First Half ended September 30, 2004 Financial Results (Consolidated)

Company name: NIKON CORPORATION  
Code number: 7731  
(URL http://www.nikon.co.jp)  
Address of headquarters: Fuji Building, 2-3, Marunouchi 3-chome, Chiyoda-ku, Tokyo 100-8331, Japan  
Contact: Yasuyuki Okamoto, General Manager, Corporate Communications & IR Department  
Telephone: +81-3-3216-1032  
Stock listings: Tokyo Stock Exchange, Osaka Securities Exchange  
Date of the Board Meeting for the First Half ended September 30, 2004: November 15, 2004

The accounting methods used in this report are not consistent with U.S. standards accounting methods.

1. Results of First Half ended September 30, 2004 (From April 1, to September 30, 2004)  
(Note) Amount Unit: 1 Million Yen unless otherwise specified (Amounts less than 1 Million Yen are omitted.)

(1) Financial Results

<table>
<thead>
<tr>
<th></th>
<th>Net Sales</th>
<th>Change</th>
<th>Operating Income</th>
<th>Change</th>
<th>Ordinary Income/(Loss)</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Half ended September 30, 2004</td>
<td>¥312,197</td>
<td>29.6%</td>
<td>¥8,094</td>
<td>385.5%</td>
<td>¥4,666</td>
<td>-%</td>
</tr>
<tr>
<td>First Half ended September 30, 2003</td>
<td>¥240,917</td>
<td>12.0%</td>
<td>¥1,667</td>
<td>(68.8)%</td>
<td>(¥515)</td>
<td></td>
</tr>
<tr>
<td>Year ended March 31, 2004</td>
<td>¥506,378</td>
<td></td>
<td>¥3,674</td>
<td></td>
<td>¥(4,280)</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Net Income/(Loss)</th>
<th>Change</th>
<th>Net Income/(Loss) per share of Common Stock (Yen)</th>
<th>Net Income/(Loss) per share of Common Stock (Yen) after dilution</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Half ended September 30, 2004</td>
<td>¥7,808</td>
<td>281.5%</td>
<td>¥21.14</td>
<td>¥18.76</td>
</tr>
<tr>
<td>First Half ended September 30, 2003</td>
<td>¥2,046</td>
<td>- %</td>
<td>¥5.54</td>
<td>¥5.12</td>
</tr>
<tr>
<td>Year ended March 31, 2004</td>
<td>¥2,409</td>
<td></td>
<td>¥6.52</td>
<td>¥6.02</td>
</tr>
</tbody>
</table>

(Notes) 1. Equity in Earnings of non-consolidated subsidiaries: First Half ended September 30, 2004: 554 Mill Yen  
First Half ended September 30, 2003: 424 Mill Yen  
Year ended March 31, 2004: 838 Mill Yen

2. Average number of shares outstanding (Consolidated): First Half ended September 30, 2004: 369,304,152 shares  
First Half ended September 30, 2003: 369,383,207 shares  
Year ended March 31, 2004: 369,361,047 shares

3. Change in accounting method: N/A

4. The percentage figures for net sales, operating income, ordinary income (loss) and net income (loss) represent the percentage of increase or decrease against the same period of the previous year.
(2) Financial Position

<table>
<thead>
<tr>
<th></th>
<th>Total Assets</th>
<th>Shareholders' Equity</th>
<th>Ratio of Shareholders' Equity to Total Assets</th>
<th>Shareholders' Equity per Share of Common Stock (Yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Half ended September 30, 2004</td>
<td>¥643,261</td>
<td>¥177,306</td>
<td>27.6%</td>
<td>¥480.14</td>
</tr>
<tr>
<td>First Half ended September 30, 2003</td>
<td>¥582,265</td>
<td>¥167,188</td>
<td>28.7%</td>
<td>¥452.63</td>
</tr>
<tr>
<td>Year ended March 31, 2004</td>
<td>¥606,513</td>
<td>¥171,194</td>
<td>28.2%</td>
<td>¥463.54</td>
</tr>
</tbody>
</table>

(Notes) Number of shares outstanding as of September 30, 2004: 369,280,585 shares
as of September 30, 2003: 369,366,108 shares
as of March 31, 2004: 369,318,736 shares

(3) Cash Flows

<table>
<thead>
<tr>
<th></th>
<th>Cash Flows from Operating Activities</th>
<th>Cash Flows from Investing Activities</th>
<th>Cash Flows from Financing Activities</th>
<th>Cash and Cash Equivalents at Term-end</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Half ended September 30, 2004</td>
<td>¥2,929</td>
<td>(¥1,470)</td>
<td>¥1,528</td>
<td>¥19,457</td>
</tr>
<tr>
<td>First Half ended September 30, 2003</td>
<td>¥2,295</td>
<td>(¥10,485)</td>
<td>¥7,858</td>
<td>¥23,416</td>
</tr>
<tr>
<td>Year ended March 31, 2004</td>
<td>¥1,399</td>
<td>(¥8,327)</td>
<td>(¥184)</td>
<td>¥16,099</td>
</tr>
</tbody>
</table>

(4) Consolidated and Equity method Policies

Number of Consolidated Subsidiaries: 45
Number of Non-consolidated Subsidiaries accounted for by equity method: 0
Number of Affiliates accounted for by equity method: 3

(5) Changes in Consolidation and Equity method Policies

Consolidation New: 0, Exclusion: 1
Equity method New: 0, Exclusion: 0

2. Forecast for Year ended March 31, 2005 (From April 1, 2004 to March 31, 2005)

<table>
<thead>
<tr>
<th></th>
<th>Net Sales</th>
<th>Ordinary Income</th>
<th>Net Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year ended March 31, 2005</td>
<td>¥660,000</td>
<td>¥19,000</td>
<td>¥28,600</td>
</tr>
</tbody>
</table>

Ref. Expected net income per share of common stock for year ended March 31, 2005: 77.45 Yen

NOTE: These forward-looking statements are based on the Company's current assumptions and beliefs in light of the information currently available to it, and involve known and unknown risks and uncertainties. The Company's actual results may differ materially from those discussed in these forward-looking statements as a result of numerous factors outside of the Company's control.
## Consolidated Balance Sheets

