

Interim Report on Settlement of Accounts for Business Year Ending March 31, 2008



October 29, 2007

Name of Listed Company: PENTAX Corporation

Listed on TSE

Code No.: 7750

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

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Scheduled date of presentation of a half-year report: December 20, 2007

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

1. Consolidated business results for the first half-year (from April 1 to September 30, 2007)

(1) Consolidated business results

(The figures expressed in % represent the rate of increase or decrease from the same period a year earlier)

	Net sales		Operating income		Ordinary income		Half-year net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
1st half-year ending September 30, 2007	85,689	14.8	3,337	114.7	2,820	167.4	586	-46.2
1st half-year ending September 30, 2006	74,669	7.7	1,555	66.0	1,055	-10.0	1,089	—
For the business year ending March 31, 2007	157,344	—	5,653	—	5,067	—	3,570	—

	Half-year net income per share	Half-year net income per share after adjustment of potential shares
	Yen	Yen
1st half-year ending September 30, 2007	4.47	4.33
1st half-year ending September 30, 2006	8.53	8.04
For the business year ending March 31, 2007	27.98	26.35

(Reference) The investment profits or losses on equity method were -7 million yen in the first half-year ending September 30, 2007, 51 million yen in the first half-year ending September 30, 2006, and 30 million yen in the business year ending March 31, 2007.

(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, 2007	147,253	46,547	30.6	333.09
1st half-year ending September 30, 2006	136,949	39,669	28.4	305.26
For the business year ending March 31, 2007	147,203	43,135	28.6	329.64

(Reference) The equity capital amounted to 45,102 million yen in the first half-year ending September 30, 2007, 38,942 million yen in the first half-year ending September 30, 2006, and 42,078 million yen in the year ending March 31, 2007.

(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, 2007	912	-2,957	-1,155	22,647
1st half-year ending September 30, 2006	4,094	-2,904	6,333	22,349
For the business year ending March 31, 2007	13,483	-7,106	4,471	25,826

2. Status of dividend

(Base date)	Dividend per share		
	End of 1st half-year	End of business year	For the whole business year
	Yen	Yen	Yen
For the year ending March 31, 2007	—	7.00	7.00
For the year ending March 31, 2008 (results)	—	—	
Year ending March 31, 2008 (estimated)	—	—	0.00

Note: In our financial statement announced on May 11, 2007, we had planned to pay a dividend of 8 yen per share at the end of the business term ending on March 31, 2008. However, as explained by the “Notice of Conclusion of Merger Agreement” announced on October 29, 2007, our company is slated to be merged into HOYA CORPORATION and dissolved as of March 31, 2008, and our company do not pay any dividend at the end of the business term under review.

3. Prospective consolidated business results for 2007 business year (from April 1, 2007 to March 31, 2008)

Our company became a subsidiary of HOYA CORPORATION in August 2007. Therefore, we are now making discussions with HOYA to make arrangements for our business plan. For this reason, it is difficult to announce our prospective consolidated business results and we are not in a position to disclose them.

4. Others

(1) Are there any changes in important subsidiaries during the business year (changes in

particular subsidiaries, which require changes in the scope of consolidation)? No

(2) Changes in accounting principles, accounting procedures, methods of presentation, etc. concerning the preparation of consolidated half-year financial statement (those to be mentioned as the changes in important matters that constitute the basics of preparation of consolidated half-year financial statement)

① Are there any changes due to reforms of accounting standards: Yes

② Are there any changes other than those mentioned in ① above: No

Note: For further details, please refer to “Changes in Important Matters as Basics of Preparation of Consolidated Half-year Financial Statement” on page 18.

(3) The number of stocks issued (common stocks)

① The number of stocks issued at the end of business year (including treasury stocks): 135,609,530 in the first half-year ending September 30, 2007, 127,697,952 in the first half-year ending September 30, 2006, and 127,925,007 in the year ending March 31, 2007

② The number of treasury stocks at the end of business year: 205,998 in the first half-year ending September 30, 2007, 127,646 in the first half-year ending September 30, 2006, and 138,164 in the year ending March 31, 2007

Note: As for the number of stocks as the basics of calculation of net income per share (consolidated basis), please see “Information per Share” on page 24.

