Nikon Corporation and Consolidated Subsidiaries
Years ended March 31, 2007 and 2006

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

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

On December 27, 2005, the Accounting Standard Board of Japan (ASBJ) published a new accounting standard for the statement of changes in equity, which is effective for fiscal years ending on or after May 1, 2006. The statement of shareholders' equity, which was previously voluntarily prepared in line with the international accounting practices, is now required under generally accepted accounting principles in Japan and has been renamed "the statement of changes in equity" in the current fiscal year.

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 2006 financial statements to conform to classifications used in 2007.

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 ¥118.05 to U.S.$1, the rate of exchange at March 31, 2007. 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, 2007 include the accounts of the Company and its 49 significant (47 in 2006) 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 2006) 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") are charged to income when incurred, if they are small amounts in sum, and the others are being amortized on a straight-line basis over 5 years.

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

(b) Cash Equivalents

Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value.

Cash equivalents include time deposits, certificate of deposits, commercial paper and mutual funds investing in bonds that represent short-term investments, all of which mature or become due within three months of the date of acquisition.

(c) 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 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 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.

(d) Inventories

Inventories of 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.

(e) 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.

(f) Long-lived Assets

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

The Group adopted the new accounting standard for impairment of fixed assets as of April 1, 2005.

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.

(g) Retirement and Pension Plans

The Company has a defined benefit corporate pension plan (cash balance 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.

Certain foreign subsidiaries (about the United States etc.) record unrecognized actuarial gains and losses to which cost is not processed to balance sheet in this fiscal year.

(h) Retirement Allowances for Directors and Corporate Auditors

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

(i) 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 option is presented as a stock acquisition right 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. The effect of adoption of this accounting standard for the year ended March 31, 2007 was to decrease income before income taxes and minority interests by ¥83 million ($704 thousand).

(j) Presentation of Equity

On December 9, 2005, the ASBJ published a new accounting standard for presentation of equity. Under this accounting standard, certain items which were previously presented as liabilities are now presented as components of equity. Such items include stock acquisition rights, minority interests, and any deferred gain or loss on derivatives accounted for under hedge accounting. This standard is effective for fiscal years ending on or after May 1, 2006. The consolidated balance sheet as of March 31, 2007 is presented in line with this new accounting standard.

(k) Research and Development Costs

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

(l) Leases

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

(m) Bonuses to Directors and Corporate Auditors

Prior to the fiscal year ended March 31, 2005, bonuses to directors and corporate auditors were accounted for as a reduction of retained earnings in the fiscal year following approval at the general shareholders meeting. The ASBJ issued ASBJ Practical Issues Task Force (PITF) No.13, "Accounting Treatment for Bonuses to Directors and Corporate Auditors," which encouraged companies to record bonuses to directors and corporate auditors on the accrual basis with a related charge to income, but still permitted the direct reduction of such bonuses from retained earnings after approval of the appropriation of retained earnings.

The ASBJ replaced the above accounting pronouncement by issuing a new accounting standard for bonuses to directors and corporate auditors on November 29. 2005. Under the new accounting standard, bonuses to directors and corporate auditors must be expensed and are no longer allowed to be directly charged to retained earnings. This accounting standard is effective for fiscal years ending on or after May 1,2006. The companies must accrue bonuses to directors and corporate auditors at the year end to which such bonuses are attributable.

The Company adopted the new accounting standard for bonuses to directors and corporate auditors from the year ended March 31, 2007. The effect of adoption of this accounting standard was to decrease income before income taxes and minority interests for the year ended March 31, 2007 by ¥90 million ($762 thousand).

(n) 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.

(o) Appropriations of Retained Earnings

Appropriations of retained earnings are reflected in the consolidated financial statements for the following year upon shareholders' approval.

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

(r) 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. 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.

(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

Measurement of Inventories— Under generally accepted accounting principles in Japan (“Japanese GAAP”), inventories are currently measured either by the cost method, or at the lower of cost or market. On July 5,2006,the ASBJ issued ASBJ Statement No.9, “Accounting Standard for Measurement of Inventories,” which is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted. 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 also requires that inventories held for trading purposes be measured at the market price.

Lease Accounting— On March 31, 2007, the ASBJ issued ASBJ Statement No.13, “Accounting Standard for Lease Transactions,” which revised the existing accounting standard for lease transactions issued on June 17,1993.