Amount Unit: 1 Million Yen

<table>
<thead>
<tr>
<th></th>
<th>As of September 30, 2004</th>
<th>As of September 30, 2003</th>
<th>As of March 31, 2004</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and time deposits</td>
<td>20,314</td>
<td>23,503</td>
<td>17,618</td>
</tr>
<tr>
<td>Notes and accounts receivable-trade</td>
<td>131,750</td>
<td>103,044</td>
<td>119,900</td>
</tr>
<tr>
<td>Inventories</td>
<td>257,223</td>
<td>226,699</td>
<td>237,506</td>
</tr>
<tr>
<td>Other current assets</td>
<td>43,133</td>
<td>35,841</td>
<td>36,878</td>
</tr>
<tr>
<td>Allowance for doubtful receivables</td>
<td>(2,785)</td>
<td>(2,619)</td>
<td>(2,572)</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>449,636</td>
<td>386,469</td>
<td>409,331</td>
</tr>
<tr>
<td><strong>Fixed assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property Plant &amp; Equipment</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Buildings and structures</td>
<td>39,566</td>
<td>40,978</td>
<td>39,890</td>
</tr>
<tr>
<td>Machinery and vehicles</td>
<td>31,560</td>
<td>34,574</td>
<td>33,161</td>
</tr>
<tr>
<td>Furniture and fixtures</td>
<td>11,216</td>
<td>11,244</td>
<td>11,229</td>
</tr>
<tr>
<td>Land</td>
<td>16,578</td>
<td>16,622</td>
<td>16,418</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>7,317</td>
<td>5,621</td>
<td>6,138</td>
</tr>
<tr>
<td><strong>Total property plant &amp; equipment</strong></td>
<td>106,238</td>
<td>109,040</td>
<td>106,838</td>
</tr>
<tr>
<td><strong>Intangible fixed assets</strong></td>
<td>11,085</td>
<td>10,665</td>
<td>10,924</td>
</tr>
<tr>
<td>Investments and other assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment securities</td>
<td>57,069</td>
<td>53,064</td>
<td>61,575</td>
</tr>
<tr>
<td>Other</td>
<td>19,398</td>
<td>23,109</td>
<td>17,893</td>
</tr>
<tr>
<td>Allowance for doubtful receivables</td>
<td>(168)</td>
<td>(82)</td>
<td>(50)</td>
</tr>
<tr>
<td><strong>Total investments and other assets</strong></td>
<td>76,299</td>
<td>76,090</td>
<td>79,418</td>
</tr>
<tr>
<td><strong>Total fixed assets</strong></td>
<td>193,624</td>
<td>195,796</td>
<td>197,181</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>643,261</td>
<td>582,265</td>
<td>606,513</td>
</tr>
</tbody>
</table>
## Consolidated Balance Sheets

Amount Unit: 1 Million Yen

<table>
<thead>
<tr>
<th></th>
<th>As of September 30, 2004</th>
<th>As of September 30, 2003</th>
<th>As of March 31, 2004</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current liabilities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Notes and accounts payable-trade</td>
<td>154,018</td>
<td>108,292</td>
<td>141,578</td>
</tr>
<tr>
<td>Short-term debt</td>
<td>62,265</td>
<td>58,611</td>
<td>46,645</td>
</tr>
<tr>
<td>Commercial paper</td>
<td>20,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current portion of bonds</td>
<td>10,000</td>
<td>20,000</td>
<td>10,000</td>
</tr>
<tr>
<td>Accrued income taxes</td>
<td>6,400</td>
<td>3,151</td>
<td>2,960</td>
</tr>
<tr>
<td>Accrued expenses</td>
<td>34,669</td>
<td>31,800</td>
<td>30,934</td>
</tr>
<tr>
<td>Warranty reserve</td>
<td>4,589</td>
<td>4,702</td>
<td>4,005</td>
</tr>
<tr>
<td>Other current liabilities</td>
<td>21,511</td>
<td>17,562</td>
<td>12,815</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td>293,455</td>
<td>264,121</td>
<td>248,940</td>
</tr>
<tr>
<td><strong>Non-Current liabilities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bonds</td>
<td>145,500</td>
<td>121,000</td>
<td>155,500</td>
</tr>
<tr>
<td>Long-term debt</td>
<td>5,935</td>
<td>8,126</td>
<td>8,370</td>
</tr>
<tr>
<td>Liability for employees’ retirement benefits</td>
<td>19,803</td>
<td>20,461</td>
<td>21,009</td>
</tr>
<tr>
<td>Other long-term liabilities</td>
<td>1,075</td>
<td>1,197</td>
<td>1,321</td>
</tr>
<tr>
<td><strong>Total long-term liabilities</strong></td>
<td>172,315</td>
<td>150,785</td>
<td>186,201</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>465,770</td>
<td>414,906</td>
<td>435,142</td>
</tr>
<tr>
<td><strong>Minority interest</strong></td>
<td>183</td>
<td>171</td>
<td>176</td>
</tr>
<tr>
<td><strong>Shareholders' equity</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Common stock</td>
<td>36,660</td>
<td>36,660</td>
<td>36,660</td>
</tr>
<tr>
<td>Capital surplus</td>
<td>51,927</td>
<td>51,924</td>
<td>51,927</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>89,622</td>
<td>82,626</td>
<td>83,035</td>
</tr>
<tr>
<td>Unrealized gain on available-for-sale securities</td>
<td>3,510</td>
<td>1,007</td>
<td>6,109</td>
</tr>
<tr>
<td>Foreign currency translation adjustments</td>
<td>(3,717)</td>
<td>(4,452)</td>
<td>(5,885)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>178,003</td>
<td>167,766</td>
<td>171,847</td>
</tr>
<tr>
<td>Treasury stock</td>
<td>(697)</td>
<td>(578)</td>
<td>(653)</td>
</tr>
<tr>
<td><strong>Total shareholders' equity</strong></td>
<td>177,306</td>
<td>167,188</td>
<td>171,194</td>
</tr>
<tr>
<td><strong>Total liabilities and shareholders' equity</strong></td>
<td>643,261</td>
<td>582,265</td>
<td>606,513</td>
</tr>
</tbody>
</table>

As of September 30, 2004  As of September 30, 2003  As of March 31, 2004
## Consolidated Statements of Income

