

## Interim Report on Settlement of Accounts (Consolidated) for Business Year Ending March 31, 2007

Listed on TSE  
Head Office Located in Tokyo

Name of Listed Company: PENTAX Corporation

Code No.: 7750

(URL: <http://www.pentax.co.jp/>)

President and CEO: Fumio Urano

For more information, contact Mikihisa Enomoto, Vice President, General Manager for Finance and Account Department.

Tel: (03) 3960-5151

Date of board meeting on interim settlement of accounts: November 7, 2006

Are the U.S. Accounting Standards adopted? No.

### 1. The consolidated business results for the first half year (from April 1 to September 30, 2006):

#### (1) Consolidated business results

The amount of money less than million yen is rounded off.

	Net sales		Operating income		Ordinary income	
	Million yen	%	Million yen	%	Million yen	%
1st half year ending September 30, 2006	74,669	7.7	1,555	66.0	1,055	-10.0
1st half year ending September 30, 2005	69,299	9.3	936	-49.4	1,172	-47.5
For the business year ending March 31, 2006	142,211		2,985		3,260	

	Half-year net income		Half-year net income per share	Half-year net income per share after adjustment of potential shares
	Million yen	%	Yen	Yen
1st half year ending September 30, 2006	1,089	-	8.53	8.04
1st half year ending September 30, 2005	-330	-	-2.70	-
For the business year ending March 31, 2006	805		6.50	5.94

Note 1: The investment profits or losses on equity method were 51 million yen in the first half year ending September 30, 2006, 3 million yen in the first half year ending September 30, 2005, and -61 million yen in the business year ending March 31, 2006.

Note 2: The average numbers of shares (consolidated basis) were 127,574,123 in the first half year ending September 30, 2006, 122,476,762 in the first half year ending September 30, 2005, and 123,759,699 in the business year ending March 31, 2006.

Note 3: Is there any change in the method of accounting procedure? No.

Note 4: The figures expressed in % for the net sales, operating income, ordinary income and net income for the first half year represent the rate of increase or decrease from the same period a year earlier.

## (2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
1st half year ending September 30, 2006	136,949	39,669	29.0	310.96
1st half year ending September 30, 2005	120,802	34,079	28.2	278.25
For the business year ending March 31, 2005	126,969	39,013	30.7	305.79

Note: The numbers of issued shares (consolidated basis) were 127,570,306 at the end of the first half year ending September 30, 2006, 122,473,221 at the end of the first half year ending September 30, 2005, and 127,579,222 at the end of the business year ending March 31, 2006.

## (3) Consolidated cash flow

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Ending balance of cash and cash equivalents
	Million yen	Million yen	Million yen	Million yen
1st half year ending September 30, 2006	4,094	-2,904	6,333	22,349
1st half year ending September 30, 2005	-1,929	-2,138	876	12,355
For the business year ending March 31, 2006	-909	-5,426	5,297	14,736

## (4) The matters related to the scope of consolidation and the application of equity method:

The number of consolidated subsidiaries is 32, that of nonconsolidated subsidiaries that the equity method is applied to is 0, and that of affiliates that the equity method is applied to is 6.

## (5) The status of changes in the scope of consolidation and the application of equity method:

Consolidation: two companies are newly added and one company is excluded.

Equity method: two companies are newly added and no company is excluded.

## 2. Prospective consolidated business results for 2006 business year (from April 1, 2006 to March 31, 2007)

	Net sales	Ordinary income	Net income
	Million yen	Million yen	Million yen
Full-business year	159,000	4,400	3,300

(Reference) Prospective net income per share (for the full-business year): 25.87 yen

For the preconditions of the prospects mentioned above and other related matters, please see page 10.

## Management Policy

### **1. Basic policy of management**

Our Group is developing advanced technologies and products of the “PENTAX” brand in various fields such as cameras, digital products, medical and biotechnology-related products, and industrial products. The underlying idea behind all of our businesses is that “we want to help people create many precious moments in their daily lives.” To actively promote this idea in our businesses, we declare our PENTAX-wide slogan, i.e., “for your precious moments.”

Under this slogan, we will provide the products and services required by customers in a timely manner based on our basic policy of management to increase our economic value in pursuit of the development of original products that fully capitalize on our optomechatronics technology and create the value of the company. At the same time, we will promote the activities in consideration of corporate social responsibility and measures for the environment.

Following this policy, we declare the following seven visions as a form of the Company that we must pursue:

- ① A company that has a strong name brand.
- ② A company that creates hit products.
- ③ A company that has price competitiveness.
- ④ A company that can provide the products and services desired by customers in a timely manner.
- ⑤ A company that is socially trusted and respected.
- ⑥ A company where employees can achieve self-realization and the results of self-realization are rewarded.
- ⑦ A company that always challenges growth and high profits.

Under these visions, our Group aims to be evaluated as a “valuable company” by stakeholders including “shareholders,” “customers,” “business partners,” “employees,” “local communities,” etc.

### **2. Basic policy on appropriation of profits**

In deciding the dividends to shareholders, the Company believes that the amount of dividends must be decided in proportion to actual business performance under the basic policy of keeping on paying stable dividends, while ensuring the internal reserves that are necessary to strengthen our financial position and actively promote our businesses.

### **3. Views and policy on lowering of investment unit**

Though the lowering of investment unit is one of effective measures for the reinvigoration of the stock market, the Company would like to carefully review the implementation of the measure, taking into account market demands and developments of the Company’s stock price.

#### **4. Targeted management indices**

We aim to realize as early as possible the conversion to a well-balanced business profitability structure that consists of Life Care Business, Imaging System Business and Optical Component Business, and achieve an 8% operating profit margin in the business year ending in March 31, 2009.

#### **5. Medium-term management strategy**

Our Group will improve our profitability and name brand based on many years of accumulated technologies, promote management in accordance with global standards, make our Company a place where our employees can find their lives worth living, and thus strive for continuous business growth and expansion of our Group. Moreover, to realize speedy management, we will also implement swift decision-making and operations according to each management aspect such as development, production and sales. Specifically, we will take the following measures:

##### (1) Strategic investment from defense to offense

###### ① Research & development

Our Group will make active investments in research and development in our business fields for the efforts to expand and reinforce our present businesses as well as to address new researches and new businesses.

###### ② Businesses

Our Group will start new businesses and actively promote strategic business alliances and M&As in various fields.

###### ③ Production structure buildup

Our Group will actively make investments as necessary to build up our production capacity and reinforce our production technologies, and thereby improve our production structure.

##### (2) Review and buildup of business bases

###### ① Reorganization of businesses both at home and abroad

Our Group will review each one of businesses of our subsidiaries both at home and abroad and improve efficiency through the selection and concentration of optimum businesses at each subsidiaries.

###### ② Development of new markets

In new markets that are expected to further expand in the future, our Group will promote the market penetration of the PENTAX brand, strengthen relationship with local business partners and develop new markets through multichannel outlets.

###### ③ Structural reform of administration and indirect departments

Our Group promotes the optimization of the administration and indirect departments, and create IT systems that allow global and speedy management.

## **6. Challenges to be addressed by the Company**

Our Group aims at the conversion to a well-balanced business profitability structure that consists of Life Care Business, Imaging System Business and Optical Component Business, and making inroads into new business fields.

The first challenge is to expand the business spheres of Life Care Business and Optical Component Business, which are regarded as growing businesses, and make inroads into new business fields. While reinforcing our product competitiveness, we will continue to make active investments.

As we think that the next challenge is to stabilize the profits of Imaging System Business, and we will continue to promote our cost reduction efforts. Moreover, we aim to develop higher value-added products and increase the profitability of the business.