Under the existing accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, however, other finance leases are permitted to be accounted for as operating lease transactions if certain “as if capitalized” information is disclosed in the note to the lessee’s financial statements.

The revised accounting standard requires that all finance lease transactions should be capitalized. 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.

Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements— Under Japanese GAAP, a company currently can use the financial statements of foreign subsidiaries which are prepared in accordance with generally accepted accounting principles in their respective jurisdictions for its consolidation process unless they are clearly unreasonable. On May 17, 2006, 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.” The new task force 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 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) Actuarial gains and losses of defined benefit plans recognized outside profit or loss
(3) Capitalization of intangible assets arising from development phases
(4) Fair value measurement of investment properties, and the revaluation model for property, plant and equipment, and intangible assets
(5) Retrospective application when accounting policies are changed
(6) Accounting for net income attributable to a minority interest

The new task force is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted.

3. INVESTMENT SECURITIES

Investment securities at March 31, 2007 and 2006 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Non-Current :			
Equity securities	**¥ 75,887**	¥ 79,862	**$ 642,841**
Debt securities	**3**	2	**19**
Total	**¥ 75,890**	¥ 79,864	**$ 642,860**

The carrying amounts and aggregate fair values of investment securities at March 31, 2007 and 2006 were as follows:

	Millions of Yen			
March 31, 2007	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	**¥ 38,120**	**¥ 37,273**	**¥ 94**	**¥ 75,299**
Debt securities	**1**		**0**	**1**
Total	**¥ 38,121**	**¥ 37,273**	**¥ 94**	**¥ 75,300**

	Millions of Yen			
March 31, 2006	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 38,115	¥ 41,228	¥ 15	¥ 79,328
Debt securities	1		0	1
Total	¥ 38,116	¥ 41,228	¥ 15	¥ 79,329

	Thousands of U.S. Dollars			
March 31, 2007	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	**$ 322,916**	**$ 315,740**	**$ 799**	**$ 637,857**
Debt securities	**6**		**0**	**6**
Total	**$ 322,922**	**$ 315,740**	**$ 799**	**$ 637,863**

Carrying amounts of available-for-sale securities whose fair value is not readily determinable as of March 31, 2007 and 2006 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Available-for-sale:			
Equity securities	**¥ 588**	¥ 533	**$ 4,984**
Other securities		2	
Total	**¥ 588**	¥ 535	**$ 4,984**

Proceeds from sales of available-for-sale securities for the fiscal years ended March 31, 2007 and 2006 were ¥28 million ($239 thousand) and ¥5,147 million, respectively. Gross realized gains on these sales for the fiscal year ended March 31, 2007 and 2006 were ¥24 million ($202 thousand) and ¥1,896 million, respectively.

The carrying values of debt securities by contractual maturities for securities classified as available-for-sale at March 31, 2007 and 2006 were as follows :

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
	Available for sale	Available for sale	Available for sale
Due in one year or less	**¥ 1**	**¥ 0**	**$ 9**
Due after one year through five years	**1**		**4**
Total	**¥ 2**	**¥ 0**	**$ 13**

4. INVENTORIES

Inventories at March 31, 2007 and 2006 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Finished and semi-finished products	**¥ 86,201**	¥ 100,499	**$ 730,211**
Work in process	**130,674**	113,767	**1,106,938**
Raw materials and supplies	**29,526**	24,580	**250,110**
Total	**¥ 246,401**	¥ 238,846	**$2,087,259**

5. LONG-LIVED ASSETS

The Group reviewed its long-lived assets for impairment as of the period ended March 31, 2006 and, as a result, recognized an impairment loss of ¥245 million as other expenses for the idle buildings and machines of the plants in Shinagawa, Tokyo and Ohtawara, Tochigi due to no possibility of using them and the carrying amount of the relevant machinery was written down to the recoverable amount for the year ended March 31, 2006.

The Group reviewed its long-lived assets for impairment as of the period ended March 31, 2007 and, as a result, recognized an impairment loss of ¥589 million ($4,988 thousand) for certain assets of CMP division, which include buildings and structures, machinery and equipment, and other assets, because a deterioration of the business environment eroded its profitability for the year ended March 31, 2007. The carrying amount of the relevant assets was written down to the recoverable amount. The impairment loss was included in loss on restructuring of business of other expenses.