<table>
<thead>
<tr>
<th></th>
<th>First Half ended September 30, 2004</th>
<th>1 Million Yen</th>
<th>First Half ended September 30, 2003</th>
<th>1 Million Yen</th>
<th>Year ended March 31, 2004</th>
<th>1 Million Yen</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net sales</strong></td>
<td>312,197</td>
<td>100.0</td>
<td>240,917</td>
<td>100.0</td>
<td>506,378</td>
<td>100.0</td>
</tr>
<tr>
<td><strong>Cost of sales</strong></td>
<td>213,035</td>
<td>68.2</td>
<td>159,179</td>
<td>66.1</td>
<td>346,897</td>
<td>68.5</td>
</tr>
<tr>
<td><strong>Selling, general and administrative expenses</strong></td>
<td>91,068</td>
<td>29.2</td>
<td>80,070</td>
<td>33.2</td>
<td>155,805</td>
<td>30.8</td>
</tr>
<tr>
<td><strong>Operating income</strong></td>
<td>8,094</td>
<td>2.6</td>
<td>1,667</td>
<td>0.7</td>
<td>3,674</td>
<td>0.7</td>
</tr>
<tr>
<td><strong>Non-operating income</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest and dividend income</td>
<td>572</td>
<td>0.2</td>
<td>512</td>
<td>0.2</td>
<td>808</td>
<td>0.2</td>
</tr>
<tr>
<td>Other income</td>
<td>2,485</td>
<td>0.8</td>
<td>2,344</td>
<td>1.0</td>
<td>4,058</td>
<td>0.8</td>
</tr>
<tr>
<td><strong>Non-operating expenses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest expenses</td>
<td>1,142</td>
<td>0.4</td>
<td>1,233</td>
<td>0.5</td>
<td>2,355</td>
<td>0.5</td>
</tr>
<tr>
<td>Other expenses</td>
<td>5,343</td>
<td>1.7</td>
<td>3,805</td>
<td>1.6</td>
<td>10,465</td>
<td>2.0</td>
</tr>
<tr>
<td><strong>Ordinary income (loss)</strong></td>
<td>4,666</td>
<td>1.5</td>
<td>(515)</td>
<td>(0.2)</td>
<td>(4,280)</td>
<td>(0.8)</td>
</tr>
<tr>
<td><strong>Special gain</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gain on sale of fixed assets</td>
<td>6,051</td>
<td>2.0</td>
<td>3,044</td>
<td>1.2</td>
<td>13,359</td>
<td>2.6</td>
</tr>
<tr>
<td>Gain on sale of investment securities</td>
<td>107</td>
<td>0.0</td>
<td>2,110</td>
<td>0.9</td>
<td>3,418</td>
<td>0.7</td>
</tr>
<tr>
<td><strong>Special loss</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loss on sale and disposal of fixed assets</td>
<td>285</td>
<td>0.1</td>
<td>304</td>
<td>0.1</td>
<td>778</td>
<td>0.2</td>
</tr>
<tr>
<td>Loss on sale of investment securities</td>
<td>1</td>
<td>0.0</td>
<td>40</td>
<td>0.0</td>
<td>486</td>
<td>0.1</td>
</tr>
<tr>
<td>Additional retirement benefits paid to employees</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td>1,070</td>
<td>0.2</td>
</tr>
<tr>
<td>Other loss</td>
<td>388</td>
<td>0.1</td>
<td>2</td>
<td>0.0</td>
<td>672</td>
<td>0.1</td>
</tr>
<tr>
<td><strong>Income before income taxes</strong></td>
<td>10,149</td>
<td>3.3</td>
<td>4,291</td>
<td>1.8</td>
<td>9,489</td>
<td>1.9</td>
</tr>
<tr>
<td><strong>Income taxes</strong></td>
<td>2,329</td>
<td>0.8</td>
<td>2,227</td>
<td>0.9</td>
<td>7,056</td>
<td>1.4</td>
</tr>
<tr>
<td><strong>Minority interest</strong></td>
<td>12</td>
<td>0.0</td>
<td>17</td>
<td>0.0</td>
<td>23</td>
<td>0.0</td>
</tr>
<tr>
<td><strong>Net income</strong></td>
<td>7,808</td>
<td>2.5</td>
<td>2,046</td>
<td>0.9</td>
<td>2,409</td>
<td>0.5</td>
</tr>
</tbody>
</table>
## Consolidated Statements of Shareholders’ Equity

**Amount Unit: 1 Million Yen**

<table>
<thead>
<tr>
<th></th>
<th>First Half ended September 30, 2004</th>
<th>First Half ended September 30, 2003</th>
<th>Year ended March 31, 2004</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>(Capital surplus)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital surplus (Beginning)</td>
<td>51,927</td>
<td>51,924</td>
<td>51,924</td>
</tr>
<tr>
<td>Increase of capital surplus</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gain on sale of treasury stock</td>
<td>-</td>
<td>-</td>
<td>2</td>
</tr>
<tr>
<td>Capital surplus (Ending)</td>
<td>51,927</td>
<td>51,924</td>
<td>51,927</td>
</tr>
<tr>
<td><strong>(Retained earnings)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retained earnings (Beginning)</td>
<td>83,035</td>
<td>80,582</td>
<td>80,582</td>
</tr>
<tr>
<td>Increase of retained earnings</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net income</td>
<td>7,808</td>
<td>2,046</td>
<td>2,409</td>
</tr>
<tr>
<td>Adjustment of retained earnings</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>for deconsolidated subsidiary</td>
<td>255</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adjustment of retained earnings</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>resulting merger of consolidated subsidiary</td>
<td></td>
<td>-</td>
<td>46</td>
</tr>
<tr>
<td>Decrease of retained earnings</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash dividends</td>
<td>1,477</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Adjustment of retained earnings</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>for deconsolidated subsidiary</td>
<td>-</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Retained earnings (Ending)</td>
<td>89,622</td>
<td>82,626</td>
<td>83,035</td>
</tr>
</tbody>
</table>
## Consolidated Statements of Cash Flows