To achieve the challenge to launch new businesses that contribute to the growth of our Group, we will promote the research and development at the research and development headquarters that has been newly formed, and foster cooperation with other companies, universities, etc.

We think that the economic climate surrounding our Group continues to allow no optimism in view of changing digital camera markets and increasing prices of raw materials due to crude oil that has been stuck at a high price level. With an aim to achieve the challenges by consolidating the entire Group forces ranging from development and sales, we will continue to expand corporate value under the keyword of "Growth and Expansion."

## **7. Risks related to the businesses**

As for the risks related to the businesses of our Group, etc., there are following major matters that may have an important impact on the judgments of investors. The matters mentioned in the text concerning the future are judged by our Group as of the time of submission of this disclosure document (November 7, 2006).

### **(1) Risks involved in business activities overseas**

Our Group conducts a significant part of our business activities through marketing sites in North America and Europe as well as production sites in Asia. However, such overseas developments have inherent risks of social ferment such as terrorist attacks, wars, infectious diseases, etc. as well as unexpected changes in laws and regulations. Therefore, such events, if they actually take place, may have an adverse impact on the business performance and financial situation of our Group.

### **(2) Risks related to information leakage**

Our Group has a lot of personal information and confidential information in carrying out our businesses, and takes various measures for information management. However, in the event of information leakage, public confidence in our Group may decrease and our Group may be responsible for a great amount of compensation for damages.

### **(3) Risks involved in exchange rate fluctuations**

The amount of overseas sales of our Group accounts for more than 70% of our consolidated sales. As our production and procurement of parts and components are also conducted overseas, exchange rate fluctuations have an impact on our deals in foreign currency. Therefore, we make

forward exchange contracts to avoid foreign exchange risks. However, an unexpected exchange rate fluctuation, if it happens, may have an adverse impact on the business performance of our Group.

(4) Risks related to intellectual property rights

Though our Group makes thorough preliminary surveys not to infringe on intellectual property rights of other companies when we develop, produce and market new products, we cannot deny the possibility that a third party may claim an infringement of its intellectual property right beyond the recognition of our Group. In such a case, we may have to bear court costs. Depending on the results of lawsuit, moreover, we may not be allowed to use the technology in question and may be responsible for a large amount of compensation for damages.

(5) Risks related to quality of products

Our Group produces various products under strict quality standards. However, in the unlikely event that our Group is accused of a recall or product liability when a quality trouble takes place, we have to bear the cost of collection of our products. Moreover, the confidence of customers in our Group may be seriously impaired, and our Group may be responsible for a large amount of compensation for damages, depending on the product of quality trouble.

(6) Risks related to ensuring and development of human resources

Sustainable growth of our Group depends largely on the ensuring and development of superior human resources in every field. However, if we cannot prevent a drain of smart people or cannot newly woo and develop smart people amid a rapid diversification of employment environment, there may be an adverse impact on the growth and business performance of our Group.

(7) Risks involved in natural disasters, accidents, etc.

Our Group has many production sites both at home and abroad. If large-scale natural disasters and accidents take place at these sites, our production activities may stop or delay, causing an adverse impact on the business performance and financial situation of our Group.

(8) Risks related to procurement of materials, etc.

Part of the raw materials, parts and components, etc., which are used in the production activities of our Group, are procured from limited sources or sources that can be hardly replaced because of their special characteristics. Such materials, parts and components may not be procured in a stable manner due to disasters and accidents at procurement sources, or a sudden rise in their buying prices. In such a case, there may be an opportunity loss due to delayed shipment of products and an adverse impact on the business performance and financial situation of our Group.

## Business Results and Financial Position

### **1. Outline of consolidated half-year period under review**

#### **(1) Outline of business performance in the consolidated half-year period under review**

The global economy in the consolidated half-year period under review remained steady in spite of a concern over the impact of crude oil stuck at a high price level on the economy. As for the U.S. economy, though there seems to be a sign of economic downturns, the corporation sector's performance is robust, and personal consumption remains steady overall, thanks to the effect of increase in incomes. The European economy is now getting out of a slowdown trend through restoration of corporate performance. The Asian economy is in a growing trend in general such as a rapid increase in exports from China, restoration of corporate performance in South Korea and Chinese Taipei, etc. The Japanese economy, on the other hand, remains steady as corporate performance has been rapidly restored, and consequently employment situation has been improved, and personal consumption has remained firm in tone.

Under such circumstances, our net sales for the consolidated half-year period amounted to 74,669 million yen, an increase of 7.7% over the same period last year (hereinafter "same period a year earlier"), thanks mainly to the steady sales of digital cameras of Imaging System Business in the European and North American markets.

As for profits and losses, we put our energies into reducing costs, including selling, general and administrative expenses, of Imaging System Business. As a result, our financial results have improved over the same period a year earlier, and the operating income was 1,555 million yen, an increase of 66.0% over the same period a year earlier. The ordinary income was 1,055 million yen, a decline of 10.0% over the same period a year earlier, due to an increase in interest expenses. The net income for the first half year was 1,089 million (the net loss for the same period a year earlier was 330 million yen).

The results of segments by business are as follows:

#### **Life Care Business**

In the medical endoscopes field, the market environment was difficult in the North American market because of the offensive of competitors. In the European and Asian markets where prices of products are continuously lowering, we promoted regional sales strategies appropriate to the needs of respective markets such as the sales of high cost-performance models.

In the new ceramics field, we expanded the sales of bone anaplerotic materials (artificial bones) such as Apaceram, Biopecs-R, etc., and that of fillers in the protein separation market. In May 2006, we started the sale of "Apaceram-AX" that has superior characteristics that cellular tissues can easily penetrate because greater porosity than that of conventional bone anaplerotic materials, and that bone tissues are reproduced and repaired in a rapid manner.

In July 2006, we started the sale of the "Airway Scope AWS-S100," a rigid video laryngoscope for intubation, which allows quick and accurate tracheal intubation, while checking images displayed on an LCD monitor.

In the medical accessory field, we tried to expand the group of peritoneoscopic surgical instruments through Microline PENTAX, Inc., and steadily increased the sales thereof. We also tried to expand the group of flexible endoscopic surgical instruments and started the sale of the "Mucosectom" in June 2006, which is used for endoscopic submucosal dissection which,

combined with endoscope, resects and cures affected area such as early gastric cancer.

As a result, the net sales of Life Care Business as a whole amounted to 18,872 million yen (an increase of 3.2% over the same period a year earlier). The operating income, however, amounted to 1,046 million yen (a decline of 55.0% over the same period a year earlier) because the amount of sales did not reach the originally expected level due to harsh market environment and consequently the cost to sales ratio increased.

### **Imaging System Business**

In the digital camera field, we put efforts and energy to development and design of digital single-lens reflex cameras, of which the market is growing, and at the same time, as to compact digital cameras, we are narrowing down the number of new product models for each coming season. In addition, we are making efforts to optimize the finished goods inventory of digital cameras and further promote cost reduction.

As to digital single-lens reflex cameras, in July 2006, we put on sale “K100D” that features a unique mechanism to correct unintentional movement of the hands in taking a picture. This product has been highly valued in both domestic and overseas markets since it was put on sale.

As for compact digital cameras, we started in March 2006 the sale of “Optio A10” that pursues high picture quality and features a unique mechanism to correct unintentional movement of the hands in taking a picture, and in April 2006 the sale of “Optio T10” that features a large-scale, high-resolution LCD monitor with touch-screen capability. The sales of these products have steadily increased. “Optio E10” that we introduced on the European market in February 2006 could be well received as a high cost-performance model, and its sales have remained steady.