The recoverable amount of the assets was measured at net selling price. Those assets which have no possibility of using or difficult to sell is measured at memorandum price.

6. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at March 31, 2007 and 2006 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Short-term loans, principally from banks:			
2007: 0.85250%-5.05000%			
2006: 0.39230%-8.60000%	**¥ 15,514**	¥ 12,632	**$ 131,417**
Total	**¥ 15,514**	¥ 12,632	**$ 131,417**

Long-term debt at March 31, 2007 and 2006 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Loans, principally from banks and insurance companies:			
2007: 0.5900%-4.3600% due 2008-2013			
2006: 0.33188%-5.5100% due 2007-2013	**¥ 20,312**	¥ 20,699	**$ 172,065**
Bonds	**69,500**	145,500	**588,734**
Total	**89,812**	166,199	**760,799**
Less: Current portion	**(21,942)**	(77,556)	**(185,874)**
Long-term debt, less current portion	**¥ 67,870**	¥ 88,643	**$ 574,925**

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

			Millions of Yen		Thousands of U.S. Dollars
	Issued in	Maturity	**2007**	2006	**2007**
2.5% Yen Unsecured Bonds	November, 1997	November, 2007	**¥ 10,000**	¥ 10,000	**$ 84,710**
1.0% Yen Unsecured Bonds	April, 2001	April, 2006		10,000	
1.3% Yen Unsecured Bonds	December, 2001	December, 2006		10,000	
1.7% Yen Unsecured Bonds	December, 2001	December, 2008	**5,000**	5,000	**42,355**
1.15% Yen Unsecured Bonds	February, 2003	February, 2008	**10,000**	10,000	**84,710**
1.4% Yen Unsecured Bonds	February, 2003	February, 2010	**10,000**	10,000	**84,710**
Yen Zero Coupon Convertible Bond	June, 2002	March, 2007		56,000	
Yen Zero Coupon Convertible Bond	March, 2004	March, 2011	**34,500**	34,500	**292,249**
Total			**¥ 69,500**	¥ 145,500	**$ 588,734**

The aggregate annual maturities of long-term debt for the years following March 31, 2007 are as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2008	**¥ 21,942**	**$ 185,874**
2009	**7,867**	**66,645**
2010	**10,702**	**90,660**
2011	**44,740**	**378,992**
2012	**60**	**508**
Thereafter	**4,501**	**38,120**
Total	**¥ 89,812**	**$ 760,799**

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, 2007 entitled the holders to subscribe for 16,763,848 shares which was computed using the above-mentioned exercise price.

At March 31, 2007, the following assets were pledged as collateral for long-term debt.

	Millions of Yen	Thousands of U.S. Dollars
	2007	**2007**
Investment securities	**¥ 8,437**	**$ 71,466**

Liabilities secured by the above assets were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2007	**2007**
Long-term debt, including current portion	**¥ 4,620**	**$ 39,136**

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 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.

Certain foreign subsidiaries (about the United States etc.) record unrecognized actuarial gains and losses to which cost is not processed to balance sheet in this fiscal year.

The projected benefit obligation includes retirement allowance for officers of ¥189 million ($1,598 thousand).

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

As a result, the projected benefit obligation is to be decreased by ¥1,505 million ($12,750 thousand) and the amount is being amortized as prior service cost over 10 years from the time of accrual.

The liability for employees' retirement benefits at March 31, 2007 and 2006 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Projected benefit obligation	**¥ 104,086**	¥ 102,767	**$ 881,712**
Fair value of plan assets	**(107,783)**	(100,951)	**(913,029)**
Unrecognized actuarial loss	**4,555**	886	**38,584**
Unrecognized prior service cost	**13,670**	13,936	**115,800**
	14,528	16,638	**123,067**
Prepayment of service cost	**636**	329	**5,384**
Net Liability	**¥ 15,164**	¥ 16,967	**$ 128,451**

The components of net periodic benefit costs for the fiscal years ended March 31, 2007 and 2006 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Service cost	**¥ 3,282**	¥ 3,207	**$ 27,800**
Interest cost	**2,791**	2,747	**23,644**
Expected return on plan assets	**(2,512)**	(1,941)	**(21,279)**
Recognized actuarial loss	**1,224**	2,995	**10,372**
Amortization of prior service cost	**(1,793)**	(1,718)	**(15,194)**
Net periodic retirement benefit costs	**¥ 2,992**	¥ 5,290	**$ 25,343**

