	¥146.36	¥131.42	18.5%	12.4%	12.4%
Year ended March 31, 2006	¥28,944	19.9%	¥78.16	¥69.33	13.2%	6.6%	9.1%

(Note) Equity in Earning of non-consolidated subsidiaries: Year ended March 31, 2007: 1,540 million yen

Year ended March 31, 2006: 1,101 million yen

**(2) Financial Position**

	Total Assets	Net Assets	Ratio of Shareholders' Equity to Total Assets	Net Assets per Share of Common Stock (Yen)
Year ended March 31, 2007	¥748,939	¥348,444	46.5%	¥871.67
Year ended March 31, 2006	¥690,919	¥243,122	35.2%	¥658.03

(Note) Shareholders' Equity : Year ended March 31, 2007: 348,167 million yen  
Year ended March 31, 2006: — million yen

**(3) Cash Flows**

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at end of year
Year ended March 31, 2007	¥83,200	¥(21,898)	¥(23,673)	¥83,848
Year ended March 31, 2006	¥63,744	¥(22,427)	¥(20,515)	¥44,471

**2. Cash dividends**

	Cash dividend per share (Yen)		
	Interim	End of year	Total
Year ended March 31, 2007	¥6.50	¥11.50	¥18.00
Year ended March 31, 2006	¥4.00	¥6.00	¥10.00
Year ended March 31, 2008(Forecast)	¥9.00	¥9.00	¥18.00

	Total annual Cash dividend paid (million yen)	Dividend payout ratio (consolidated)	Dividend payout to net assets ratio (consolidated)
Year ended March 31, 2007	¥6,998	12.3%	2.4%
Year ended March 31, 2006	¥3,693	12.8%	1.7%
Year ended March 31, 2008(Forecast)		13.1%	

**3. Forecast for Year ending March 31, 2008 (From April 1, 2007 to March 31, 2008)**

Amount Unit : 1 Million Yen

	Net Sales	Change	Operating Income	Change	Ordinary Income	Change
First Half ending September 30, 2007	¥410,000	8.7%	¥42,000	(4.6)%	¥36,000	(2.9)%
Year ending March 31, 2008	¥900,000	9.4%	¥100,000	(2.0)%	¥90,000	0.5%

	Net Income	Change	Net Income per share of Common Stock (Yen)
First Half ending September 30, 2007	¥21,000	(9.4)%	¥52.58
Year ending March 31, 2008	¥55,000	0.3%	¥137.70

(Note) These forecasts are based on the Company's current assumptions and beliefs in light of the information currently available to it, and involve known and unknown risks and uncertainties. The Company's actual results may differ materially from those discussed in these forecasts as a result of numerous factors outside of the Company's control.

**4. Other**

**(1) Changes of significant subsidiaries during the current fiscal year (change of specified subsidiaries that affected the scope of consolidated reporting) :** No

**(2) Changes of accounting policies applied, procedures and disclosures for presenting consolidated financial statement**

Changes by revision of accounting standard : Yes

Changes other than the above : No

(Note) Please see "Changes in Accounting Policies" on page 12 for further details.

**(3) Numbers of shares outstanding(in shares)**

Number of shares outstanding at year end March 31,2007 : 400,101,468      year end March 31,2006 : 369,945,332

Number of treasury stocks at year end March 31,2007 : 674,372      year end March 31,2006 : 585,198

## [ Reference ]

**1. None-consolidated Results of Year ended March 31, 2007 (From April 1, 2006 to March 31, 2007)**

(Note) Amount Unit: 1 Million Yen unless otherwise specified (Amounts less than 1 Million Yen are omitted.)

**(1) Financial Results**

	Net Sales	Change	Operating Income	Change	Ordinary Income	Change
Year ended March 31, 2007	¥606,323	16.3%	¥71,876	129.3%	¥67,273	256.8%
Year ended March 31, 2006	¥521,140	9.2%	¥31,340	199.0%	¥18,854	128.7%

	Net Income	Change	Net Income per share of Common Stock (Yen)	Net Income per share of Common Stock after dilution (Yen)
Year ended March 31, 2007	¥42,898	252.5%	¥114.52	¥102.83
Year ended March 31, 2006	¥12,171	(27.4)%	¥32.75	¥29.05

**(2) Financial Position**

	Total Assets	Net Assets	Ratio of Shareholders' Equity to Total Assets	Net Assets per Share of Common Stock (Yen)
Year ended March 31, 2007	¥601,498	¥283,136	47.1%	¥708.65
Year ended March 31, 2006	¥565,473	¥191,770	33.9%	¥519.00

(Note) Shareholders' Equity : Year ended March 31, 2007: 283,053 million yen

Year ended March 31, 2006: — million yen

**2. None-consolidated Forecast for Year ending March 31, 2008 (From April 1, 2007 to March 31, 2008)**

Amount Unit : 1 Million Yen

	Net Sales	Change	Operating Income	Change	Ordinary Income	Change
First Half ending September 30, 2007	¥320,000	10.7%	¥32,000	(6.7)%	¥38,000	19.1%
Year ending March 31, 2008	¥700,000	15.4%	¥70,000	(2.6)%	¥74,000	10.0%

	Net Income	Change	Net Income per share of Common Stock (Yen)
First Half ending September 30, 2007	¥25,000	17.5%	¥62.59
Year ending March 31, 2008	¥48,000	11.9%	¥120.17

(Note) These forecasts are based on the Company's current assumptions and beliefs in light of the information currently available to it, and involve known and unknown risks and uncertainties. The Company's actual results may differ materially from those discussed in these forecasts as a result of numerous factors outside of the Company's control.