As a result, the net sales of Imaging System Business as a whole amounted to 37,144 million yen (an increase of 10.8% over the same period a year earlier). The operating income significantly improved and amounted to 229 million yen (the operating loss for the same period a year earlier was 1,569 million yen) as a result of our energies put into the reduction of costs such as selling, general and administrative expenses, etc.

### **Optical Component Business**

The digital camera module field faced a harsh market environment as prices further lowered due to intensified competition both at home and overseas. Under such circumstances, we used proven sliding lens systems, supplied ahead of all others the new modules for digital cameras that support high resolution of 10 megapixels, and increased the sales thereof.

In the microlens field, though falling market prices of DVD products forced us to reduce the unit selling prices, the sales remained steady as a result of our efforts to expand sales.

In the field of the laser scanning units for printers, we increased sales as we could receive orders from customers more than we had planned.

In the security field, the sales of the industry’s first pan-focus zoom lens in the field of lenses for surveillance cameras increased in the Japanese and Chinese markets. Moreover, the sales of high-powered zoom lenses and that of lenses for FA remained steady mainly in the European market.

As a result, the net sales of Optical Component Business amounted to 15,037 million yen (an increase of 6.3% over the same period a year earlier). The operating income amounted to 1,334 million yen (a decline of 26.4% over the same period a year earlier) because of lowering prices of digital camera modules and an increase in the cost to sales ratio due to the effect of lowered unit

selling prices of microlenses, although there was a favorable effect of reduction in production costs of microlenses and laser scanning units.

### **Other Businesses**

In Other Businesses, including the surveying instrument business that we have promoted mainly in the Chinese market, the net sales amounted to 3,616 million yen (an increase of 8.3% over the same period a year earlier) because of the effect of difficult market environment. As for profits and losses, the operating loss amounted to 167 million yen (the operating loss for the same period a year earlier was 390 million yen). Of Other Businesses, part of the business system sector, which deals with precision pattern rendering systems and data origination and processing systems, was transferred to ORC Manufacturing Co., Ltd. in July 2006.

## **(2) Financial position**

The status of our cash flows during the consolidated half-year period under review is as follows:

### **(Cash flows from operating activities)**

The funds provided by operating activities increased to 4,094 million yen (compared to an decrease to 1,929 million yen in the same period a year earlier).

The major factors of increase in the funds are ¥2,398 million depreciation, and ¥3,565 million in notes and accounts payables. The major factors of decrease in the funds are a ¥1,738 million in other assets and liabilities, and ¥881 million in interest payment.

### **(Cash flows from investing activities)**

The funds used in investing activities decreased to 2,904 million yen (compared to a decrease to 2,138 million yen in the same period a year earlier).

The major factors of increase in the funds are ¥1,535 million proceeds from transfer of business. The major factors of decrease in the funds are ¥3,243 million invested in acquisition of tangible fixed assets, and ¥1,438 invested in acquisition of intangible fixed assets.

### **(Cash flows from financing activities)**

The funds provided by financing activities increased to 6,333 million yen (compared to an increase to 876 million yen in the same period a year earlier).

The major factors are attributable to a ¥5,927 million increase in long-term borrowings and a ¥1,106 million increase in short-term borrowings, and ¥763 million decrease in payments of dividends.

As a result, the cash and cash equivalents at the end of the first half year period under review increased by 51.7% from the same period a year-earlier to 22,349 million yen.

The trends of cash flow indicators of our Group are as follows:

	1st half year ending September 30, 2004	For the business year ending March 31, 2005	1st half year ending September 30, 2005	For the business year ending March 31, 2006	1st half year ending September 30, 2006
Equity ratio (%)	25.5	28.4	28.2	30.7	29.0
Equity ratio based on current values (%)	37.0	43.4	51.2	69.0	48.3
Period of debt redemption (years)	50.0	5.0	–	–	5.7
Interest coverage ratio (times)	0.8	8.3	–	–	4.7

Notes

Equity ratio: equity capital/total assets  
 Equity ratio based on current values: aggregate market value of shares/total assets  
 Period of debt redemption: interest-bearing debt/operating cash flow  
 Interest coverage ratio: operating cash flow/interest payment

- \* Each indicator is calculated based on the consolidated financial values.
- \* An aggregate market value of shares is calculated by: term-end closing price of share × term-end number of shares issued (after deduction of treasury stocks)
- \* The operating cash flow represents the cash flow from operating activities as mentioned in the consolidated statements of cash flows. The interest-bearing debt covers the short- and long-term liabilities and borrowings, which are mentioned in the consolidated balance sheet. The interest payment represents the payment of interests mentioned in the consolidated statements of cash flows.
- \* The period of debt redemption calculated for the half year is doubled to convert the amount of operating cash flow into a full-business year amount.
- \* The period of debt redemption and instant coverage ratio for the half-year period ended in September 2005 and for the business year ended in March 2006 are not mentioned because the cash flow from Operating activities was minus.

### (3) Outline of non-consolidated business results

The non-consolidated net sales for the first half year period under review amounted to 53,917 million yen, a decline of 0.6% over the same period a year earlier, whereas the non-consolidated operating income amounted to 880 million yen, an increase of 50.1% over the same period a year earlier. The non-consolidated ordinary income amounted to 440 million yen, a decline of 68.3% over the same period a year earlier. The non-consolidated net income amounted to 316 million yen (the non-consolidated net loss for the same period a year earlier was 352 million yen).

## 2. Prospective business results of the full-business year

The prospective consolidated and non-consolidated business results of the full-business year are as follows:

### 1. Prospective consolidated business results

Net sales	159.0 billion yen	(up 11.8% from the previous business year)
Ordinary income	4.4 billion yen	(up 35.0% from the previous business year)
Net income	3.3 billion yen	(up 309.9% from the previous business year)

### 2. Prospective non-consolidated business results

Net sales	115.0 billion yen	(up 6.2% from the previous business year)
Ordinary income	2.2 billion yen	(down 44.7% from the previous business year)
Net income	1.2 billion yen	(up 44.4% from the previous business year)

(As for the prospects mentioned above, foreign exchanges rates are assumed to be 115 yen per U.S. dollar and 145 yen per Euro.)

\* The Company has judged based on the information available as of now that the prospective business results mentioned above are reasonable, and they have risks and uncertainties. Please note that actual business results may differ from the prospective business results mentioned above.

As for the dividend at the end of the business year, we plan to pay 7 yen per share (compared to 6 yen per share in the same period a year earlier).