Assumptions used for the fiscal years ended March 31, 2007 and 2006 were principally set forth as follows:

	2007	2006
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

On and after May 1, 2006, Japanese companies are subject to a new corporate law of Japan (the "Corporate Law"), which reformed and replaced the Commercial Code of Japan (the "Code") with various revisions that are, for the most part, applicable to events or transactions which occur on or after May 1, 2006 and for the fiscal years ending on or after May 1, 2006. The significant changes in the Corporate Law that affect financial and accounting matters are summarized below;

(a) Dividends

Under the Corporate Law, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting, if companies 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 Corporate Law 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 Corporate Law 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 Corporate Law 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 Corporate Law, the total amount of additional paid-in capital and legal reserve may be reversed without limitation of such threshold. The Corporate Law 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 Corporate Law 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 Corporate Law, stock acquisition rights, which were previously presented as a liability, are now presented as a separate component of equity.

The Corporate Law 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.

Stock acquisition rights of the convertible bonds were exercised for the fiscal year ended March 31, 2007.

As a result, Common stock was increased by ¥28,015 million ($237,315 thousand) and Capital surplus was increased by ¥27,985 million ($237,060 thousand).

9. STOCK OPTION

The stock option outstanding as of March 31, 2007 is as follows:

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
2001 Stock Option	9 directors 13 officers	99,000 shares	2001.6.28	1,321	From June 19, 2003 To June 28, 2011
2003 Stock Option	11 directors 11 officers	203,000 shares	2003.6.27	1,048	From June 28, 2005 To June 27, 2013
2004 Stock Option	12 directors 10 officers	210,000 shares	2004.6.29	1,225	From June 30, 2006 To June 29, 2014
2005 Stock Option	11 directors 10 officers	178,000 shares	2005.6.29	1,273	From June 30, 2007 To June 29, 2015
2006 Stock Option	12 directors 12 officers	99,000 shares	2007.3.14	2,902	From February 28, 2009 To February 27, 2017

The stock option activity is as follows:

	2001 Stock Option	2003 Stock Option	2004 Stock Option	2005 Stock Option	2006 Stock Option
			(Shares)		
For the year ended March 31, 2007					
Non-vested					
March 31, 2006-Outstanding			210,000	178,000	
Granted					99,000
Canceled					
Vested			(210,000)		
March 31, 2007-Outstanding				178,000	99,000
Vested					
March 31, 2006-Outstanding	93,000	186,000			
Vested			210,000		
Exercised	24,000	45,000	17,000		
Canceled					
March 31, 2007-Outstanding	69,000	141,000	193,000		
Exercise price	1,321	1,048	1,225	1,273	2,902
Average stock price at exercise	2,294	2,343	2,411		
Fair value price at grant date					840

The assumptions used to measure fair value of 2006 Stock Option	
Estimate method:	Black-Scholes option pricing model
Volatility of stock price:	41.841%
Estimate remaining outstanding period:	six years
Estimate dividend:	¥12.50 per share
Interest rate with risk free:	1.215%

10. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for the fiscal years ended March 31, 2007 and 2006 principally consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Advertising expenses	**¥ 57,730**	¥ 46,585	**$ 489,028**
Provision of warranty costs	**4,904**	7,130	**41,546**
Employees' salaries	**33,258**	30,503	**281,727**
Net periodic retirement benefit cost	**2,742**	4,024	**23,231**
Employees' bonuses and others	**16,730**	15,012	**141,719**
Research and development costs	**47,218**	37,139	**399,981**

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, 2006 and 2007.

The tax effects of significant temporary differences and loss carry-forwards which result in deferred tax assets and liabilities at March 31, 2007 and 2006, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Deferred tax assets:			
Write-down of inventories	**¥ 17,869**	¥ 17,647	**$ 151,371**
Warranty reserve	**2,572**	2,253	**21,785**
Liability for employees' retirement benefits	**8,432**	9,326	**71,427**
Depreciation and amortization	**14,141**	14,296	**119,789**
Net operating loss carryforwards	**9**	143	**79**
Accrued bonus	**4,505**	4,076	**38,160**
Other	**9,986**	6,242	**84,593**
Total	**¥ 57,514**	¥ 53,983	**$ 487,204**