## Consolidated Balance Sheets

Amount Unit: 1 Million Yen

	As of March 31, 2007		As of March 31, 2006		Increase(Decrease)
		%		%	
<b>Assets</b>					
<b>Current assets</b>					
Cash and time deposits	83,871		44,865		39,005
Notes and accounts receivable-trade	148,914		137,635		11,279
Inventories	246,400		238,846		7,554
Deferred tax assets	33,053		29,876		3,177
Other current assets	14,029		20,713		(6,683)
Allowance for doubtful receivables	(3,072)		(2,832)		(240)
Total current assets	523,197	69.9	469,104	67.9	54,093
<b>Fixed assets</b>					
Tangible fixed assets					
Buildings and structures	41,381		40,480		900
Machinery, equipment and vehicles	39,169		35,196		3,972
Land	15,964		15,916		48
Construction in progress	4,946		5,431		(484)
Other	15,210		13,299		1,911
Total tangible fixed assets	116,673	15.5	110,325	15.9	6,348
Intangible fixed assets	13,995	1.9	12,896	1.9	1,098
Investments and other assets					
Investment securities	85,421		88,632		(3,211)
Deferred tax assets	3,457		1,457		1,999
Other	6,288		8,607		(2,319)
Allowance for doubtful receivables	(95)		(105)		9
Total investments and other assets	95,071	12.7	98,593	14.3	(3,521)
Total fixed assets	225,741	30.1	221,815	32.1	3,926
<b>Total assets</b>	748,939	100.0	690,919	100.0	58,019

## Consolidated Balance Sheets

Amount Unit: 1 Million Yen

	As of March 31, 2007		As of March 31, 2006		Increase(Decrease)
		%		%	
<b>Liabilities</b>					
<b>Current liabilities</b>					
Notes and accounts payable-trade	145,911		151,504		(5,593)
Short-term bank loans	17,456		14,187		3,268
Current portion of bonds	20,000		76,000		(56,000)
Accrued income taxes	27,560		8,230		19,330
Accrued expenses	47,711		41,029		6,681
Warranty reserve	7,655		6,496		1,158
Other current liabilities	42,660		37,493		5,167
Total current liabilities	308,956	41.3	334,943	48.5	(25,987)
<b>Long-term liabilities</b>					
Bonds	49,500		69,500		(20,000)
Long-term debt	18,369		19,143		(773)
Liability for employees' retirement benefits	15,163		16,966		(1,803)
Retirement allowance for directors and corporate auditors	455		339		116
Other long-term liabilities	8,048		6,721		1,327
Total long-term liabilities	91,538	12.2	112,671	16.3	(21,133)
Total liabilities	400,494	53.5	447,614	64.8	(47,120)
<b>Minority interest</b>	—	—	182	0.0	—
<b>Shareholders' equity</b>					
Common stock	—	—	36,660	5.3	—
Capital surplus	—	—	51,932	7.5	—
Retained earnings	—	—	130,404	18.9	—
Unrealized gains on available-for-sale securities	—	—	24,534	3.6	—
Foreign currency translation adjustments	—	—	286	0.0	—
Total	—	—	243,819	35.3	—
Treasury stock	—	—	(697)	(0.1)	—
Total shareholders' equity	—	—	243,122	35.2	—
<b>Total liabilities and shareholders' equity</b>	—	—	690,919	100.0	—

**Consolidated Balance Sheets**

Amount Unit: 1 Million Yen

	As of March 31, 2007		As of March 31, 2006		Increase(Decrease)
		%		%	
<b>Net assets</b>					
<b>Shareholders' equity</b>					
Common stock	64,675		—		—
Capital surplus	79,911		—		—
Retained earnings	179,019		—		—
Treasury stock	(1,018)		—		—
Total shareholders' equity	322,588	43.1	—	—	—
<b>Valuation and translation adjustments</b>					
Unrealized gains on available-for-sale securities	22,104		—		—
Deferred gains or losses on hedges	(198)		—		—
Foreign currency translation adjustments	3,672		—		—
Total valuation and translation adjustments	25,578	3.4	—	—	—
<b>Share subscription rights</b>	83	0.0	—	—	—
<b>Minority interests</b>	194	0.0	—	—	—
Total net assets	348,444	46.5	—	—	—
<b>Total liabilities and net assets</b>	748,939	100.0	—	—	—