## Interim Consolidated Balance Sheet

(Unit: million yen)

Term Accounts	At the end of consolidated half-year period under review (September 30, 2006)		At the end of previous consolidated half-year period (September 30, 2005)		Previous consolidated business year (March 31, 2006)		Change from previous consolidated business year	
	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Change
(Assets)		%		%		%		%
Current assets	(89,774)	65.6	(77,187)	63.9	(81,902)	64.5	(7,872)	9.6
Cash on hand and in banks	23,853		13,845		16,312		7,541	
Note and accounts receivable – trades	32,897		30,080		31,775		1,122	
Inventories	26,433		26,354		27,048		-615	
Deferred tax assets	4,086		4,500		4,270		-184	
Others	3,132		3,049		3,157		-25	
Allowance for doubtful accounts	-627		-641		-660		33	
Fixed assets	(47,175)	34.4	(43,615)	36.1	(45,067)	35.5	(2,108)	4.7
Tangible fixed assets	(26,241)	19.1	(24,707)	20.4	(25,295)	19.9	(946)	3.7
Buildings and structures	6,784		7,104		6,916		-132	
Land	7,487		7,747		7,752		-265	
Others	11,970		9,856		10,627		1,343	
Intangible fixed assets	(7,783)	5.7	(6,227)	5.2	(6,576)	5.2	(1,207)	18.3
Goodwill	5,088		–		–		5,088	
Consolidation Goodwill	–		4,023		4,152		-4,152	
Others	2,695		2,204		2,424		271	
Investment and other assets	(13,151)	9.6	(12,681)	10.5	(13,196)	10.4	(-45)	0.3
Investment securities	6,937		6,960		7,067		-130	
Deferred tax assets	4,155		3,129		3,857		298	
Others	2,074		2,608		2,287		-213	
Allowance for doubtful accounts	-15		-16		-15		-0	
Total assets	136,949	100.0	120,802	100.0	126,969	100.0	9,980	7.9

(Unit: million yen)

Term Accounts	At the end of consolidated half-year period under review (September 30, 2006)		At the end of previous consolidated half-year period (September 30, 2005)		Previous consolidated business year (March 31, 2006)		Change from previous consolidated business year	
	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Change
(Liabilities)		%		%		%		%
Current liabilities	(56,837)	41.5	(52,213)	43.2	(52,716)	41.5	(4,121)	7.8
Notes and accounts payable - trades	22,846		20,467		19,252		3,594	
Short-term borrowings	19,168		16,342		17,598		1,570	
Product warranty reserves	659		747		763		-104	
Others	14,164		14,657		15,103		-939	
Fixed liabilities	(40,443)	29.5	(34,219)	28.4	(34,749)	27.4	(5,694)	16.4
Corporate bond with subscription right	4,261		7,000		4,251		10	
Long-term borrowings	23,268		14,412		17,678		5,590	
Allowance for retirement benefits	9,881		9,690		9,689		192	
Allowance for retirement benefits to directors	225		176		203		22	
Deferred tax liabilities from revaluation	2,378		2,479		2,479		-101	
Others	430		462		449		-19	
Total liabilities	97,280	71.0	86,432	71.6	87,465	68.9	9,815	11.2
(Minority interests)								
Minority interests	-		291	0.2	491	0.4	-	
(Shareholders' equity)								
Capital stock	-		6,129	5.1	7,510	5.9	-	
Capital surplus	-		19,659	16.2	21,040	16.5	-	
Retained earnings	-		9,793	8.1	10,928	8.6	-	
Revaluation differences of land	-		3,642	3.0	3,642	2.9	-	
Evaluation differences of other securities	-		1,551	1.3	1,792	1.4	-	
Foreign currency translation adjustments	-		-6,662	-5.5	-5,859	-4.6	-	
Treasury stock	-		-33	-0.0	-40	-0.0	-	
Total shareholders' equity	-		34,079	28.2	39,013	30.7	-	
Total liabilities, minority interests and shareholders' equity	-		120,802	100.0	126,969	100.0	-	
(Net assets)								
Shareholders' equity	(39,903)	29.1						
Capital stock	7,510	5.5	-		-		-	
Capital surplus	21,040	15.3	-		-		-	
Retained earnings	11,399	8.3	-		-		-	
Treasury stock	-46	-0.0	-		-		-	
Differences of evaluation and conversion	(-961)	-0.7						
Evaluation differences of other securities	1,480	1.1	-		-		-	
Revaluation differences of land	3,494	2.5	-		-		-	
Foreign currency translation adjustments	-5,935	-4.3	-		-		-	
Minority interests	727	0.6	-		-		-	
Total net assets	39,669	29.0	-		-		-	
Total liabilities and net assets	136,949	100.0	-		-		-	

## Interim Consolidated Statements of Income

(Unit: million yen)

Accounts	Term	Consolidated half-year period under review (From April 1 to September 30, 2006)		Previous consolidated half-year period (From April 1 to September 30, 2005)		Change		Previous consolidated business year (From April 1, 2005 to March 31, 2006)	
		Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
Net sales		74,669	100.0	69,299	100.0	5,370	7.7	142,211	100.0
Cost of sales		50,740	68.0	45,747	66.0	4,993	10.9	92,593	65.1
Gross profit		23,929	32.0	23,552	34.0	377	1.6	49,618	34.9
Selling, general and administrative expenses		22,374	29.9	22,616	32.7	-242	-1.1	46,633	32.8
Operating income		1,555	2.1	936	1.3	619	66.0	2,985	2.1
Non-operating income		(709)	0.9	(1,042)	1.5	(-333)	-31.9	(2,275)	1.6
Interest received		79		63		16		171	
Dividends received		27		36		-9		43	
Revenues from land and house rent, etc.		14		12		2		26	
Investment profit on equity method		51		3		48		-	
Foreign currency exchange gain, net		288		701		-413		1,401	
Others, net		250		227		23		634	
Non-operating expenses		(1,209)	1.6	(806)	1.2	(403)	49.9	(2,000)	1.4
Interest expenses		875		522		353		1,230	
Investment loss on equity method		-		-		-		61	
Others, net		334		284		50		709	
Ordinary income		1,055	1.4	1,172	1.6	-117	-10.0	3,260	2.3
Extraordinary income		(498)	0.7	(207)	0.3	(291)	140.4	(554)	0.3
Capital gain on transfer of business		325		143		182		143	
Profit on fixed assets sold		173		2		171		2	
Gain on sales of investment securities		-		-		-		315	
Profit on the adjustment of previous term income		-		59		-59		63	
Others, net		-		3		-3		31	
Extraordinary loss		(151)	0.2	(1,688)	2.4	(-1,537)	-91.1	(3,176)	2.2
Extra additional cost for early-retirement preferential treatment		-		1,008		-1,008		1,008	
Business restructuring related expenses		-		311		-311		683	
Loss on fixed assets sold and retired		48		51		-3		89	
Devaluation loss of investment securities		-		-		-		93	
Loss on liquidation of affiliated companies		45		318		-273		811	
Patent royalty of the past business year		58		-		58		276	
Others, net		-		-		-		216	
Half-year net income before adjustment of income taxes and others (- net loss)		1,402	1.9	-309	-0.5	1,711	-	638	0.4
Corporate tax, local tax and business tax		150	0.2	264	0.4	-114		648	0.4
Adjusted amount of corporate tax and others		7	0.0	-266	-0.4	273		-921	-0.7
Minority interest in income		156	0.2	23	0.0	133		106	0.1
Half-year net income (- net loss)		1,089	1.5	-330	-0.5	1,419	-	805	0.6

## Statement of Interim Consolidated Surplus

(Unit: million yen)

Term	Previous consolidated half-year period (From April 1 to September 30, 2005)	Previous consolidated business year (From April 1, 2005 to March 31, 2006)
Accounts	Amount	Amount
(Capital surplus)		
Beginning balance of capital surplus	19,659	19,659
Increase in additional paid in capital		(1,381)
New stock issued by capital increase		1,381
Balance of capital surplus at the end of the first half year	19,659	21,040
(Retained earnings)		
Beginning balance of retained earnings	11,437	11,437
Increase in retained earnings	(–)	(805)
Half-year net income	–	805
Decrease in retained earnings	(1,644)	(1,314)
Dividend	551	551
Bonuses to directors	69	69
Half-year net loss	330	–
Decrease due to changes in British accounting standards for retirement benefits	694	694
Balance of retained earnings at the end of the first half year	9,793	10,928

## Statement of Changes in Interim Consolidated Shareholders' Equity, Etc.

Consolidated half-year period under review (from April 1 to September 30, 2006)