<table>
<thead>
<tr>
<th></th>
<th>First Half ended</th>
<th>First Half ended</th>
<th>Year ended</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>September 30, 2004</td>
<td>September 30, 2003</td>
<td>March 31, 2004</td>
</tr>
<tr>
<td><strong>1. Cash flows from operating activities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income before income taxes</td>
<td>10,149</td>
<td>4,291</td>
<td>9,489</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>9,236</td>
<td>9,521</td>
<td>20,145</td>
</tr>
<tr>
<td>Net increase (decrease) in warranty reserve</td>
<td>469</td>
<td>(101)</td>
<td>(684)</td>
</tr>
<tr>
<td>Provision for employees’ retirement benefits</td>
<td>(1,278)</td>
<td>770</td>
<td>1,439</td>
</tr>
<tr>
<td>Interest and dividend income</td>
<td>(572)</td>
<td>(512)</td>
<td>(808)</td>
</tr>
<tr>
<td>Interest expenses</td>
<td>1,142</td>
<td>1,233</td>
<td>2,355</td>
</tr>
<tr>
<td>Gain on sale of fixed assets</td>
<td>(6,051)</td>
<td>(3,044)</td>
<td>(13,359)</td>
</tr>
<tr>
<td>Loss on sale and disposal of fixed assets</td>
<td>289</td>
<td>304</td>
<td>778</td>
</tr>
<tr>
<td>Gain on sale of investment securities</td>
<td>(107)</td>
<td>(2,110)</td>
<td>(3,418)</td>
</tr>
<tr>
<td>Loss on sale of investment securities</td>
<td>1</td>
<td>40</td>
<td>486</td>
</tr>
<tr>
<td>Loss on revaluation of investment securities</td>
<td>308</td>
<td>-</td>
<td>516</td>
</tr>
<tr>
<td>Net increase (decrease) in trade notes and accounts receivable</td>
<td>(8,976)</td>
<td>(1,447)</td>
<td>(19,374)</td>
</tr>
<tr>
<td>Net increase (decrease) in inventories</td>
<td>(16,375)</td>
<td>(3,244)</td>
<td>(15,985)</td>
</tr>
<tr>
<td>Net increase (decrease) in trade notes and accounts payable</td>
<td>12,228</td>
<td>13,170</td>
<td>43,249</td>
</tr>
<tr>
<td>Other, net (operating activities)</td>
<td>4,124</td>
<td>(13,559)</td>
<td>(19,158)</td>
</tr>
<tr>
<td><strong>Sub total</strong></td>
<td>4,590</td>
<td>5,312</td>
<td>5,670</td>
</tr>
<tr>
<td>Interests and dividends received</td>
<td>573</td>
<td>764</td>
<td>1,417</td>
</tr>
<tr>
<td>Interests paid</td>
<td>(1,194)</td>
<td>(1,306)</td>
<td>(2,416)</td>
</tr>
<tr>
<td>Income taxes paid</td>
<td>(1,039)</td>
<td>(2,474)</td>
<td>(3,272)</td>
</tr>
<tr>
<td><strong>Net cash provided by operating activities</strong></td>
<td>2,929</td>
<td>2,295</td>
<td>1,399</td>
</tr>
<tr>
<td><strong>2. Cash flows from investing activities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payments for purchases of tangible fixed assets</td>
<td>(8,113)</td>
<td>(10,156)</td>
<td>(18,185)</td>
</tr>
<tr>
<td>Proceeds from sale of tangible fixed assets</td>
<td>6,751</td>
<td>2,895</td>
<td>14,993</td>
</tr>
<tr>
<td>Payments for purchase of investment securities</td>
<td>0</td>
<td>(10,034)</td>
<td>(15,246)</td>
</tr>
<tr>
<td>Proceeds from sale of investment securities</td>
<td>500</td>
<td>9,734</td>
<td>15,389</td>
</tr>
<tr>
<td>Net decrease (increase) in loans receivable</td>
<td>412</td>
<td>(792)</td>
<td>105</td>
</tr>
<tr>
<td>Other, net (investing activities)</td>
<td>(1,020)</td>
<td>(2,131)</td>
<td>(5,384)</td>
</tr>
<tr>
<td><strong>Net cash used in investing activities</strong></td>
<td>(1,470)</td>
<td>(10,485)</td>
<td>(8,327)</td>
</tr>
<tr>
<td><strong>3. Cash flows from financing activities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase (decrease) in short-term borrowings</td>
<td>13,516</td>
<td>11,424</td>
<td>2,906</td>
</tr>
<tr>
<td>Increase (decrease) in commercial paper</td>
<td>-</td>
<td>7,000</td>
<td>(13,000)</td>
</tr>
<tr>
<td>Proceeds from long-term debt</td>
<td>429</td>
<td>1,400</td>
<td>38,390</td>
</tr>
<tr>
<td>Repayments of long-term debt</td>
<td>(10,901)</td>
<td>(11,926)</td>
<td>(22,600)</td>
</tr>
<tr>
<td>Dividends paid</td>
<td>(1,472)</td>
<td>(2)</td>
<td>(5)</td>
</tr>
<tr>
<td>Other, net (financing activities)</td>
<td>(43)</td>
<td>(37)</td>
<td>(63)</td>
</tr>
<tr>
<td><strong>Net cash provided by(used in) financial activities</strong></td>
<td>1,528</td>
<td>7,858</td>
<td>(184)</td>
</tr>
<tr>
<td><strong>4. Foreign currency translation adjustments on cash and cash equivalents</strong></td>
<td>456</td>
<td>(598)</td>
<td>(1,178)</td>
</tr>
<tr>
<td><strong>5. Net increase (decrease) in cash and cash equivalents</strong></td>
<td>3,444</td>
<td>(928)</td>
<td>(8,291)</td>
</tr>
<tr>
<td><strong>6. Cash and cash equivalents at beginning of year</strong></td>
<td>16,099</td>
<td>23,692</td>
<td>23,692</td>
</tr>
<tr>
<td><strong>7. Cash and cash equivalents of newly consolidated subsidiaries at beginning of year</strong></td>
<td>-</td>
<td>916</td>
<td>916</td>
</tr>
<tr>
<td><strong>8. Cash and cash equivalents of deconsolidated subsidiaries at beginning of year</strong></td>
<td>(86)</td>
<td>(263)</td>
<td>(263)</td>
</tr>
<tr>
<td><strong>9. Cash and cash equivalents of merged previously non-consolidated subsidiary</strong></td>
<td>-</td>
<td>-</td>
<td>46</td>
</tr>
<tr>
<td><strong>10. Cash and cash equivalents at end of year</strong></td>
<td>19,457</td>
<td>23,416</td>
<td>16,099</td>
</tr>
</tbody>
</table>
Summary of Significant Accounting Policies

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

Available-for-sale-securities, which are not classified as either of the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of shareholders’ equity. Available-for-sale-securities whose fair value is not readily determinable are stated principally at moving-average cost method.

(2) Inventories
Inventories of Nikon Corporation (the “Company”) and its domestic subsidiaries are stated at cost as determined principally using the average method, except for work in process which is determined by the specific identification method. Inventories of foreign subsidiaries are stated at the lower of cost or market as determined principally using the first-in, first-out method.

(3) Tangible fixed assets
Tangible fixed assets are stated at cost. Depreciation of the Company and domestic subsidiaries is principally computed using the declining-balance method, while the straight-line method is applied to buildings (excluding facilities incidental to buildings), and foreign subsidiaries apply the straight-line method, using rates based on the estimated useful lives of the assets.

(4) Retirement and Pension Plans
The Company and major subsidiaries have non-contributory funded pension plans covering substantially all of its employees. Certain foreign subsidiaries also have contributory pension plans.

(5) Foreign Currency Financial Statements
The balance sheet accounts and revenue and expense accounts of the foreign subsidiaries are translated into Japanese yen at the current exchange rates except for shareholders’ equity, which is translated at the historical exchange rate.

(6) Derivatives and Hedging Activities
The Company and its significant subsidiaries (collectively 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 purpose.

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 unless the instrument qualifies for hedge accounting. 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.
### 1. Industry Segments

#### Segment Information

**First Half ended September 30, 2004**

<table>
<thead>
<tr>
<th></th>
<th>Precision Equipment</th>
<th>Imaging Products</th>
<th>Instruments</th>
<th>Other</th>
<th>Total</th>
<th>Elimination or corporate</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net sales</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1) Outside</td>
<td>107,543</td>
<td>173,304</td>
<td>21,648</td>
<td>9,701</td>
<td>312,197</td>
<td></td>
<td>312,197</td>
</tr>
<tr>
<td>2) Intersegment sales/transfer</td>
<td>1,092</td>
<td>794</td>
<td>875</td>
<td>10,892</td>
<td>13,654</td>
<td>(13,654)</td>
<td>(13,654)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>108,636</td>
<td>174,098</td>
<td>22,523</td>
<td>20,593</td>
<td>325,852</td>
<td></td>
<td>312,197</td>
</tr>
<tr>
<td><strong>Operating expenses</strong></td>
<td>106,438</td>
<td>166,902</td>
<td>22,879</td>
<td>21,370</td>
<td>317,591</td>
<td></td>
<td>304,103</td>
</tr>
<tr>
<td><strong>Operating income (loss)</strong></td>
<td>2,197</td>
<td>7,196</td>
<td>(355)</td>
<td>(776)</td>
<td>8,261</td>
<td></td>
<td>8,094</td>
</tr>
</tbody>
</table>