**Consolidated Statements of Income**

Amount Unit: 1 Million Yen

	Year ended March 31, 2007		Year ended March 31, 2006		Increase (Decrease)
		%		%	
Net sales	822,813	100.0	730,943	100.0	91,869
Cost of sales	494,663	60.1	468,943	64.2	25,719
<b>Gross profit</b>	<b>328,150</b>	<b>39.9</b>	<b>262,000</b>	<b>35.8</b>	<b>66,149</b>
Selling, general and administrative expenses	226,143	27.5	195,413	26.7	30,730
<b>Operating income</b>	<b>102,006</b>	<b>12.4</b>	<b>66,587</b>	<b>9.1</b>	<b>35,419</b>
<b>Non-operating income</b>	<b>7,080</b>	<b>0.9</b>	<b>5,150</b>	<b>0.7</b>	<b>1,930</b>
Interest and dividend income	1,723		1,137		585
Other income	5,357		4,011		1,345
<b>Non-operating expenses</b>	<b>19,536</b>	<b>2.4</b>	<b>28,240</b>	<b>3.8</b>	<b>(8,704)</b>
Interest expenses	1,632		1,501		131
Other expenses	17,903		26,738		(8,835)
<b>Ordinary income</b>	<b>89,551</b>	<b>10.9</b>	<b>43,496</b>	<b>6.0</b>	<b>46,054</b>
<b>Extraordinary gains</b>	<b>916</b>	<b>0.1</b>	<b>3,247</b>	<b>0.4</b>	<b>(2,331)</b>
Gain on sale of fixed assets	825		115		709
Gain on sale of investment securities	23		1,895		(1,872)
Gain on transfer of investments in an affiliate	67		—		67
Proceeds from patents and know-how licenses	—		1,236		(1,236)
<b>Extraordinary losses</b>	<b>2,654</b>	<b>0.3</b>	<b>5,819</b>	<b>0.8</b>	<b>(3,164)</b>
Loss on disposal of fixed assets	803		1,770		(966)
Loss on sale of fixed assets	3		160		(156)
Loss on impairment of fixed assets	—		245		(245)
Loss on devaluation of investment securities	—		753		(753)
Loss on restructuring of business	1,846		—		1,846
Loss on Patent settlement	—		2,889		(2,889)
<b>Income before income taxes</b>	<b>87,812</b>	<b>10.7</b>	<b>40,925</b>	<b>5.6</b>	<b>46,887</b>
<b>Income taxes</b>	<b>32,975</b>	<b>4.0</b>	<b>11,979</b>	<b>1.6</b>	<b>20,996</b>
<b>Minority interest</b>	<b>12</b>	<b>0.0</b>	<b>2</b>	<b>0.0</b>	<b>10</b>
<b>Net Income</b>	<b>54,824</b>	<b>6.7</b>	<b>28,944</b>	<b>4.0</b>	<b>25,880</b>

**Consolidated Statements of Shareholders' Equity**

Amount Unit: 1 Million Yen

	Year ended March 31, 2006
<b>(Capital surplus)</b>	
<b>Capital surplus (Beginning)</b>	51,930
<b>Increase of Capital Surplus</b>	1
Excess arising from	
retirement of treasury stock	1
<b>Capital surplus (Ending)</b>	51,932
<b>(Retained earnings)</b>	
<b>Retained earnings (Beginning)</b>	104,478
<b>Increase of retained earnings</b>	28,944
Net Income	28,944
<b>Decrease of retained earnings</b>	3,018
Cash dividends	2,955
Bonuses to directors and corporate auditors	62
<b>Retained earnings (Ending)</b>	130,404



**Consolidated Statement of Changes In Net Assets**

Amount Unit : 1Million Yen

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance of March 31,2006	36,660	51,932	130,404	(697)	218,300
Changes during the current period					
Conversion of convertible bonds	28,015	27,984			56,000
Cash dividends*			(4,621)		(4,621)
Bonus to directors and corporate auditors from appropriation			(72)		(72)
Net income			54,824		54,824
Purchase of treasury stock				(445)	(445)
Disposal of treasury stock		(10)		124	113
Loss on Disposal of treasury stock		4	(4)		-
Adjustment of retained earnings for newly consolidated subsidiaries			(21)		(21)
Adjustment of pension obligation for foreign consolidated subsidiaries			(1,490)		(1,490)
Net change of items other than shareholders' equity					-
Total changes during the current period	28,015	27,978	48,614	(320)	104,287
Balance of March 31,2007	64,675	79,911	179,019	(1,018)	322,588

	Valuation and translation adjustments				Share subscription rights	Minority interests	Total net assets
	Unrealized gains on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Total valuation and translation adjustments			
Balance of March 31,2006	24,534	-	286	24,821	-	182	243,304
Changes during the current period							
Conversion of convertible bonds							56,000
Cash dividends*							(4,621)
Bonus to directors and corporate auditors from appropriation							(72)
Net income							54,824
Purchase of treasury stock							(445)
Disposal of treasury stock							113
Loss on Disposal of treasury stock							-
Adjustment of retained earnings for newly consolidated subsidiaries							(21)
Adjustment of pension obligation for foreign consolidated subsidiaries							(1,490)
Net change of items other than shareholders' equity	(2,429)	(198)	3,385	757	83	12	852
Total changes during the current period	(2,429)	(198)	3,385	757	83	12	105,139
Balance of March 31,2007	22,104	(198)	3,672	25,578	83	194	348,444

\*Cash dividends contain (2,216) million yen from appropriation of shareholders meeting held on June, 2006.