(Unit: million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of March 31, 2006	7,510	21,040	10,928	-40	39,438
Amount of change during the consolidated half-year period					
Dividends from retained earnings			-765		-765
Half-year net income			1,089		1,089
Acquisition of treasury stock				-6	-6
Decrease of revaluation differences of land			148		148
Amount of change in items other than shareholders' equity during the consolidated half-year period (net amount)					-
Total of amounts of changes during the consolidated half-year period	-	-	472	-6	466
Balance as of September 30, 2006	7,510	21,040	11,399	-46	39,903

	Differences of evaluation and conversion			Minority interests	Total net assets
	Evaluation differences of other securities	Revaluation differences of land	Foreign currency translation adjustments		
Balance as of March 31, 2006	1,792	3,642	-5,859	491	39,504
Amount of change during the consolidated half-year period					
Dividends from retained earnings					-765
Half-year net income					1,089
Acquisition of treasury stock					-6
Decrease of revaluation differences of land		-148			-
Amount of change in items other than shareholders' equity during the consolidated half-year period (net amount)	-312		-76	236	-152
Total of amounts of changes during the consolidated half-year period	-312	-148	-76	236	166
Balance as of September 30, 2006	1,480	3,494	-5,935	727	39,669

## Statement of Interim Consolidated Cash Flows

(Unit: million yen)

Term Accounts	Consolidated half-year period under review (From April 1 to September 30, 2006)	Previous consolidated half-year period (From April 1 to September 30, 2005)	Previous consolidated business year (From April 1, 2005 to March 31, 2006)
I. Cash flows from operating activities			
Half-year net income before adjustment of income taxes and others (-: net loss)	1,402	-309	638
Depreciation	2,398	2,111	4,684
Amortization of consolidated adjustment account	-	103	212
Amortization of goodwill	115	-	-
Decrease in allowance for doubtful accounts	-48	-78	-92
Increase in product warranty reserves (-: decrease)	-116	99	103
Increase in accrued bonuses(-: decrease)	3	-126	39
Increase in allowance for retirement benefits(-: decrease)	178	-45	-35
Investment loss on equity method (-: gain)	-51	-3	61
Interest and dividends received	-106	-99	-214
Interest expenses	875	522	1,230
Foreign currency exchange gain	-13	-14	-16
Gain on sales of investment securities	-	-3	-315
Devaluation loss of investment securities	-	-	93
Profit on fixed assets sold	-173	-	-2
Loss on fixed assets sold and retired	48	51	89
Increase in notes and accounts receivable	-568	-2,081	-2,882
Decrease in inventories (-: increases)	-86	1,614	1,551
Increase in notes and accounts payable (-: decrease)	3,565	-2,605	-3,872
Increase and decrease in other assets and liabilities	-1,738	-1,204	-1,094
Payment of bonuses to directors	-	69	-69
Patent royalty of the past business year	58	-	276
Business restructuring related expenses	-	311	683
Extra additional cost for early-retirement preferential treatment	-	1,008	1,008
Loss on liquidation of affiliated companies	45	318	811
Capital gain on transfer of business	-325	-143	-143
Other marketing activities	-374	-44	-75
Sub-total	5,089	-686	2,669
Interest and dividends received	113	98	208
Payment of interest	-881	-526	-1,216
Payment of extra additional cost for early-retirement preferential treatment	-	-	-1,008
Payment of business restructuring related expenses	-	-214	-683
Payment of income taxes	-227	-601	-879
Net cash provided by operating activities	4,094	-1,929	-909
II. Cash flows from investing activities			
Decrease in time deposits - net	73	20	23
Payment for acquisition of tangible fixed assets	-3,243	-2,279	-5,304
Proceeds from tangible fixed assets sold	671	785	883
Payment for acquisition of intangible fixed assets	-1,438	-495	-828
Payment for purchase of investment securities	-341	-21	-46
Proceeds from investment securities sold	-	4	486
Proceeds from transfer of business	1,535	214	214
Payments for subsidiary's stocks acquired due to change in the scope of consolidation	-	-124	-516
Other investment activities	-161	-242	-338
Net cash used in investing activities	-2,904	-2,138	-5,426
III. Cash flows from financing activities			
Increase in short-term borrowings (-: decrease)	1,106	-686	-374
Proceeds from long-term borrowings	7,300	3,366	8,666
Repayments of long-term borrowings	-1,373	-1,291	-2,573
Proceeds from shares issued to minority shareholders	94	36	136
Payment of acquisition of treasury stock	-6	-	-
Payment of dividends	-763	-547	-548
Dividends payment to minority interest	-25	-	-
Other financing activities	-	-2	-10
Net cash provided by (used in) financing activities	6,333	876	5,297
IV. Effect of exchange rate changes on cash and cash equivalents	90	151	378
V. Net increase in cash and cash equivalents(-: decrease)	7,613	-3,040	-659
VI. Cash and cash equivalents at the beginning of the year	14,736	15,395	15,395
VII. Cash and cash equivalents at the end of the first half year	22,349	12,355	14,736

(Unit: million yen)

Term Accounts	Consolidated half-year period under review (From April 1 to September 30, 2006)	Previous consolidated half-year period (From April 1 to September 30, 2005)	Previous consolidated business year (From April 1, 2005 to March 31, 2006)
The relationships between the balances of cash and cash equivalents at the end of the first half year and the monetary amount of accounts mentioned in the (interim) consolidated balance sheet.			
Cash on hand and in banks	23,853	13,845	16,312
Short-term investment that is redeemable in three months from acquisition	-	-	-1,576
Time deposit longer than three months	-1,504	-1,490	-
Cash and cash equivalents	22,349	12,355	14,736

## Segment Information

### 1. Segment information by business

Consolidated half-year period under review (from April 1 to September 30, 2006)

(Unit: million yen)

	Life Care Business	Imaging System Business	Optical Component Business	Other Businesses	Total	Deleted or company-wide	Consolidated basis
Net sales							
(1) Sales to unaffiliated customers	18,872	37,144	15,037	3,616	74,669	—	74,669
(2) Internal sales or amount transferred between segments	—	—	—	—	—	—	—
Total	18,872	37,144	15,037	3,616	74,669	—	74,669
Operating expenses	17,826	36,915	13,703	3,783	72,227	887	73,114
Operating income (- loss)	1,046	229	1,334	-167	2,442	(887)	1,555

Note 1: The business groups are classified by the similarities in products, such as types, characters, markets, etc.

Note 2: Major products of each business group:

Life Care Business ... endoscopes, medical accessory, bone anaplerotic materials, and fillers.

Imaging System Business ... digital cameras, film cameras, medium-format cameras, interchangeable lens, accessories, binoculars, and astronomical telescopes.

Optical Component Business... digital camera modules, microlens, laser scanning units, and lens for surveillance cameras.

Other Businesses ... surveying instruments, mobile printers, audio-related products, and others.

Note 3: Of the operating expenses, the amount of unallocatable operating expenses included in the item of “Deleted or company-wide” amounts to 887 million yen. Costs related to development of new business and research of basic technologies of the parent company are major factors of the expenses.

Previous consolidated half-year period (from April 1 to September 30, 2005)

(Unit: million yen)

	Life Care Business	Imaging System Business	Optical Component Business	Other Businesses	Total	Deleted or company-wide	Consolidated basis
Net sales							
(1) Sales to unaffiliated customers	18,288	33,532	14,141	3,338	69,299	—	69,299
(2) Internal sales or amount transferred between segments	—	—	—	—	—	—	—
Total	18,288	33,532	14,141	3,338	69,299	—	69,299
Operating expenses	15,964	35,101	12,329	3,728	67,122	1,241	68,363
Operating income (- loss)	2,324	-1,569	1,812	-390	2,177	(1,241)	936

Note 1: The business groups are classified by the similarities in products, such as types, characters, markets, etc.