**Amount Unit: 1 Million Yen**

**First Half ended September 30, 2003**

<table>
<thead>
<tr>
<th></th>
<th>Precision Equipment</th>
<th>Imaging Products</th>
<th>Instruments</th>
<th>Other</th>
<th>Total</th>
<th>Elimination or corporate</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net sales</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1) Outside</td>
<td>68,883</td>
<td>141,923</td>
<td>21,447</td>
<td>8,663</td>
<td>240,917</td>
<td></td>
<td>240,917</td>
</tr>
<tr>
<td>2) Intersegment sales/transfer</td>
<td>683</td>
<td>669</td>
<td>546</td>
<td>9,626</td>
<td>11,525</td>
<td>(11,525)</td>
<td>(11,525)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>69,566</td>
<td>142,592</td>
<td>21,993</td>
<td>18,289</td>
<td>252,442</td>
<td></td>
<td>240,917</td>
</tr>
<tr>
<td><strong>Operating expenses</strong></td>
<td>82,103</td>
<td>127,069</td>
<td>21,483</td>
<td>19,990</td>
<td>250,646</td>
<td></td>
<td>239,249</td>
</tr>
<tr>
<td><strong>Operating income (loss)</strong></td>
<td>(12,537)</td>
<td>15,523</td>
<td>(1,700)</td>
<td>1,795</td>
<td>1,667</td>
<td></td>
<td>1,667</td>
</tr>
</tbody>
</table>

**Amount Unit: 1 Million Yen**

**Year ended March 31, 2004**

<table>
<thead>
<tr>
<th></th>
<th>Precision Equipment</th>
<th>Imaging Products</th>
<th>Instruments</th>
<th>Other</th>
<th>Total</th>
<th>Elimination or corporate</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net sales</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1) Outside</td>
<td>156,571</td>
<td>283,346</td>
<td>46,705</td>
<td>19,754</td>
<td>506,378</td>
<td></td>
<td>506,378</td>
</tr>
<tr>
<td>2) Intersegment sales/transfer</td>
<td>1,482</td>
<td>1,366</td>
<td>1,287</td>
<td>19,888</td>
<td>24,024</td>
<td>(24,024)</td>
<td>(24,024)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>158,053</td>
<td>284,712</td>
<td>47,992</td>
<td>39,643</td>
<td>530,402</td>
<td></td>
<td>506,378</td>
</tr>
<tr>
<td><strong>Operating expenses</strong></td>
<td>178,860</td>
<td>259,490</td>
<td>45,307</td>
<td>42,874</td>
<td>526,532</td>
<td>(23,829)</td>
<td>502,703</td>
</tr>
<tr>
<td><strong>Operating income (loss)</strong></td>
<td>(20,806)</td>
<td>25,221</td>
<td>2,685</td>
<td>(3,231)</td>
<td>3,869</td>
<td></td>
<td>3,674</td>
</tr>
</tbody>
</table>

**Amount Unit: 1 Million Yen**

Precision Equipment  IC steppers, LCD steppers, etc.
Imaging Products  Cameras, Interchangeable camera lenses, Digital cameras, etc.
Instruments  Microscopes, Measuring instruments, etc.
Other  Sport Optics, Ophthalmic frames, Surveying instruments, etc.
### Segment Information

#### 2. Geographic Segments

**First Half ended September 30, 2004**

<table>
<thead>
<tr>
<th></th>
<th>Japan</th>
<th>North America</th>
<th>Europe</th>
<th>Asia</th>
<th>Total</th>
<th>Elimination or Corporate</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. Net sales</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1) Outside</td>
<td>142,962</td>
<td>74,280</td>
<td>69,075</td>
<td>25,879</td>
<td>312,197</td>
<td>-</td>
<td>312,197</td>
</tr>
<tr>
<td>2) Intersegment sales/transfer</td>
<td>132,680</td>
<td>1,564</td>
<td>74</td>
<td>31,866</td>
<td>166,186</td>
<td>(166,186)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>275,642</td>
<td>75,845</td>
<td>69,150</td>
<td>57,746</td>
<td>478,384</td>
<td>(166,186)</td>
<td>312,197</td>
</tr>
<tr>
<td><strong>Operating expenses</strong></td>
<td>272,792</td>
<td>74,025</td>
<td>68,576</td>
<td>55,249</td>
<td>470,643</td>
<td>(166,540)</td>
<td>304,103</td>
</tr>
<tr>
<td><strong>Operating income</strong></td>
<td>2,850</td>
<td>1,819</td>
<td>573</td>
<td>2,496</td>
<td>7,740</td>
<td>354</td>
<td>8,094</td>
</tr>
</tbody>
</table>

**First Half ended September 30, 2003**

<table>
<thead>
<tr>
<th></th>
<th>Japan</th>
<th>North America</th>
<th>Europe</th>
<th>Asia</th>
<th>Total</th>
<th>Elimination or Corporate</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. Net sales</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1) Outside</td>
<td>83,075</td>
<td>79,943</td>
<td>60,904</td>
<td>16,992</td>
<td>240,917</td>
<td>-</td>
<td>240,917</td>
</tr>
<tr>
<td>2) Intersegment sales/transfer</td>
<td>107,070</td>
<td>1,745</td>
<td>1,295</td>
<td>8,192</td>
<td>118,304</td>
<td>(118,304)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>190,146</td>
<td>81,689</td>
<td>62,200</td>
<td>25,185</td>
<td>359,222</td>
<td>(118,304)</td>
<td>240,917</td>
</tr>
<tr>
<td><strong>Operating expenses</strong></td>
<td>197,279</td>
<td>77,373</td>
<td>59,881</td>
<td>23,995</td>
<td>358,529</td>
<td>(119,279)</td>
<td>239,249</td>
</tr>
<tr>
<td><strong>Operating income (loss)</strong></td>
<td>(7,132)</td>
<td>4,316</td>
<td>2,318</td>
<td>1,190</td>
<td>692</td>
<td>974</td>
<td>1,667</td>
</tr>
</tbody>
</table>

**Year ended March 31, 2004**

<table>
<thead>
<tr>
<th></th>
<th>Japan</th>
<th>North America</th>
<th>Europe</th>
<th>Asia</th>
<th>Total</th>
<th>Elimination or Corporate</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. Net sales</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1) Outside</td>
<td>196,561</td>
<td>148,695</td>
<td>124,133</td>
<td>36,986</td>
<td>506,378</td>
<td>-</td>
<td>506,378</td>
</tr>
<tr>
<td>2) Intersegment sales/transfer</td>
<td>238,627</td>
<td>3,121</td>
<td>628</td>
<td>18,903</td>
<td>261,281</td>
<td>(261,281)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>435,189</td>
<td>151,817</td>
<td>124,762</td>
<td>55,889</td>
<td>767,659</td>
<td>(261,281)</td>
<td>506,378</td>
</tr>
<tr>
<td><strong>Operating expenses</strong></td>
<td>439,011</td>
<td>146,206</td>
<td>123,899</td>
<td>53,742</td>
<td>762,859</td>
<td>(260,156)</td>
<td>502,703</td>
</tr>
<tr>
<td><strong>Operating income (loss)</strong></td>
<td>(3,821)</td>
<td>5,610</td>
<td>863</td>
<td>2,147</td>
<td>4,799</td>
<td>(1,124)</td>
<td>3,674</td>
</tr>
</tbody>
</table>

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

### 3. Export sales

#### Amount Unit: 1 Million Yen

<table>
<thead>
<tr>
<th></th>
<th>North America</th>
<th>Europe</th>
<th>Asia</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Export sales (A)</td>
<td>72,665</td>
<td>67,371</td>
<td>86,921</td>
<td>3,949</td>
<td>230,907</td>
</tr>
<tr>
<td>Net sales (B)</td>
<td>78,910</td>
<td>60,534</td>
<td>35,960</td>
<td>2,040</td>
<td>177,445</td>
</tr>
<tr>
<td>(A)/(B)</td>
<td>23.3%</td>
<td>21.6%</td>
<td>27.8%</td>
<td>1.3%</td>
<td>74.0%</td>
</tr>
</tbody>
</table>