**Consolidated Statements of Cash Flows**

Amount Unit: 1 Million Yen

	Year ended March 31, 2007	Year ended March 31, 2006	Increase (Decrease)
<b>1. Cash flows from operating activities</b>			
Income before income taxes	87,812	40,925	46,887
Depreciation and amortization	22,535	20,670	1,865
Loss on impairment of fixed assets	588	245	343
Net increase in warranty reserve	1,063	1,055	8
Provision for employees' retirement benefits	(4,189)	(1,695)	(2,493)
Provision for retirement allowance for directors and corporate auditors	116	(696)	813
Interest and dividend income	(1,723)	(1,138)	(585)
Interest expenses	1,632	1,501	131
Gain on sale of fixed assets	(825)	(115)	(709)
Loss on sale and disposal of fixed assets	807	1,931	(1,123)
Gain on sale of investment securities	(23)	(1,895)	1,872
Loss on revaluation of investment securities	–	753	(753)
Net increase in trade notes and accounts receivable	(6,297)	(8,838)	2,540
Net decrease (increase) in inventories	(1,491)	12,298	(13,789)
Net increase (decrease) in trade notes and accounts payable	(10,542)	15,651	(26,193)
Other, net (operating activities)	7,979	3,323	4,656
Sub total	97,443	83,975	13,468
Interests and dividends received	2,600	1,763	837
Interests paid	(1,777)	(1,482)	(294)
Income taxes paid	(15,066)	(20,511)	5,445
<b>Net cash provided by operating activities</b>	<b>83,200</b>	<b>63,744</b>	<b>19,456</b>
<b>2. Cash flows from investing activities</b>			
Payments for purchases of tangible fixed assets	(21,516)	(19,976)	(1,539)
Proceeds from sale of tangible fixed assets	1,818	2,446	(627)
Payments for purchases of investment securities	(914)	(838)	(75)
Proceeds from sale of investment securities	3,598	1,589	2,009
Net decrease (increase) in loans receivable	(26)	150	(177)
Other, net (investing activities)	(4,858)	(5,797)	939
<b>Net cash used in investing activities</b>	<b>(21,898)</b>	<b>(22,427)</b>	<b>528</b>
<b>3. Cash flows from financing activities</b>			
Increase (decrease) in short-term borrowings	2,219	(26,032)	28,252
Proceeds from long-term debt	4,896	16,689	(11,793)
Repayments of long-term debt	(5,842)	(8,050)	2,207
Expenditures for redemption of bonds	(20,000)	–	(20,000)
Dividends paid	(4,612)	(2,944)	(1,668)
Other, net (financing activities)	(333)	(177)	(156)
<b>Net cash used in financial activities</b>	<b>(23,673)</b>	<b>(20,515)</b>	<b>(3,157)</b>
<b>4. Foreign currency translation adjustments on cash and cash equivalents</b>	1,234	2,163	(928)
<b>5. Net increase in cash and cash equivalents</b>	<b>38,863</b>	<b>22,964</b>	<b>15,899</b>
<b>6. Cash and cash equivalents, beginning of year</b>	<b>44,471</b>	<b>21,507</b>	<b>22,964</b>
<b>7. Cash and cash equivalents of newly consolidated subsidiaries, beginning of year</b>	<b>513</b>	<b>–</b>	<b>513</b>
<b>8. Cash and cash equivalents, end of year</b>	<b>83,848</b>	<b>44,471</b>	<b>39,376</b>

## **1. Summary of Significant Accounting Policies**

### **(1)Securities**

Held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold until maturity are reported at amortized cost method.

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 net assets. Available-for-sale-securities whose fair value is not readily determinable are stated principally at moving-average cost method.

### **(2)Inventories**

Inventories of Nikon Corporation (the "Company") and its domestic subsidiaries are stated at cost as determined principally using the average method. Inventories of foreign subsidiaries are stated at the lower of cost or market as determined principally using the average method.

### **(3)Tangible fixed assets**

Tangible fixed assets are stated at cost. Depreciation of tangible fixed assets 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.

### **(4)Retirement and Pension Plans**

The Company have non-contributory funded pension plans and a defined contribution pension plan amount covering substantially all of its employees. Major subsidiaries have non-contributory funded pension plans and certain foreign subsidiaries also have contributory pension plans.

The Company and its significant subsidiaries (collectively 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.

On April 1, 2006, the Company revised the pension plan and implemented a defined contribution pension plan for a part of future amount.

As result, the projected benefit obligation is to be decreased by ¥ 1,505 million and the amount is being amortized as prior service cost over 10 years from the time of accrual.

### **(5)Foreign Currency Financial Statements**

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

### **(6)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. 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 expenses or income.

## **2. Changes in Accounting Policies**

### **(1) Accounting Standard for Presentation of Net Assets in Balance Sheet**

Effective from the period ended March 31, 2007, the Company and its subsidiaries in Japan adopted Accounting Standards Board of Japan Statement No.5 “Accounting standard for presentation of net assets in the balance sheet” issued by the Accounting Standards Board of Japan on December 9, 2005, and Accounting Standards of Japan Guidance No.8 “Implementation guidance for accounting standards for presentation of net assets in the balance sheet” issued by the Accounting Standards Board of Japan on December 9, 2005.