Note 2: Major products of each business group:

Life Care Business ... endoscopes, medical accessory, bone anaplerotic materials, and fillers.

Imaging System Business ... digital cameras, film cameras, medium-format cameras, interchangeable lens, accessories, binoculars, and astronomical telescopes.

Optical Component Business ... digital camera modules, microlens, laser scanning units, and lens for surveillance cameras.

Other Businesses ... business system equipment, surveying instruments, others.

Note 3: Of the operating expenses, the amount of unallocatable operating expenses included in the item of “Deleted or company-wide” amounts to 1,241 million yen. Costs related to development of new businesses and research of basic technologies of the parent company are major factors of the expenses.

Note 4: Changes in classification of business segments and allocation method of operating expenses.

“Optical Component and Other Businesses” is changed to “Optical Component Business” and “Other Businesses. Of the operating

expenses, the expenses related to the administration of the parent company, which are included in the item of “Deleted or company-wide” (excluding expenses for development of new businesses), are included and indicated in each business group. These changes are aimed at strengthening our group management by further clarifying the governing structure of each business group. As a result of these changes and as compared with the same classification method previously applied, the net sales of “Optical Component Business” in the consolidated half-year period under review decreased by 3,338 million yen, and the operating profit increased by 350 million yen. In addition, because the operating expenses in the item of “Deleted or company-wide” decreased by 1,730 million yen and are included in each of the business groups, the operating income of “Life Care Business” decreased by 550 million yen, the operating loss of “Imaging System Business” increased by 710 million yen, the operating income of “Optical Component Business” decreased by 433 million yen, and the operating loss of “Other Businesses” increased by 37 million yen.

Note 5: Changes in the method of accounting procedure

Because of the changes in British accounting standards for retirement benefits in the U.K., the changed accounting standards began being applied to Pentax U.K. Ltd., a consolidated subsidiary of Pentax Corp. from the consolidated half-year period under review. As a result of the changes, compared with the previous standard, the operating expenses of “Life Care Business” increased by 10 million yen, that of “Imaging System Business” by 7 million yen, that of “Optical Component Business” by 3 million yen, and that of “Other Businesses” by 3 million yen, and their operating incomes decreased by the same amounts.

## Previous consolidated business year (from April 1, 2005 to March 31, 2006)

(Unit: million yen)

	Life Care Business	Imaging System Business	Optical Component Business	Other Businesses	Total	Deleted or company-wide	Consolidated basis
I Net sales and operating income/expenses							
Net sales							
(1) Sales to unaffiliated customers	38,647	69,244	27,559	6,761	142,211	—	142,211
(2) Internal sales or amount transferred between segments	—	—	—	—	—	—	—
Total	38,647	69,244	27,559	6,761	142,211	—	142,211
Operating expenses	34,520	70,443	24,462	7,374	136,799	2,427	139,226
Operating income (- loss)	4,127	-1,199	3,097	-613	5,412	(2,427)	2,985

Note 1: The business groups are classified by the similarities in products, such as types, characters, markets, etc.

Note 2: Major products of each business group:

Life Care Business ... endoscopes, medical accessory, bone anaplerotic materials, and fillers.

Imaging System Business ... digital cameras, film cameras, medium-format cameras, interchangeable lens, accessories, binoculars, and astronomical telescopes.

Optical Component Business ... digital camera modules, microlens, laser scanning units, and lens for surveillance cameras.

Other Businesses ... business system equipment, surveying instruments, others.

Note 3: Of the operating expenses, the amount of unallocatable operating expenses included in the item of “Deleted or company-wide” amounts to 2,427 million yen. Costs related to development of new businesses and research of basic technologies of the parent company are major factors of the expenses.

Note 4: Changes in classification of business segments and allocation method of operating expenses.

As for the classification of business segments, “Optical Component and Other Businesses” is changed to “Optical Component Business” and “Other Businesses.” This change is aimed at further clarifying the governing structure of each business group, and strengthening our group management. As a result, as compared with the same classification method previously applied, the net sales of “Optical Component Business” in the consolidated half-year period under review decreased by 6,761 million yen, and the operating expense increased by 536 million yen. In addition, because the operating expenses in the item of “Deleted or company-wide” decreased by 3,604 million yen and are included in each of the business groups, the operating income of “Life Care Business” decreased by 1,145 million yen, the operating loss of “Imaging System Business” increased by 1,483 million yen, the operating income of “Optical Component Business” decreased by 900 million yen, and the operating loss of “Other Businesses” increased by 76 million yen.

## 2. Segment information by region

Consolidated half-year period under review (from April 1 to September 30, 2006)

(Unit: million yen)

	Japan	North America	Europe	Asia	Total	Deleted or company-wide	Consolidated basis
Net sales							
(1) Sales to unaffiliated customers	27,699	20,091	23,761	3,118	74,669	—	74,669
(2) Internal sales or amount transferred between segments	28,205	219	105	3,493	32,022	(32,022)	—
Total	55,904	20,310	23,866	6,611	106,691	(32,022)	74,669
Operating expenses	53,996	20,766	23,596	6,014	104,372	(31,258)	73,114
Operating income (- loss)	1,908	-456	270	597	2,319	(764)	1,555

Note 1: Countries and regions are classified by geographical proximity, and major countries and regions that belong to the classification other than Japan are as follows:

- (1) North America ... the U.S. and Canada
- (2) Europe ... Germany, the U.K. and France
- (3) Asia ... Hong Kong, the Philippines, Vietnam, China and South Korea

Note 2: Of the operating expenses, the amount of unallocatable operating expenses included in the items of “Deleted or company-wide” is 887 million yen. The majority of the cost is the cost related to the administration of the parent company.

Previous consolidated half-year period (from April 1 to September 30, 2005)

(Unit: million yen)

	Japan	North America	Europe	Asia	Total	Deleted or company-wide	Consolidated basis
Net sales							
(1) Sales to unaffiliated customers	29,282	16,923	21,633	1,461	69,299	—	69,299
(2) Internal sales or amount transferred between segments	27,096	25	117	3,575	30,813	(30,813)	—
Total	56,378	16,948	21,750	5,036	100,112	(30,813)	69,299
Operating expenses	54,406	17,095	21,533	4,871	97,905	(29,542)	68,363
Operating income (- loss)	1,972	-147	217	165	2,207	(1,271)	936

Note 1: Countries and regions are classified by geographical proximity, and major countries and regions that belong to the classification other than Japan are as follows:

- (1) North America ... the U.S. and Canada
- (2) Europe ... Germany, the U.K. and France
- (3) Asia ... Hong Kong, the Philippines, Vietnam, and China

Note 2: Of the operating expenses, the amount of unallocatable operating expenses included in the items of “Deleted or company-wide” is 1,241 million yen. The majority of the cost is the cost related to the administration of the parent company.

Note 3: As mentioned in “Segment Information, Note 4: Changes in classification of business segments and allocation method of operating expenses,” the classification of business segments has been changed. Consequently, the expenses related to the administration of the parent company, which are included in the items of “Deleted or company-wide” (excluding expenses for development of new businesses), are included and indicated in the classification of each region. As a result, as compared with the same classification method previously applied, the operating expenses in the item of “Deleted or

company-wide” decreased by 1,730 million yen, and the operating expenses of “Japan” increased by the same amount and the operating income decreased by the same amount.