#### Amount Unit: 1 Million Yen

<table>
<thead>
<tr>
<th></th>
<th>North America</th>
<th>Europe</th>
<th>Asia</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Export sales (A)</td>
<td>78,910</td>
<td>60,534</td>
<td>35,960</td>
<td>2,040</td>
<td>177,445</td>
</tr>
<tr>
<td>Net sales (B)</td>
<td>146,623</td>
<td>122,583</td>
<td>96,726</td>
<td>3,770</td>
<td>369,703</td>
</tr>
<tr>
<td>(A)/(B)</td>
<td>29.0%</td>
<td>24.2%</td>
<td>19.1%</td>
<td>0.7%</td>
<td>73.0%</td>
</tr>
</tbody>
</table>

North America : U.S.A., Canada
Europe : The Netherlands, Germany, United Kingdom, etc.
Asia : South Korea, Taiwan, Singapore, etc.
Other : South and Central America, Oceania, Africa, etc.
### Marketable Securities (Consolidated)

#### 1. Fair Value of Available-for-sale securities

<table>
<thead>
<tr>
<th></th>
<th>As of September 30, 2004</th>
<th>As of September 30, 2003</th>
<th>As of March 31, 2004</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cost</td>
<td>Fair Value</td>
<td>Net unrealized gains</td>
</tr>
<tr>
<td>1) Equity securities</td>
<td>38,852</td>
<td>44,722</td>
<td>5,870</td>
</tr>
<tr>
<td>2) Debt securities</td>
<td>0</td>
<td>0</td>
<td>(0)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>38,852</td>
<td>44,722</td>
<td>5,870</td>
</tr>
</tbody>
</table>

#### 2. Available-for-sale securities whose fair value is not readily determinable

<table>
<thead>
<tr>
<th>Available-for-sale securities</th>
<th>As of September 30, 2004</th>
<th>As of September 30, 2003</th>
<th>As of March 31, 2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity securities</td>
<td>4,760</td>
<td>5,320</td>
<td>4,773</td>
</tr>
</tbody>
</table>

### Derivatives (Consolidated)

<table>
<thead>
<tr>
<th>Classification</th>
<th>Type</th>
<th>As of September 30, 2004</th>
<th>As of September 30, 2003</th>
<th>As of March 31, 2004</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Contract or National Amount</td>
<td>Fair Value</td>
<td>Net unrealized gain (loss)</td>
<td>Contract or National Amount</td>
</tr>
<tr>
<td>Currency</td>
<td>Forward exchange contracts</td>
<td>49,742</td>
<td>50,478</td>
<td>(735)</td>
</tr>
<tr>
<td></td>
<td>Selling positions</td>
<td>2,111</td>
<td>2,139</td>
<td>28</td>
</tr>
<tr>
<td></td>
<td>Buying positions</td>
<td>4,035</td>
<td>32</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Currency option contracts</td>
<td>34</td>
<td>32</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Selling positions</td>
<td>6,145</td>
<td>1,385</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Option premiums</td>
<td>34</td>
<td>22</td>
<td>(11)</td>
</tr>
<tr>
<td>Interest rate</td>
<td>Interest swap agreements</td>
<td>30,000</td>
<td>44</td>
<td>44</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>-</td>
<td>-</td>
<td>(672)</td>
<td>-</td>
</tr>
</tbody>
</table>

(Note) Derivative which qualified for hedge accounting are excluded from disclosure of market value information.
First Half ended September 30, 2004 Financial Results (Non-Consolidated)

Company name: NIKON CORPORATION
Code number: 7731
(URL http://www.nikon.co.jp)
Address of headquarters: Fuji Building, 2-3, Marunouchi 3-chome, Chiyoda-ku, Tokyo 100-8331, Japan
Contact: Yasuyuki Okamoto, General Manager, Corporate Communications & IR Department
Telephone: +81-3-3216-1032
Stock listings: Tokyo Stock Exchange, Osaka Securities Exchange
Date of the Board Meeting for the First Half ended September 30, 2004: November 15, 2004

1. Results of First Half ended September 30, 2004 (From April 1, to September 30, 2004)
(Note) Amount Unit: 1 Million Yen unless otherwise specified (Amounts less than 1 Million Yen are omitted.)

(1) Financial Results

<table>
<thead>
<tr>
<th></th>
<th>Net Sales</th>
<th>Change</th>
<th>Operating Income</th>
<th>Change</th>
<th>Ordinary Income</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Half ended September 30, 2004</td>
<td>¥235,928</td>
<td>46.2%</td>
<td>¥(1,495)</td>
<td>-%</td>
<td>¥2,293</td>
<td>-%</td>
</tr>
<tr>
<td>First Half ended September 30, 2003</td>
<td>¥161,362</td>
<td>3.6%</td>
<td>¥(7,382)</td>
<td>-%</td>
<td>¥(5,133)</td>
<td>-%</td>
</tr>
<tr>
<td>Year ended March 31, 2004</td>
<td>¥375,958</td>
<td></td>
<td>¥(4,692)</td>
<td></td>
<td>¥(5,933)</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Net Income</th>
<th>Change</th>
<th>Net Income per share of Common Stock (Yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Half ended September 30, 2004</td>
<td>¥5,049</td>
<td>-%</td>
<td>¥13.67</td>
</tr>
<tr>
<td>First Half ended September 30, 2003</td>
<td>¥(357)</td>
<td>-%</td>
<td>¥(0.97)</td>
</tr>
<tr>
<td>Year ended March 31, 2004</td>
<td>¥4,063</td>
<td></td>
<td>¥11.00</td>
</tr>
</tbody>
</table>

(Note) 1. Average number of Shares outstanding: First Half ended September 30, 2004 :369,304,152 Shares
                                                First Half ended September 30, 2003 :369,383,207 Shares
                                                Year ended March 31, 2004 :369,361,047 Shares

2. Change in accounting method: N/A

### (2) Cash Dividends

<table>
<thead>
<tr>
<th></th>
<th>Interim Cash Dividends per Share of Common Stock (Yen)</th>
<th>Cash Dividends per Share of Common Stock for the year (Yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Half ended September 30, 2004</td>
<td>¥4.00</td>
<td>-</td>
</tr>
<tr>
<td>First Half ended September 30, 2003</td>
<td>¥0.00</td>
<td>-</td>
</tr>
<tr>
<td>Year ended March 31, 2004</td>
<td>-</td>
<td>¥4.00</td>
</tr>
</tbody>
</table>