The amount corresponding to conventional “Shareholders' equity” in the balance sheet is 348,365 million yen.

### **(2) Accounting Standard for Director's Bonuses**

Director's Bonuses had been formerly accounted for as a decrease of retained earnings. Effective from the period ended March 31, 2007, the Company and its subsidiaries in Japan adopted Accounting Standards Board of Japan Statement No.4 “Accounting standard for Director's Bonus” issued by the Accounting Standards Board of Japan on November 29, 2005, and director's bonuses are accounted for as an expense of the period during which the payments had occurred.

The effect of adoption of this new accounting standard for Director's Bonus was to decrease operating income, ordinary income and income before income taxes by 90 million yen.

### **(3) Accounting Standard for Stock Options**

Effective from the period ended March 31, 2007, the Company and its subsidiaries in Japan adopted Accounting Standards Board of Japan Statement No.8 “Accounting for subscription rights to shares and for bonds with subscription rights to shares” issued by the Accounting Standards Board of Japan on December 27, 2005, and Accounting Standards of Japan Guidance No.11 “Implementation guidance for accounting standards for share-based payment” issued by the Accounting Standards Board of Japan on May 31, 2006.

The effect of adoption of this new accounting standard for Stock Options was to decrease operating income, ordinary income and income before income taxes by 83 million yen.

## Segment Information

### 1. Industry Segments

Amount Unit: 1 Million Yen

	Year ended March 31, 2007						
	Precision Equipment	Imaging Products	Instruments	Other	Total	Eliminations or corporate	Consolidated
1. Net sales							
1)Outside customers	291,912	448,825	59,251	22,823	822,813	–	822,813
2)Intersegment sales/transfer	649	964	1,918	34,420	37,954	(37,954)	–
Total	292,562	449,790	61,170	57,244	860,767	(37,954)	822,813
Operating expenses	243,241	404,111	56,048	55,142	758,543	(37,736)	720,806
Operating income	49,320	45,678	5,122	2,102	102,224	(217)	102,006
2.Assets, depreciation & capital expenditure							
Assets	278,634	191,400	40,791	46,645	557,472	191,467	748,939
Depreciation & amortization	8,515	8,142	1,077	4,890	22,625	–	22,625
Capital expenditure	9,339	13,872	1,380	5,838	30,431	–	30,431

Amount Unit: 1 Million Yen

	Year ended March 31, 2006						
	Precision Equipment	Imaging Products	Instruments	Other	Total	Eliminations or corporate	Consolidated
1. Net sales							
1)Outside customers	242,317	415,685	53,280	19,660	730,943	–	730,943
2)Intersegment sales/transfer	889	920	1,594	30,172	33,576	(33,576)	–
Total	243,207	416,606	54,874	49,832	764,520	(33,576)	730,943
Operating expenses	216,831	382,237	50,789	47,903	697,762	(33,405)	664,356
Operating income	26,375	34,368	4,085	1,929	66,758	(171)	66,587
2.Assets, depreciation & capital expenditure							
Assets	272,700	190,030	34,707	42,444	539,882	151,036	690,919
Depreciation & amortization	8,510	6,889	1,021	4,338	20,759	–	20,759
Capital expenditure	9,894	11,905	921	3,096	25,817	–	25,817

#### Leading products of each Industry;

Precision Equipment .....IC steppers, LCD steppers, etc.

Imaging Products ..... Digital cameras, Film cameras, Interchangeable camera lenses, etc .

Instruments .....Microscopes, Measuring instruments, etc.

Other .....Sport Optics, Ophthalmic frames, Surveying instruments ,etc.

## Segment Information

### 2. Geographic Segments

Amount Unit: 1 Million Yen

	Year ended March 31, 2007						
	Japan	North America	Europe	Asia	Total	Eliminations or Corporate	Consolidated
1. Net sales							
1)Outside customers	337,454	216,113	177,386	91,858	822,813	–	822,813
2)Intersegment sales/transfer	347,651	2,512	119	124,091	474,374	(474,374)	–
Total	685,106	218,625	177,506	215,950	1,297,187	(474,374)	822,813
Operating expenses	600,320	211,937	172,245	211,259	1,195,762	(474,955)	720,806
Operating income	84,786	6,687	5,260	4,690	101,425	581	102,006
2. Assets	492,693	67,275	51,554	66,416	677,938	71,000	748,939

Amount Unit: 1 Million Yen

	Year ended March 31, 2006						
	Japan	North America	Europe	Asia	Total	Eliminations or Corporate	Consolidated
1. Net sales							
1)Outside customers	274,907	216,848	166,733	72,454	730,943	–	730,943
2)Intersegment sales/transfer	328,525	2,132	154	92,649	423,461	(423,461)	–
Total	603,432	218,981	166,887	165,103	1,154,405	(423,461)	730,943
Operating expenses	558,229	210,589	162,061	156,630	1,087,510	(423,153)	664,356
Operating income	45,203	8,391	4,826	8,473	66,895	(308)	66,587
2. Assets	483,865	72,766	54,633	54,657	665,923	24,996	690,919

Major countries or regions other than Japan:

North America : U.S.A., Canada

Europe : The Netherlands, Germany, United Kingdom

Asia : South Korea, Taiwan, Thailand, China

### Segment Information

#### 3. Export sales

Amount Unit: 1 Million Yen

	Year ended March 31, 2007				
	North America	Europe	Asia	Other	Total
Export sales(A)	207,845	176,261	217,939	13,068	615,114
Net sales(B)					822,813
(A)/(B)	25.3%	21.4%	26.5%	1.6%	74.8%

Amount Unit: 1 Million Yen

	Year ended March 31, 2006				
	North America	Europe	Asia	Other	Total
Export sales(A)	209,675	166,127	173,307	8,688	557,799
Net sales(B)					730,943
(A)/(B)	28.7%	22.7%	23.7%	1.2%	76.3%

Major countries or regions:

North America : U.S.A., Canada

Europe : The Netherlands, Germany, United Kingdom

Asia : South Korea, Taiwan, Singapore, China

Other regions : South & Central America, Oceania, Africa

**Non-Consolidated Balance Sheets**

Amount Unit : 1million Yen

	As of March 31, 2007		As of March 31, 2006		Increase (Decrease)
		%		%	
<b>Assets</b>					
<b>Current assets</b>					
Cash and time deposits	53,196		22,510		30,686
Notes receivable	1,435		991		443
Accounts receivable	137,948		124,284		13,664
Finished goods	51,429		58,271		(6,841)
Semi-finished products	341		181		160
Raw materials	42		42		0
Work in process	112,697		97,750		14,947
Supplies	7,580		5,595		1,984
Deferred tax assets	17,384		14,999		2,385
Short-term loans receivable to subsidiaries and associated companies	17,392		31,845		(14,452)
Other receivables	10,055		15,594		(5,539)
Other current assets	1,651		1,344		306
Allowance for doubtful receivables	(1,270)		(2,052)		782
<b>Total current assets</b>	<b>409,886</b>	<b>68.1</b>	<b>371,358</b>	<b>65.7</b>	<b>38,528</b>
<b>Fixed assets</b>					
<b>Tangible fixed assets</b>					
Buildings	18,739		19,015		(276)
Structures	895		867		28
Machinery and equipment	26,949		24,049		2,900
Automotive equipment	136		130		6
Tools, furniture and fixtures	7,037		6,804		232
Land	9,814		10,008		(193)
Construction in progress	3,338		4,352		(1,013)
<b>Total tangible fixed assets</b>	<b>66,912</b>	<b>11.1</b>	<b>65,228</b>	<b>11.5</b>	<b>1,683</b>
<b>Intangible fixed assets</b>					
Patent rights	3,940		3,924		15
Leasehold	4		4		-
Trademark	102		124		(22)
Software	7,041		5,800		1,240
Rights to use public facilities and other assets	97		143		(45)
<b>Total intangible fixed assets</b>	<b>11,186</b>	<b>1.9</b>	<b>9,998</b>	<b>1.8</b>	<b>1,188</b>
<b>Investments and other assets</b>					
Investment securities	75,844		79,817		(3,973)
Investments in subsidiaries and associated companies	27,331		26,509		822
Capital contributions	2		2		-
Capital contributions to subsidiaries and associated companies	6,662		6,627		35
Long-term loans receivable to employees	32		39		(6)
Long-term prepaid expenses	59		109		(49)
Deferred tax assets	647		-		647
Lease deposits and other assets	3,007		5,857		(2,850)
Allowance for doubtful receivables	(74)		(74)		-
<b>Total investments and other assets</b>	<b>113,513</b>	<b>18.9</b>	<b>118,888</b>	<b>21.0</b>	<b>(5,375)</b>
<b>Total fixed assets</b>	<b>191,611</b>	<b>31.9</b>	<b>194,115</b>	<b>34.3</b>	<b>(2,503)</b>
<b>Total assets</b>	<b>601,498</b>	<b>100.0</b>	<b>565,473</b>	<b>100.0</b>	<b>36,024</b>