Note 4: Changes in the method of accounting procedure

Because of the changes in British accounting standards for retirement benefits in the U.K., the changed accounting standards are applied to Pentax U.K. Ltd., a consolidated subsidiary of Pentax Corp. As a result of the changes, compared with the previous standard, the operating expenses of the European segment increased by 23 million yen, and the operating income decreased by the same amount.

Previous consolidated business year (from April 1, 2005 to March 31, 2006)

(Unit: million yen)

	Japan	North America	Europe	Asia	Total	Deleted or company-wide	Consolidated basis
Net sales							
(1) Sales to unaffiliated customers	57,264	35,331	45,983	3,633	142,211	—	142,211
(2) Internal sales or amount transferred between segments	55,311	144	230	7,075	62,760	(62,760)	—
Total	112,575	35,475	46,213	10,708	204,971	(62,760)	142,211
Operating expenses	108,159	36,087	45,041	10,213	199,500	(60,274)	139,226
Operating income (- loss)	4,416	-612	1,172	495	5,471	(2,486)	2,985

Note 1: Countries and regions are classified by geographical proximity, and major countries and regions that belong to the classification other than Japan are as follows:

- (1) North America ... the U.S. and Canada
- (2) Europe ... Germany, the U.K. and France
- (3) Asia ... Hong Kong, the Philippines, Vietnam, China and South Korea

Note 2: Of the operating expenses, the amount of unallocatable operating expenses included in the items of “Deleted or company-wide” is 2,427 million yen in the consolidated half-year period under review. The majority of the cost is the cost related to the administration of the parent company.

Note 3: As mentioned in “Segment Information, Note 4: Changes in classification of business segments and allocation method of operating expenses,” the classification of business segments has been changed. Consequently, the expenses related to the administration of the parent company, which are included in the items of “Deleted or company-wide” (excluding expenses for development of new businesses), are included and indicated in the classification of each region. As a result, as compared with the same classification method previously applied, the operating expenses in the item of “Deleted or company-wide” decreased by 3,604 million yen, and the operating expenses of “Japan” increased by the same amount and the operating income decreased by the same amount.

Note 4: Changes in the method of accounting procedure

Because of the changes in British accounting standards for retirement benefits in the U.K., the changed accounting standards are applied to Pentax U.K. Ltd., a consolidated subsidiary of Pentax Corp. As a result of the changes, compared with the previous standard, the operating expenses of the European segment increased by 4 million yen, and the operating income decreased by the same amount.

### 3. Overseas sales

Consolidated half-year period under review (from April 1 to September 30, 2006)

(Unit: million yen)

	North America	Europe	Other regions	Total
I Overseas sales	20,342	23,877	14,397	58,616
II Consolidated sales				74,669
III Ratio of overseas sales to consolidated sales	27.2%	32.0%	19.3%	78.5%

Previous consolidated half-year period (from April 1 to September 30, 2005)

(Unit: million yen)

	North America	Europe	Other regions	Total
I Overseas sales	16,737	22,095	13,758	52,590
II Consolidated sales				69,299
III Ratio of overseas sales to consolidated sales	24.2%	31.9%	19.8%	75.9%

Previous consolidated business year (from April 1, 2005 to March 31, 2006)

(Unit: million yen)

	North America	Europe	Other regions	Total
I Overseas sales	35,172	46,918	27,561	109,651
II Consolidated sales				142,211
III Ratio of overseas sales to consolidated sales	24.7%	33.0%	19.4%	77.1%

Note 1: Countries and regions are classified by geographical proximity, and major countries and regions that belong to the classification other than Japan are as follows:

- (1) North America ... the U.S. and Canada
- (2) Europe ... Germany, the U.K. and France
- (3) Other regions ... Asia, Oceania, and Central and South America

Note 2: The overseas sales represent the sales of the parent company and subsidiaries in countries and regions other than Japan (except for the internal sales among the consolidated companies).

## Outline of Separate Interim Financial Statements for Business Year Ending March 31, 2007

November 7, 2006

Listed on TSE  
Head Office Located in Tokyo

Name of Listed Company: PENTAX Corporation

Code No.: 7750

(URL: <http://www.pentax.co.jp/>)

President and CEO: Fumio Urano

For more information, contact Mikihisa Enomoto, Vice President, General Manager for Finance and Account Department.

Tel: (03) 3960-5151

Date of board meeting on half-year settlement of accounts: November 7, 2006

Is the unit stock system adopted? Yes. (One unit is 1,000 shares)

### 1. Business results for the first half year (from April 1 to September 30, 2006)

#### (1) Business results

The amount of money less than million yen is discarded.

	Net sales		Operating income		Ordinary income	
	Million yen	%	Million yen	%	Million yen	%
1st half year ending September 30, 2006	53,917	-0.6	880	50.1	440	-68.3
1st half year ending September 30, 2005	54,226	15.0	586	-69.5	1,391	-40.3
For the business year ending March 31, 2006	108,312		2,001		3,976	

	Half-year net income		Half-year net income per share
	Million yen	%	Yen
1st half year ending September 30, 2006	316	—	2.48
1st half year ending September 30, 2005	-352	—	-2.88
For the business year ending March 31, 2006	830		6.71

Note 1: The average numbers of shares were 127,574,123 in the first half year ending September 30, 2006, 122,476,762 in the first half year ending September 30, 2005, and 123,759,699 in the business year ending March 31, 2006.

Note 2: Is there any change in the method of accounting procedure? No.

Note 3: The figures expressed in % for the net sales, operating income, ordinary income and net income for the first half year represent the rate of increase or decrease from the same period a year earlier.

## (2) Financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
1st half year ending September 30, 2006	119,570	40,088	33.5	314.24
1st half year ending September 30, 2005	108,782	36,509	33.6	298.10
For the business year ending March 31, 2006	112,184	40,855	36.4	320.24

Note 1: The numbers of issued shares were 127,570,306 at the end of the first half year ending September 30, 2006, 122,473,221 at the end of the first half year ending September 30, 2005, and 127,579,222 at the end of the business year ending March 31, 2006.

Note 2: The numbers of treasury stocks were 127,646 at the end of the first half year ending September 30, 2006, 108,539 at the end of the first half year ending September 30, 2005, and 118,730 at the end of the business year ending March 31, 2006.

## 2. Prospective business results for 2006 business year (from April 1, 2006 to March 31, 2007)

	Net sales	Ordinary income	Net income
	Million yen	Million yen	Million yen
Full-business year	115,000	2,200	1,200

(Reference) Prospective net income per share (for the full-business year): 9.41 yen

## 3. States of dividends and cash dividends

	Dividend per share (yen)		
	End of the first half year	End of the business year	Yearly
For the business year ending March 31, 2006	-	6.00	6.00
For the business year ending March 31, 2007 (Actual)	-	-	7.00
For the business year ending March 31, 2007 (Prospective)	-	7.00	

For the preconditions of the prospects mentioned above and other related matters, please see page 10.