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Deferred tax liabilities:			
Deferred gains on sales of property to be replaced	**5,599**	6,137	**47,433**
Unrealized gain on available-for-sale securities	**15,095**	16,679	**127,872**
Undistributed earnings of foreign subsidiaries	**6,264**	4,525	**53,066**
Other	**652**	583	**5,519**
Total	**¥ 27,610**	¥ 27,924	**$ 233,890**
Net deferred tax assets	**¥ 29,904**	¥ 26,059	**$ 253,314**

A valuation allowance of ¥1,859 million ($15,746 thousand) in 2007 and ¥2,715 million in 2006 were deducted from the amounts calculated above, respectively.

A reconciliation between the normal effective statutory tax rate for the fiscal years ended March 31, 2007 and 2006, and the actual effective tax rates reflected in the consolidated statements of income were as follows:

	Years ended March 31	
	2007	2006
Normal statutory tax rate	**40.6%**	40.6%
Tax credit for research and development costs	**(2.7)**	(2.6)
Tax difference of consolidated subsidiaries	**(2.1)**	(3.8)
Tax exemption for foreign subsidiaries		(3.2)
Consolidated adjustment on unrealizable profits in inventories		(4.9)
Tax effect on retained earnings for foreign subsidiaries	**2.0**	4.5
Other-net	**(0.2)**	(1.3)
Actual effective tax rate	**37.6%**	29.3%

12. RESEARCH AND DEVELOPMENT COSTS

Research and development costs incurred were ¥47,218 million ($399,981 thousand) and ¥37,139 million for the fiscal years ended March 31, 2007 and 2006, respectively.

13. LOSS ON RESTRUCTURING OF BUSINESS

CMP division decided to restructure the business because it did not expect improvement in earnings due to the deterioration of the business environment. So the Company recorded a loss on restructuring of a business of ¥1,847 million ($15,643 thousand) for the fiscal year ended March 31, 2007.

Loss on restructuring of business consisted of loss on disposals of inventories, write-down of inventories and loss on impairment of fixed assets. The amount of the loss on impairment of fixed assets was ¥589 million ($4,988 thousand).

14. LEASE PAYMENTS

Total lease payments under financing lease arrangements that do not transfer ownership of the leased property to the Company and its domestic subsidiaries were ¥2,480 million ($21,006 thousand) and ¥2,461 million for the fiscal years ended March 31, 2007 and 2006, respectively.

The minimum rental commitments under noncancelable operating leases at March 31, 2007 and 2006 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Due within one year	**¥ 3,867**	¥ 2,425	**$ 32,756**
Due after one year	**4,744**	5,090	**40,188**
Total	**¥ 8,611**	¥ 7,515	**$ 72,944**

Pro forma information of leased property carried by finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis as of and for the fiscal years ended March 31, 2007 and 2006 was as follows:

	Millions of Yen			Thousands of U.S. Dollars		
	2007			**2007**		
	Machinery and Equipment	Furniture and Fixtures	Total	Machinery and Equipment	Furniture and Fixtures	Total
Acquisition cost	**¥ 6,614**	**¥ 6,255**	**¥ 12,869**	**$ 56,026**	**$ 52,984**	**$ 109,010**
Accumulated depreciation	**3,975**	**2,904**	**6,879**	**33,671**	**24,599**	**58,270**
Net leased property	**¥ 2,639**	**¥ 3,351**	**¥ 5,990**	**$ 22,355**	**$ 28,385**	**$ 50,740**

	Millions of Yen		
	2006		
	Machinery and Equipment	Furniture and Fixtures	Total
Acquisition cost	¥ 6,173	¥ 5,495	¥ 11,668
Accumulated depreciation	3,416	2,520	5,936
Net leased property	¥ 2,757	¥ 2,975	¥ 5,732

Obligations under finance leases at March 31, 2007 and 2006 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Due within one year	**¥ 2,397**	¥ 2,154	**$ 20,305**
Due after one year	**3,593**	3,578	**30,435**
Total	**¥ 5,990**	¥ 5,732	**$ 50,740**

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 ¥2,480 million ($21,006 thousand) and ¥2,461 million for the fiscal years ended March 31, 2007 and 2006, respectively.