**Non-Consolidated Balance Sheets**

Amount Unit : 1million Yen

	As of March 31, 2007		As of March 31, 2006		Increase (Decrease)
<b>Liabilities</b>		%		%	
<b>Current liabilities</b>					
Notes payable	674		681		(7)
Accounts payable	114,802		123,375		(8,572)
Short-term bank loans	9,550		9,500		50
Current portion of long-term debt	840		144		696
Current portion of bonds	20,000		76,000		(56,000)
Accounts payable for construction	7,597		5,104		2,492
Accrued expenses	22,696		19,592		3,104
Accrued income taxes	21,428		2,234		19,193
Advances received	18,993		13,239		5,753
Deposits received	17,819		15,639		2,179
Provision for warranty	4,576		4,035		540
Other current liabilities	689		915		(226)
Total current liabilities	239,667	39.8	270,462	47.8	(30,794)
<b>Long-term liabilities</b>					
Bonds	49,500		69,500		(20,000)
Long-term loans	16,980		16,800		180
Liability for employees' retirement benefits	10,915		15,186		(4,271)
Liability for directors' retirement benefits	455		339		116
Deferred tax liabilities	-		207		(207)
Other long-term liabilities	843		1,206		(363)
Total long-term liabilities	78,693	13.1	103,240	18.3	(24,546)
Total liabilities	318,361	52.9	373,703	66.1	(55,341)
<b>Shareholders' equity</b>					
Common stock	-	-	36,660	6.5	-
Capital surplus	-	-	51,932	9.2	-
Additional paid in capital	-	-	51,926		-
Other capital surplus	-	-	6		-
Retained earnings	-	-	79,397	14.0	-
Legal reserve	-	-	5,565		-
Revenue reserve	-	-	53,076		-
Reserve for research and development	-	-	2,056		-
Reserve for deferred capital gain for replacement of property	-	-	9,134		-
Reserve for advanced depreciation of fixed assets	-	-	1,674		-
General reserve	-	-	40,211		-
Unappropriated retained earnings at end	-	-	20,756		-
Unrealized gains on securities	-	-	24,476	4.3	-
Treasury stock	-	-	(697)	( 0.1)	-
Total shareholders' equity	-	-	191,770	33.9	-
<b>Total liabilities and shareholders' equity</b>	-	-	565,473	100.0	-

**Non-Consolidated Balance Sheets**

Amount Unit : 1million Yen

	As of March 31, 2007		As of March 31, 2006		Increase (Decrease)
<b>Net assets</b>		%		%	
<b>Shareholders' equity</b>					
Common stock	64,675	10.8	—	—	—
Capital surplus	79,911	13.3	—	—	—
Additional paid in capital	79,911		—	—	—
Retained earnings	117,598	19.6	—	—	—
Legal reserve	5,565		—	—	—
Revenue reserve	112,033		—	—	—
Reserve for research and development	2,056		—	—	—
Reserve for deferred capital gain for replacement of property	8,192		—	—	—
General reserve	50,211		—	—	—
Retained earning brought forward	51,573		—	—	—
Treasury stock	(1,018)	(0.2)	—	—	—
Total shareholders' equity	261,167	43.4	—	—	—
<b>Valuation and translation adjustments</b>					
Unrealized gains on available-for-sale securities	22,081		—	—	—
Deferred gains or losses on hedges	(195)		—	—	—
Total valuation and translation adjustments	21,885	3.6	—	—	—
<b>Share subscription rights</b>	83	0.0	—	—	—
Total net assets	283,136	47.1	—	—	—
<b>Total liabilities and net assets</b>	601,498	100.0	—	—	—

## Non-Consolidated Statements of Income

Amount Unit : 1million Yen

	Year ended March 31, 2007		Year ended March 31, 2006		Increase (Decrease)
		%		%	
Net sales	606,323	100.0	521,140	100.0	85,182
Cost of sales	434,649	71.7	407,700	78.2	26,948
<b>Gross profit</b>	<b>171,674</b>	<b>28.3</b>	<b>113,439</b>	<b>21.8</b>	<b>58,234</b>
Selling, general and administrative expenses	99,797	16.4	82,099	15.8	17,698
<b>Operating income</b>	<b>71,876</b>	<b>11.9</b>	<b>31,340</b>	<b>6.0</b>	<b>40,535</b>
<b>Non-operating income</b>	<b>10,301</b>	<b>1.7</b>	<b>8,906</b>	<b>1.7</b>	<b>1,395</b>
Interest income	650		506		144
Dividend income	4,283		3,076		1,206
Rental income from fixed assets	2,691		2,438		252
Royalties of industrial right	765		813		(48)
Other income	1,911		2,071		(159)
<b>Non-operating expenses</b>	<b>14,904</b>	<b>2.5</b>	<b>21,391</b>	<b>4.1</b>	<b>(6,487)</b>
Interest expenses	349		218		130
Interest expenses on bonds	598		550		47
Loss on disposals of inventories	5,137		8,284		(3,146)
Write-down of inventories	1,168		5,607		(4,439)
Rental expenses on fixed assets	2,820		2,464		355
Foreign exchange loss	4,111		2,770		1,341
Other expenses	718		1,494		(775)
<b>Ordinary income</b>	<b>67,273</b>	<b>11.1</b>	<b>18,854</b>	<b>3.6</b>	<b>48,418</b>
<b>Extraordinary gains</b>	<b>865</b>	<b>0.1</b>	<b>3,140</b>	<b>0.6</b>	<b>(2,274)</b>
Gain on sales of fixed assets	775		13		761
Gain on sales of investment securities	23		1,890		(1,866)
Gain on transfer of investments in an affiliate	67		—		67
Proceeds from patents and know-how licenses	—		1,236		(1,236)
<b>Extraordinary losses</b>	<b>2,475</b>	<b>0.4</b>	<b>5,324</b>	<b>1.0</b>	<b>(2,849)</b>
Loss on disposal of fixed assets	628		1,449		(821)
Loss on sales of fixed assets	0		29		(29)
Loss on impairment of fixed assets	—		208		(208)
Loss on devaluation of investment securities	—		310		(310)
Loss on devaluation of investment in subsidiaries and associated companies	—		436		(436)
Loss on restructuring of business	1,846		—		1,846
Loss on Patent settlement	—		2,889		(2,889)
<b>Income before income taxes</b>	<b>65,664</b>	<b>10.8</b>	<b>16,670</b>	<b>3.2</b>	<b>48,994</b>
Income taxes-current	24,236	4.0	5,867	1.1	18,369
Income taxes-deferred	(1,470)	(0.3)	(1,368)	(0.2)	(102)
<b>Net income</b>	<b>42,898</b>	<b>7.1</b>	<b>12,171</b>	<b>2.3</b>	<b>30,727</b>
<b>Retained earnings brought forward</b>	<b>—</b>	<b>—</b>	<b>10,062</b>	<b>—</b>	<b>—</b>
<b>Interim dividends paid</b>	<b>—</b>	<b>—</b>	<b>1,477</b>	<b>—</b>	<b>—</b>
<b>Unappropriated retained earnings at end</b>	<b>—</b>	<b>—</b>	<b>20,756</b>	<b>—</b>	<b>—</b>