### (3) Financial Position

<table>
<thead>
<tr>
<th></th>
<th>Total Assets</th>
<th>Shareholders' Equity</th>
<th>Ratio of Shareholders' Equity to Total Assets</th>
<th>Shareholders' Equity per Share of Common Stock (Yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Half ended September 30, 2004</td>
<td>¥537,806</td>
<td>¥151,375</td>
<td>28.1%</td>
<td>¥409.92</td>
</tr>
<tr>
<td>First Half ended September 30, 2003</td>
<td>¥483,316</td>
<td>¥141,050</td>
<td>29.2%</td>
<td>¥381.87</td>
</tr>
<tr>
<td>Year ended March 31, 2004</td>
<td>¥511,918</td>
<td>¥150,457</td>
<td>29.4%</td>
<td>¥407.39</td>
</tr>
</tbody>
</table>

(Note)
1. Number of Shares outstanding as of September 30, 2004: 369,280,585 shares
   as of September 30, 2003: 369,366,108 shares
   as of March 31, 2004: 369,318,736 shares

2. Number of Shares outstanding held as Treasury stock: as of September 30, 2004: 664,747 Shares
   as of September 30, 2003: 579,224 shares
   as of March 31, 2004: 626,596 shares

### 2. Forecast for Year ended March 31, 2005 (From April 1, 2004 to March 31, 2005)

<table>
<thead>
<tr>
<th></th>
<th>Net Sales</th>
<th>Ordinary Income</th>
<th>Net Income</th>
<th>Cash Dividends per share of Common Stock for the year (year-end Cash Dividends)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year ended March 31, 2005</td>
<td>¥490,000</td>
<td>¥6,000</td>
<td>¥16,600</td>
<td>¥4.00 (¥8.00)</td>
</tr>
</tbody>
</table>

Ref. Expected net income per share of common stock for year ended March 31, 2005: 44.95 Yen
Non-Consolidated Balance Sheets

Amount Unit : 1 Million Yen

<table>
<thead>
<tr>
<th></th>
<th>As of September 30, 2004</th>
<th>As of September 30, 2003</th>
<th>As of March 31, 2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>[ Assets ]</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Current Assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and time deposits</td>
<td>6,856</td>
<td>6,766</td>
<td>5,197</td>
</tr>
<tr>
<td>Notes receivable</td>
<td>1,018</td>
<td>698</td>
<td>575</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>122,050</td>
<td>98,404</td>
<td>123,299</td>
</tr>
<tr>
<td>Inventories</td>
<td>158,194</td>
<td>152,861</td>
<td>151,022</td>
</tr>
<tr>
<td>Short-term loans receivable</td>
<td>40,747</td>
<td>26,465</td>
<td>30,599</td>
</tr>
<tr>
<td>Other current assets</td>
<td>36,475</td>
<td>22,794</td>
<td>24,487</td>
</tr>
<tr>
<td>Allowance for doubtful receivables</td>
<td>(1,100)</td>
<td>(557)</td>
<td>(1,104)</td>
</tr>
<tr>
<td>Total current assets</td>
<td>364,242</td>
<td>307,434</td>
<td>334,078</td>
</tr>
<tr>
<td>2. Fixed Assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tangible fixed assets</td>
<td>67,918</td>
<td>71,699</td>
<td>69,440</td>
</tr>
<tr>
<td>Buildings</td>
<td>20,557</td>
<td>22,281</td>
<td>21,424</td>
</tr>
<tr>
<td>Machinery and equipment</td>
<td>23,379</td>
<td>26,293</td>
<td>24,716</td>
</tr>
<tr>
<td>Other tangible fixed assets</td>
<td>23,981</td>
<td>23,125</td>
<td>23,299</td>
</tr>
<tr>
<td>Intangible fixed assets</td>
<td>8,085</td>
<td>7,902</td>
<td>7,921</td>
</tr>
<tr>
<td>Investments and other assets</td>
<td>97,559</td>
<td>96,279</td>
<td>100,478</td>
</tr>
<tr>
<td>Investment securities</td>
<td>49,424</td>
<td>46,407</td>
<td>54,492</td>
</tr>
<tr>
<td>Investments in subsidiaries and associated companies</td>
<td>24,034</td>
<td>23,613</td>
<td>24,010</td>
</tr>
<tr>
<td>Other</td>
<td>24,173</td>
<td>26,311</td>
<td>21,990</td>
</tr>
<tr>
<td>Allowance for doubtful receivables</td>
<td>(74)</td>
<td>(53)</td>
<td>(14)</td>
</tr>
<tr>
<td>Total fixed assets</td>
<td>173,563</td>
<td>175,882</td>
<td>177,840</td>
</tr>
<tr>
<td>Total assets</td>
<td>537,806</td>
<td>483,316</td>
<td>511,918</td>
</tr>
</tbody>
</table>
## Non-Consolidated Balance Sheets

Amount Unit: 1 Million Yen

<table>
<thead>
<tr>
<th></th>
<th>As of September 30, 2004</th>
<th>As of September 30, 2003</th>
<th>As of March 31, 2004</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>[ Liabilities ]</strong></td>
<td></td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>1. Current Liabilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Notes payable</td>
<td>1,012</td>
<td>603</td>
<td>1,108</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>123,759</td>
<td>84,869</td>
<td>111,623</td>
</tr>
<tr>
<td>Short-term bank loans</td>
<td>39,050</td>
<td>42,450</td>
<td>32,050</td>
</tr>
<tr>
<td>Current portion of long-term debt</td>
<td>4,006</td>
<td>630</td>
<td>1,806</td>
</tr>
<tr>
<td>Commercial papers</td>
<td>-</td>
<td>20,000</td>
<td>-</td>
</tr>
<tr>
<td>Current portion of bonds</td>
<td>10,000</td>
<td>20,000</td>
<td>10,000</td>
</tr>
<tr>
<td>Accrued expenses</td>
<td>14,458</td>
<td>11,181</td>
<td>12,685</td>
</tr>
<tr>
<td>Accrued income taxes</td>
<td>2,751</td>
<td>46</td>
<td>142</td>
</tr>
<tr>
<td>Provision for warranty</td>
<td>2,858</td>
<td>1,632</td>
<td>1,900</td>
</tr>
<tr>
<td>Other current liabilities</td>
<td>21,450</td>
<td>14,367</td>
<td>9,552</td>
</tr>
<tr>
<td>Total current liabilities</td>
<td>219,347</td>
<td>40.8</td>
<td>195,782</td>
</tr>
<tr>
<td>2. Long-term Liabilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bonds</td>
<td>145,500</td>
<td>121,000</td>
<td>155,500</td>
</tr>
<tr>
<td>Long-term debt</td>
<td>2,847</td>
<td>6,654</td>
<td>5,151</td>
</tr>
<tr>
<td>Liability for severance indemnities</td>
<td>18,184</td>
<td>18,076</td>
<td>19,207</td>
</tr>
<tr>
<td>Other long-term liabilities</td>
<td>549</td>
<td>752</td>
<td>731</td>
</tr>
<tr>
<td>Total long-term liabilities</td>
<td>167,082</td>
<td>31.1</td>
<td>146,483</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>386,430</td>
<td>71.9</td>
<td>342,266</td>
</tr>
<tr>
<td><strong>[ Shareholders' Equity ]</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Common stock</td>
<td>36,660</td>
<td>6.8</td>
<td>36,660</td>
</tr>
<tr>
<td>2. Capital surplus</td>
<td>51,927</td>
<td>9.7</td>
<td>51,924</td>
</tr>
<tr>
<td>3. Retained earnings</td>
<td>60,005</td>
<td>11.2</td>
<td>52,012</td>
</tr>
<tr>
<td>4. Unrealized gains on securities</td>
<td>3,479</td>
<td>0.5</td>
<td>1,030</td>
</tr>
<tr>
<td>5. Treasury stock</td>
<td>(697)</td>
<td>(0.1)</td>
<td>(578)</td>
</tr>
<tr>
<td>Total shareholders' equity</td>
<td>151,375</td>
<td>28.1</td>
<td>141,050</td>
</tr>
<tr>
<td><strong>Total Liabilities and Shareholders' Equity</strong></td>
<td>537,806</td>
<td>100.0</td>
<td>483,316</td>
</tr>
</tbody>
</table>
## Non-Consolidated Statements of Operations