## Interim Balance Sheet

(Unit: million yen)

Term Accounts	At the end of half-year period under review (September 30, 2006)		At the end of previous half-year period (September 30, 2005)		Previous business year (March 31, 2006)		Change from previous business year	
	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Change
(Assets)		%		%		%		%
Current assets	(69,881)	58.4	(60,270)	55.4	(63,378)	56.5	(6,503)	10.3
Cash on hand and in banks	16,132		7,281		8,666		7,466	
Notes receivable - trades	3,794		4,436		4,526		-732	
Accounts receivable - trades	31,086		29,645		30,808		278	
Inventories	13,253		12,156		11,420		1,833	
Deferred tax assets	1,989		2,021		2,109		-120	
Others	4,195		4,887		6,427		-2,232	
Allowance for doubtful accounts	-570		-158		-581		11	
Fixed assets	(49,689)	41.6	(48,512)	44.6	(48,806)	43.5	(883)	1.8
Tangible fixed assets	(16,896)	14.1	(17,243)	15.8	(17,243)	15.4	(-374)	-2.2
Buildings	4,989		5,360		5,149		-160	
Machinery and equipment	656		712		655		1	
Land	7,627		7,893		7,893		-266	
Others	3,596		3,277		3,544		52	
Intangible fixed assets	(1,272)	1.1	(1,173)	1.1	(1,268)	1.1	(4)	0.3
Investment and other assets	(31,548)	26.4	(30,095)	27.7	(30,293)	27.0	(1,255)	4.1
Investment securities	5,038		5,566		5,563		-525	
Shares of affiliated companies	17,573		15,781		16,158		1,415	
Investments in affiliated companies	3,238		2,599		2,784		454	
Long-term loans	1,344		1,349		1,262		82	
Deferred tax assets	2,444		2,482		2,439		5	
Others	1,923		2,332		2,101		-178	
Allowance for doubtful accounts	-14		-15		-15		1	
<b>Total assets</b>	<b>119,570</b>	<b>100.0</b>	<b>108,782</b>	<b>100.0</b>	<b>112,184</b>	<b>100.0</b>	<b>7,386</b>	<b>6.6</b>

(Unit: million yen)

Term Accounts	At the end of half-year period under review (September 30, 2006)		At the end of previous half-year period (September 30, 2005)		Previous business year (March 31, 2006)		Change from previous business year	
	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Change
(Liabilities)		%		%		%		%
Current liabilities	(42,834)	35.8	(42,172)	38.8	(40,237)	35.9	(2,597)	6.5
Notes payable - trades	10,413		9,822		7,497		2,916	
Accounts payable - trades	11,589		10,178		11,500		89	
Short-term borrowings	14,083		12,680		13,103		980	
Accrued bonuses	1,170		1,189		1,160		10	
Income tax payable	71		66		96		-25	
Product warranty reserves	355		467		470		-115	
Others	5,151		7,768		6,409		-1,258	
Fixed liabilities	(36,648)	30.7	(30,100)	27.6	(31,091)	27.7	(5,557)	17.9
Corporate bond with subscription right	4,260		7,000		4,251		9	
Long-term borrowings	23,213		14,347		17,618		5,595	
Allowance for retirement benefits	4,845		4,881		4,795		50	
Allowance for retirement benefits to directors	211		167		189		22	
Loss reserve for subsidiaries	1,339		802		1,346		-7	
Deferred tax liabilities from revaluation	2,377		2,478		2,478		-101	
Others	400		422		411		-1	
Total liabilities	79,482	66.5	72,272	66.4	71,329	63.6	8,153	11.4
(Shareholders' equity)								
Capital stock	-		6,129	5.6	7,510	6.7	-	
Capital surplus	-		(19,658)	18.1	(21,040)	18.7	-	
Capital reserves	-		1,532		2,913		-	
Other capital surplus	-		18,126		18,126		-	
Gain on decrease in capital reserves	-		18,126		18,126		-	
Retained earnings	-		(5,748)	5.3	(6,931)	6.2	-	
Voluntary reserves	-		92		92		-	
Half-year unappropriated retained earnings	-		5,655		6,838		-	
Revaluation differences of land	-		3,641	3.3	3,641	3.2	-	
Evaluation differences of other securities	-		1,365	1.3	1,772	1.6	-	
Treasury stock	-		-33	-0.0	-40	-0.0	-	
Total shareholders' equity	-		36,509	33.6	40,855	36.4	-	
Total liabilities and shareholders' equity	-		108,782	100.0	112,184	100.0	-	
(Net assets)								
Shareholders' equity	(35,134)	29.4	-		-		-	
Capital stock	7,510	6.3	-		-		-	
Capital surplus	(21,040)	17.6	-		-		-	
Capital reserves	2,913		-		-		-	
Other capital surplus	18,126		-		-		-	
Retained earnings	(6,629)	5.5	-		-		-	
Other Retained Earnings	(6,629)		-		-		-	
General reserve	68		-		-		-	
Retained earnings carried forward	6,561		-		-		-	
Treasury stock	-46	-0.0	-		-		-	
Differences of evaluation and conversion, etc.	(4,953)	4.1	-		-		-	
Evaluation differences of other securities	1,460	1.2	-		-		-	
Revaluation differences of land	3,493	2.9	-		-		-	
Total net assets	40,088	33.5	-		-		-	
Total liabilities and net assets	119,570	100.0	-		-		-	

## Interim Statements of Income

(Unit: million yen)

Accounts	Term	Half-year period under review (From April 1 to September 30, 2006)		Previous half-year period (From April 1 to September 30, 2005)		Change		Previous business year (From April 1, 2005 to March 31, 2006)	
		Amount	Percentage %	Amount	Percentage %	Amount	Percentage %	Amount	Percentage %
Net sales		53,917	100.0	54,226	100.0	-309	-0.6	108,312	100.0
Cost of sales		43,158	80.0	42,747	78.8	411	1.0	84,773	78.3
Gross profit		10,758	20.0	11,479	21.2	-721	-6.3	23,539	21.7
Selling, general and administrative expenses		9,877	18.4	10,892	20.1	-1,015	-9.3	21,538	19.9
Operating income		880	1.6	586	1.1	294	50.1	2,001	1.8
Non-operating income		(566)	1.1	(1,480)	2.7	(-914)	-61.8	(3,703)	3.4
Interest received		22		42		-20		106	
Dividends received		27		588		-561		1,726	
Rent revenue from land and house etc		173		120		53		297	
Foreign currency exchange gain, net		219		641		-422		1,348	
Others, net		122		87		35		224	
Non-operating expenses		(1,005)	1.9	(675)	1.2	(330)	48.8	(1,728)	1.5
Interest expenses		748		431		317		1,007	
Others, net		257		244		13		721	
Ordinary income		440	0.8	1,391	2.6	-951	-68.3	3,976	3.7
Extraordinary income		(186)	0.3	(203)	0.3	(-17)	-8.0	(330)	0.3
Capital gain on transfer of business		-		185		-185		263	
Profit on fixed assets sold		168				168		-	
Gain on reversal of allowance for doubtful accounts		11		-		11		-	
Gain on reversal of allowance for losses of subsidiaries		7		15		-8		-	
Others, net		-		2		-2		65	
Extraordinary loss		(74)	0.1	(1,136)	2.1	(-1,062)	-93.5	(2,975)	2.8
Extra additional cost for early-retirement preferential treatment		-		868		-868		868	
Business restructuring related expenses		-		238		-238		368	
Loss on fixed assets sold and retired		15		28		-13		49	
Loss on sales of investment securities		-		-		-		170	
Devaluation loss of investment securities		-		-		-		93	
Devaluation loss on shares of affiliated companies		-		-		-		147	
Transfer to allowance for losses of subsidiaries		-		-		-		529	
Loss on liquidation of subsidiaries		-		-		-		422	
Patent royalty of the past business year		58		-		58		275	
Others, net		-		-		-		50	
Half-year net income before adjustment of income taxes		553	1.0	458	0.8	95	20.6	1,331	1.2
Corporate tax, local tax and business tax		11	0.0	29	0.0	-18		40	0.0
Adjusted amount of corporate tax and others		225	0.4	781	1.4	-556		460	0.4
Half-year net income (- net loss)		316	0.6	-352	-0.6	668	-	830	0.8
Retained earnings brought forward		-		6,007		-		6,007	
Half-year unappropriated retained earnings		-		5,655		-		6,838	