15. DERIVATIVES

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

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

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

Derivative contracts outstanding at March 31, 2007 and 2006, were as follows:

	Millions of Yen			Thousands of U.S. Dollars		
	2007			**2007**		
	Contract or Notional Amount	Fair Value	Net Unrealized Gain (Loss)	Contract or Notional Amount	Fair Value	Net Unrealized Gain (Loss)
Foreign exchange forward contracts :						
Selling USD	**¥ 41,935**	**¥ 41,824**	**¥ 111**	**$ 355,232**	**$ 354,286**	**$ 946**
Selling EUR	**21,176**	**21,414**	**(238)**	**179,379**	**181,398**	**(2,019)**
Buying JPY	**634**	**632**	**(2)**	**5,373**	**5,354**	**(19)**
Buying USD	**4,245**	**4,248**	**3**	**35,957**	**35,982**	**25**
Buying EUR	**77**	**79**	**2**	**650**	**666**	**16**
Buying GBP	**46**	**46**	**(0)**	**393**	**393**	**—**
Total			**(124)**			**(1,051)**
Interest rate swaps :						
(fixed rate receipt, floating rate payment)	**¥ 20,000**	**¥ 134**	**¥ 134**	**$ 169,420**	**$ 1,139**	**1,139**
(fixed rate payment, floating rate receipt)	**10,000**	**(112)**	**(112)**	**84,710**	**(945)**	**(945)**
Total	**¥ 30,000**	**¥ 22**	**¥ 22**	**$ 254,130**	**$ 194**	**$ 194**

	Millions of Yen		
	2006		
	Contract or Notional Amount	Fair Value	Net Unrealized Gain (Loss)
Foreign exchange forward contracts :			
Selling USD	¥ 42,910	¥ 43,400	¥ (490)
Selling EUR	13,713	14,001	(288)
Buying JPY	102	100	(2)
Buying USD	2,578	2,576	(2)
Buying EUR			
Total			(782)
Currency option contracts :			
Selling put EUR	¥ 249	¥	¥
Option premiums	11	17	(6)
Buying call EUR	249		
Option premiums	9	14	5
Total			(1)
Interest rate swaps :			
(fixed rate receipt, floating rate payment)	¥ 20,000	¥ 271	¥ 271
(fixed rate payment, floating rate receipt)	10,000	(242)	(242)
Total	¥ 30,000	¥ 29	¥ 29

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

16. CONTINGENT LIABILITIES

Contingent liabilities at March 31, 2007 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2007	2007
As the guarantor of bank loans and indebtedness, principally of employees, unconsolidated subsidiaries and associated companies	**¥ 4,766**	**$ 40,369**
Total	**¥ 4,766**	**$ 40,369**

17. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the fiscal years ended March 31, 2007 and 2006 were as follows:

	Yen in Millions	Thousands of Shares	Yen	U.S.Dollars
	Net Income	Weighted Average Shares	EPS	
For the year ended March 31, 2007:				
Basic EPS				
Net income available to common shareholders	**¥ 54,825**	**374,585**	**¥146.36**	**$ 1.24**
Effect of Dilutive Securities				
Warrants		**305**		
Convertible bonds		**42,290**		
Diluted EPS				
Net income for computation	**¥ 54,825**	**417,180**	**¥131.42**	**$ 1.11**
For the year ended March 31, 2006:				
Basic EPS				
Net income available to common shareholders	¥ 28,873	369,412	¥ 78.16	$ 0.67
Effect of Dilutive Securities				
Warrants		147		
Convertible bonds		46,920		
Diluted EPS				
Net income for computation	¥ 28,873	416,479	¥ 69.33	$ 0.59

18. SUBSEQUENT EVENTS

The company's shareholders meeting held on June 28, 2007 approved as follows:

Appropriations of Retained Earnings

	Millions of Yen	Thousands of U.S. Dollars
Cash dividends, ¥11.50 ($0.10) per share	**¥ 4,593**	**$ 38,911**