<table>
<thead>
<tr>
<th></th>
<th>First Half ended September 30, 2004</th>
<th>First Half ended September 30, 2003</th>
<th>Year ended March 31, 2004</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. Operating revenues</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net sales</td>
<td>235,928</td>
<td>161,362</td>
<td>375,958</td>
</tr>
<tr>
<td><strong>2. Operating cost and expenses</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost of sales</td>
<td>197,505</td>
<td>133,220</td>
<td>309,331</td>
</tr>
<tr>
<td>Selling, general and administrative expenses</td>
<td>39,917</td>
<td>35,524</td>
<td>71,319</td>
</tr>
<tr>
<td><strong>3. Operating income (loss)</strong></td>
<td>(1,495)</td>
<td>(7,382)</td>
<td>(4,692)</td>
</tr>
<tr>
<td><strong>4. Non-operating income</strong></td>
<td>8,112</td>
<td>5,187</td>
<td>7,579</td>
</tr>
<tr>
<td>Interest income</td>
<td>159</td>
<td>90</td>
<td>185</td>
</tr>
<tr>
<td>Dividend income</td>
<td>5,355</td>
<td>2,850</td>
<td>3,309</td>
</tr>
<tr>
<td>Other income</td>
<td>2,597</td>
<td>2,246</td>
<td>4,085</td>
</tr>
<tr>
<td><strong>5. Non-operating expenses</strong></td>
<td>4,323</td>
<td>2,938</td>
<td>8,820</td>
</tr>
<tr>
<td>Interest expenses on bonds</td>
<td>127</td>
<td>134</td>
<td>278</td>
</tr>
<tr>
<td>Loss on disposals of inventories</td>
<td>528</td>
<td>803</td>
<td>1,477</td>
</tr>
<tr>
<td>Write-down of inventories</td>
<td>686</td>
<td>199</td>
<td>359</td>
</tr>
<tr>
<td>Other expenses</td>
<td>1,315</td>
<td>942</td>
<td>4,334</td>
</tr>
<tr>
<td><strong>6. Ordinary income (loss)</strong></td>
<td>2,293</td>
<td>(5,133)</td>
<td>(5,933)</td>
</tr>
<tr>
<td><strong>7. Special gains</strong></td>
<td>6,124</td>
<td>4,641</td>
<td>16,128</td>
</tr>
<tr>
<td>Gains on sales of fixed assets</td>
<td>6,027</td>
<td>2,592</td>
<td>12,774</td>
</tr>
<tr>
<td>Gains on sales of investment securities</td>
<td>97</td>
<td>2,048</td>
<td>3,353</td>
</tr>
<tr>
<td><strong>8. Special losses</strong></td>
<td>649</td>
<td>318</td>
<td>2,842</td>
</tr>
<tr>
<td>Losses on disposal of fixed assets</td>
<td>257</td>
<td>273</td>
<td>613</td>
</tr>
<tr>
<td>Losses on sales of fixed assets</td>
<td>3</td>
<td>2</td>
<td>6</td>
</tr>
<tr>
<td>Losses on sales of investment securities</td>
<td>-</td>
<td>39</td>
<td>482</td>
</tr>
<tr>
<td>Losses on devaluation of investment securities</td>
<td>308</td>
<td>2</td>
<td>392</td>
</tr>
<tr>
<td>Provision for losses on doubtful receivables</td>
<td>60</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Provision for losses on doubtful loans receivable to subsidiaries and associated companies</td>
<td>-</td>
<td>-</td>
<td>514</td>
</tr>
<tr>
<td>Losses on devaluation of the golf club membership</td>
<td>20</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Additional retirement benefits paid to employees</td>
<td>-</td>
<td>-</td>
<td>832</td>
</tr>
<tr>
<td><strong>9. Income (loss) before income taxes</strong></td>
<td>7,769</td>
<td>(810)</td>
<td>7,352</td>
</tr>
<tr>
<td><strong>10. Income taxes-current</strong></td>
<td>2,910</td>
<td>213</td>
<td>343</td>
</tr>
<tr>
<td><strong>11. Income taxes-deferred</strong></td>
<td>(190)</td>
<td>(666)</td>
<td>2,946</td>
</tr>
<tr>
<td><strong>12. Net income (loss)</strong></td>
<td>5,049</td>
<td>(357)</td>
<td>4,063</td>
</tr>
<tr>
<td><strong>13. Retained earnings brought forward</strong></td>
<td>5,928</td>
<td>4,469</td>
<td>4,469</td>
</tr>
<tr>
<td><strong>14. Unappropriated retained earnings (loss) at end</strong></td>
<td>10,977</td>
<td>4,112</td>
<td>8,532</td>
</tr>
</tbody>
</table>
# Sales Performance (Non-Consolidated)

<table>
<thead>
<tr>
<th>Segment</th>
<th>First Half ended September 30, 2004</th>
<th>%</th>
<th>First Half ended September 30, 2003</th>
<th>%</th>
<th>Year ended March 31, 2004</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Precision Equipment</td>
<td>90,693</td>
<td>38.4</td>
<td>38,992</td>
<td>24.1</td>
<td>106,907</td>
<td>28.4</td>
</tr>
<tr>
<td>Imaging Products</td>
<td>129,183</td>
<td>54.8</td>
<td>108,896</td>
<td>67.5</td>
<td>237,182</td>
<td>63.1</td>
</tr>
<tr>
<td>Instruments</td>
<td>12,712</td>
<td>5.4</td>
<td>11,417</td>
<td>7.1</td>
<td>25,248</td>
<td>6.7</td>
</tr>
<tr>
<td>Other</td>
<td>3,338</td>
<td>1.4</td>
<td>2,055</td>
<td>1.3</td>
<td>6,619</td>
<td>1.8</td>
</tr>
<tr>
<td>Total</td>
<td>235,928</td>
<td>100.0</td>
<td>161,362</td>
<td>100.0</td>
<td>375,958</td>
<td>100.0</td>
</tr>
<tr>
<td>Domestic</td>
<td>60,863</td>
<td>25.8</td>
<td>46,226</td>
<td>28.6</td>
<td>104,604</td>
<td>27.8</td>
</tr>
<tr>
<td>Export</td>
<td>175,064</td>
<td>74.2</td>
<td>115,135</td>
<td>71.4</td>
<td>271,353</td>
<td>72.2</td>
</tr>
</tbody>
</table>