**Non-Consolidated Statements of Retained Earnings**  
(Proposed)

Amount Unit : 1million Yen

	Year ended March 31, 2006
<b>Unappropriated retained earnings at year end</b>	20,756
<b>Reversal of reserves :</b>	
Reversal of reserve for deferred capital gain for replacement of property	1,470
Reversal of reserve for advanced depreciation of fixed assets	1,674
Total	23,901
<b>Appropriation of retained earnings :</b>	
Cash dividends	2,216
Bonuses to directors and corporate auditors	72
Transfer to reserve for deferred capital gain for replacement of property	1,314
Transfer of reserve for general reserve	10,000
Total	13,602
<b>Retained earnings carried forward</b>	10,298

	Year ended March 31, 2006
<b>Other capital surplus</b>	6
Excess arising from retirement of treasury stock	6
Total	6
<b>Other capital surplus carried forward</b>	6
Excess arising from retirement of treasury stock	6

**Non-Consolidated Statement of Changes In Net Assets**

Amount Unit : 1Million Yen

	Shareholders' equity							Valuation and translation adjustments			Stock subscription rights	Total net assets
	Common stock	Capital surplus		Retained earnings		Treasury stock	Total shareholders' equity	Unrealized gains on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments		
		Additional paid in capital	Other capital surplus	Legal reserves	Other Retained earnings							
Balance of March 31,2006	36,660	51,926	6	5,565	73,832	(697)	167,294	24,476	—	24,476	—	191,770
Changes during the current period												
Coverion of convertible debenture	28,015	27,984					56,000					56,000
Cash dividends*					(4,621)		(4,621)					(4,621)
Bonus to directors and corporate auditors from appropriation					(72)		(72)					(72)
Net income					42,898		42,898					42,898
Purchase of treasury stock						(445)	(445)					(445)
Decrease of treasury stock			(10)			124	113					113
Loss on Disposal of treasury stock			4		(4)		—					—
Net change of items other than Shareholders' equity								(2,395)	(195)	(2,591)	83	(2,507)
Total changes during the current period	28,015	27,894	(6)	—	38,200	(320)	93,873	(2,395)	(195)	(2,591)	83	91,366
Balance of March 31,2007	64,675	79,911	—	5,565	112,033	(1,018)	261,167	22,081	(195)	21,885	83	283,136

Details of other retained earning

	Reserve for research and development	Reserve for deferred capital gain for replacement of property	Reserve for advanced depreciation of fixed assets	General reserve	Retained earning brought forward	Total other retained earning
Balance of March 31,2006	2,056	9,134	1,674	40,211	20,756	73,832
Changes during the current period						
Cash dividends*					(4,621)	(4,621)
Bonus to directors and corporate auditors from appropriation					(72)	(72)
Net income					42,898	42,898
Reversal of reserve for deferred capital gain for replacement of property from appropriation		(1,470)			1,470	—
Transfer to reserve of deferred capital gain for replacement of property from appropriation		1,314			(1,314)	—
Reversal of reserve for deferred capital gain for replacement of property		(1,145)			1,145	—
Transfer to reserve of deferred capital gain for replacement of property		359			(359)	—
Reversal of reserve for advanced depreciation of fixed assets from appropriation			(1,674)		1,674	—
Transfer to general reserve from appropriation				10,000	(10,000)	—
Loss on Disposal of treasury stock					(4)	(4)
Total changes during the current period	—	(942)	(1,674)	10,000	30,817	38,200
Balance of March 31,2007	2,056	8,192	—	50,211	51,573	112,033

\*Cash dividends contain (2,216) million yen from appropriation of shareholders meeting held on June, 2006.

**Sales Performance (Non-Consolidated)**

Amount Unit : 1million Yen

Segment	Year ended March 31, 2007		Year ended March 31, 2006		Ratio to the previous period
	Amount	%	Amount	%	%
Precision Equipment	247,420	40.8	193,091	37.0	128.1
Imaging Products	313,578	51.7	291,075	55.9	107.7
Instruments	35,744	5.9	28,558	5.5	125.2
Other	9,579	1.6	8,415	1.6	113.8
Total	606,323	100.0	521,140	100.0	116.3
Domestic	169,146	27.9	132,479	25.4	127.7
Export	437,176	72.1	388,661	74.6	112.5