19. SEGMENT INFORMATION

Information about industry segments, geographic segments and sales to foreign customers of the Group for the fiscal years ended March 31, 2007 and 2006, 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, 2007							
Net sales							
Outside customers	**¥ 291,913**	**¥ 448,825**	**¥ 59,252**	**¥ 22,823**	**¥ 822,813**	**¥**	**¥ 822,813**
Intersegment sales/transfer	**649**	**965**	**1,919**	**34,421**	**37,954**	**(37,954)**	
Total	**292,562**	**449,790**	**61,171**	**57,244**	**860,767**	**(37,954)**	**822,813**
Operating expenses	**243,241**	**404,112**	**56,048**	**55,142**	**758,543**	**(37,737)**	**720,806**
Operating income	**¥ 49,321**	**¥ 45,678**	**¥ 5,123**	**¥ 2,102**	**¥ 102,224**	**¥ (217)**	**¥ 102,007**
Assets	**¥ 278,634**	**¥ 191,400**	**¥ 40,792**	**¥ 46,646**	**¥ 557,472**	**¥ 191,467**	**¥ 748,939**
Depreciation and amortization	**8,515**	**8,142**	**1,078**	**4,890**	**22,625**		**22,625**
Capital expenditures	**9,339**	**13,873**	**1,381**	**5,839**	**30,432**		**30,432**

	Millions of Yen						
	Precision Equipment	Imaging Products	Instruments	Other	Total	(Eliminations) or Corporate	Consolidated
For the year ended March 31, 2006							
Net sales							
Outside customers	¥ 242,318	¥ 415,686	¥ 53,280	¥ 19,660	¥ 730,944	¥	¥ 730,944
Intersegment sales/transfer	889	921	1,595	30,172	33,577	(33,577)	
Total	243,207	416,607	54,875	49,832	764,521	(33,577)	730,944
Operating expenses	216,832	382,238	50,790	47,903	697,763	(33,406)	664,357
Operating income	¥ 26,375	¥ 34,369	¥ 4,085	¥ 1,929	¥ 66,758	¥ (171)	¥ 66,587
Assets	¥ 272,700	¥ 190,031	¥ 34,708	¥ 42,444	¥ 539,883	¥ 151,037	¥ 690,920
Depreciation and amortization	8,511	6,889	1,022	4,338	20,760		20,760
Capital expenditures	9,895	11,905	921	3,096	25,817		25,817

	Thousands of U.S. Dollars						
	Precision Equipment	Imaging Products	Instruments	Other	Total	(Eliminations) or Corporate	Consolidated
For the year ended March 31, 2007							
Net sales							
Outside customers	**$2,472,790**	**$3,801,992**	**$ 501,922**	**$ 193,338**	**$6,970,042**	**$**	**$6,970,042**
Intersegment sales/transfer	**5,501**	**8,173**	**16,256**	**291,579**	**321,509**	**(321,509)**	
Total	**2,478,291**	**3,810,165**	**518,178**	**484,917**	**7,291,551**	**(321,509)**	**6,970,042**
Operating expenses	**2,060,493**	**3,423,226**	**474,783**	**467,109**	**6,425,611**	**(319,666)**	**6,105,945**
Operating income	**$ 417,798**	**$ 386,939**	**$ 43,395**	**$ 17,808**	**$ 865,940**	**$ (1,843)**	**$ 864,097**
Assets	**$2,360,307**	**$1,621,348**	**$ 345,548**	**$ 395,137**	**$4,722,340**	**$1,621,913**	**$6,344,253**
Depreciation and amortization	**72,132**	**68,972**	**9,129**	**41,425**	**191,658**		**191,658**
Capital expenditures	**79,113**	**117,517**	**11,698**	**49,458**	**257,786**		**257,786**

Major products of each Industry:

Precision Equipment : IC steppers, LCD steppers
Imaging Products : Digital cameras, Film cameras, Interchangeable camera lenses
Instruments : Microscopes, Measuring instruments, Inspection equipment
Other : Sport optics products, Ophthalmic frames, Surveying instruments

Notes: 1. Amortization of Goodwill is included in "Depreciation and amortization" for the years ended March 31, 2007 and 2006.
2. As described in Note 2 (m), Directors' 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

Directors' Bonus" issued by the Accounting Standards Board of Japan on November 29, 2005, and directors' bonuses are accounted for as an expense of the period during which the payments had occurred. The effect of this change was to decrease operating income in Other segment for the period ended March 31, 2007 by ¥90 million ($762 thousand), as compared with the amounts calculated by the previous method.

3. As described in Note 2 (i), Stock Options 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.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 this change was to decrease operating income in Other segment for the period ended March 31, 2007 by ¥83 million ($704 thousand), as compared with the amounts calculated by the previous method.

(b) Geographic Segments

	Millions of Yen						
	Japan	North America	Europe	Asia	Total	(Eliminations) or Corporate	Consolidated
For the year ended March 31, 2007							
Net sales							
Outside customers	**¥ 337,455**	**¥ 216,113**	**¥ 177,386**	**¥ 91,859**	**¥ 822,813**	**¥**	**¥ 822,813**
Intersegment sales	**347,651**	**2,512**	**119**	**124,092**	**474,374**	**(474,374)**	
Total	**685,106**	**218,625**	**177,505**	**215,951**	**1,297,187**	**(474,374)**	**822,813**
Operating expenses	**600,320**	**211,937**	**172,244**	**211,260**	**1,195,761**	**(474,955)**	**720,806**
Operating income	**¥ 84,786**	**¥ 6,688**	**¥ 5,261**	**¥ 4,691**	**¥ 101,426**	**¥ 581**	**¥ 102,007**
Assets	**¥ 492,693**	**¥ 67,275**	**¥ 51,555**	**¥ 66,416**	**¥ 677,939**	**¥ 71,000**	**¥ 748,939**

	Millions of Yen						
	Japan	North America	Europe	Asia	Total	(Eliminations) or Corporate	Consolidated
For the year ended March 31, 2006							
Net sales							
Outside customers	¥ 274,907	¥ 216,849	¥ 166,734	¥ 72,454	¥ 730,944	¥	¥ 730,944
Intersegment sales	328,526	2,132	154	92,650	423,462	(423,462)	
Total	603,433	218,981	166,888	165,104	1,154,406	(423,462)	730,944
Operating expenses	558,229	210,590	162,061	156,630	1,087,510	(423,153)	664,357
Operating income	¥ 45,204	¥ 8,391	¥ 4,827	¥ 8,474	¥ 66,896	¥ (309)	¥ 66,587
Assets	¥ 483,865	¥ 72,766	¥ 54,634	¥ 54,658	¥ 665,923	¥ 24,997	¥ 690,920

	Thousands of U.S. Dollars						
	Japan	North America	Europe	Asia	Total	(Eliminations) or Corporate	Consolidated
For the year ended March 31, 2007							
Net sales							
Outside customers	**$ 2,858,575**	**$ 1,830,690**	**$ 1,502,641**	**$ 778,136**	**$ 6,970,042**	**$**	**$ 6,970,042**
Intersegment sales	**2,944,952**	**21,280**	**1,011**	**1,051,174**	**4,018,417**	**(4,018,417)**	
Total	**5,803,527**	**1,851,970**	**1,503,652**	**1,829,310**	**10,988,459**	**(4,018,417)**	**6,970,042**
Operating expenses	**5,085,304**	**1,795,319**	**1,459,087**	**1,789,574**	**10,129,284**	**(4,023,339)**	**6,105,945**
Operating income	**$ 718,223**	**$ 56,651**	**$ 44,565**	**$ 39,736**	**$ 859,175**	**$ 4,922**	**$ 864,097**
Assets	**$ 4,173,598**	**$ 569,886**	**$ 436,717**	**$ 562,610**	**$ 5,742,811**	**$ 601,442**	**$ 6,344,253**

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

Notes: 1. As described in Note 2 (m), Directors' 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 Directors' 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 this change was to decrease operating income in Japan for the period ended March 31, 2007 by ¥90 million ($762 thousand), as compared with the amounts calculated by the previous method.

2. As described in Note 2 (i), Stock Options 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.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 this change was to decrease operating income in Japan for the period ended March 31, 2007 by 83 million yen ($704 thousand), as compared with the amounts calculated by the previous method.

(c) Export Sales
For the years ended March 31, 2007 and 2006

	Millions of Yen, %				Thousands of U.S. Dollars
	2007	**(A)/(B)**	2006	(A)/(B)	**2007**
Export sales (A)					
North America	**¥ 207,845**	**25.3%**	¥ 209,676	28.7%	**$1,760,655**
Europe	**176,261**	**21.4**	166,127	22.7	**1,493,106**
Asia	**217,940**	**26.5**	173,308	23.7	**1,846,166**
Other Area	**13,068**	**1.6**	8,689	1.2	**110,703**
Total	**615,114**	**74.8%**	¥ 557,800	76.3%	**$5,210,630**
Net sales (B)	**¥ 822,813**		¥ 730,944		**$6,970,042**

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