(Reference) Outline of non-consolidated business results

1. Non-consolidated business results for the first half-year ending September 30, 2007 (from April 1 to September 30, 2007)

(1) Non-consolidated business results

(The figures expressed in % represent the rate of increase or decrease from the same period a year earlier)

	Net sales		Operating income		Ordinary income		Half-year net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
1st half-year ending September 30, 2007	56,387	4.6	2,132	142.2	1,823	313.6	1,955	518.4
1st half-year ending September 30, 2006	53,917	-0.6	880	50.1	440	-68.3	316	—
For the business year ending March 31, 2007	117,127	—	3,343	—	3,231	—	1,175	—

	Half-year net income per share
	Yen
1st half-year ending September 30, 2007	14.93
1st half-year ending September 30, 2006	2.48
For the business year ending March 31, 2007	9.21

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
1st half-year ending September 30, 2007	122,105	45,775	37.5	338.07
1st half-year ending September 30, 2006	119,570	40,088	33.5	314.24
For the business year ending March 31, 2007	124,000	41,288	33.3	323.11

(Reference) The equity capital amounted to 45,775 million yen in the first half-year ending September 30, 2007, 40,088 million yen in the first half-year ending September 30, 2006, and 41,288 million yen in the year ending March 31, 2007.

2. Prospective non-consolidated business results for 2007 business year (from April 1, 2007 to March 31, 2008)

Our company became a subsidiary of HOYA CORPORATION in August 2007. Therefore, we are now making discussions with HOYA to make arrangements for our business plan. For this reason, it is difficult to announce our prospective consolidated business results and we are not in a position to disclose them.

* Explanations about appropriate use of prospective business results and other special comments

1. As we announced the “Notice of Revisions of Full-Year Prospective Business Results” (Consolidated and Non-Consolidated Basis) as of today (October 29, 2007), please see it.
2. As we announced the “Notice of Conclusion of Merger Agreement” as of today (October 29, 2007), please see it.

1 Business results

(1) Analysis of business results

The world's economy in the half-year consolidated business year under review remained steady in general. The economy in the U.S. maintained underlying strength, though its future development is uncertain. In Europe, investments increased and personal consumption slowly recovered. The economy in Asia still maintained high growth as investments and exports rapidly increased in China, and local demand mainly for consumption and investment increased in NIEs countries and region, ASEAN countries and India. As for the Japanese economy, on the other hand, personal consumption remained steady against the background of favorable corporate performance and employment situation, and the economy is on a moderate upward trend.

Under such circumstances, the net sales of our Group's sales in the half-year consolidated business year under review increased by 14.8% from the same period a year earlier (hereinafter referred to as the "year earlier period") to 85,689 million yen mainly because the sales of digital cameras in Imaging System Business remained steady in both domestic and overseas markets, and the sales of digital camera modules in Optical Component Business drastically increased.

As for profits and losses, as a result of the efforts to increase sales and reduce costs in respective Businesses, the operating income increased to 3,337 million yen (up 114.7% from the year earlier period). The ordinary income also increased to 2,820 million yen (up 167.4% from the year earlier period). The net income, however, decreased to 586 million yen (down 46.2%).

Our Group's segments by business are divided to "Life Care Business" whose main products are medical endoscopes, bone anaplerotic materials, etc., "Imaging System Business" whose main products are digital cameras, "Optical Component Business" whose main products are digital camera modules, microlenses, lenses for surveillance cameras, etc., and "Other Businesses."

The results of segments by business are as follows:

Life Care Business

In the medical endoscope field, we promoted region-by-region marketing strategies that meet market needs such as the intensive sale of high cost-performance models in the European market. In May 2007, we started selling to the U.S. our new endoscope system "i" series well compatible with megapixel images, which has been highly evaluated.

In the new ceramics field, we made efforts to expand the sales of bone anaplerotic materials (artificial bones) and fillers that are used for purification and separation of biomedicines.

As a result, the net sales of Life Care Business as a whole amounted to 21,460 million yen (an increase of 13.7% from the year earlier period) mainly because the sales in the medical endoscope field remained steady. The operating income amounted to 1,632 million yen (an increase of 56.1% from the year earlier period) because of the increase in the sales of medical endoscopes and fillers in the new ceramics field.

Imaging System Business

In the single-lens reflex digital camera field, the “K10D” middle-class digital single-lens reflex camera that was put on sale in November 2006 contributed to the sales as it has been highly valued both at home and abroad and it received Japan’s “Camera Grand Prize” and European camera prizes such as “TIPA” and “EISA.” In July 2007, we started selling the “K100D Super” new standard-class digital single-lens reflex camera. We also introduced two types of “DA Star” new high-performance interchangeable lenses on the market, and actively promoted the sales of such new products.

In the field of compact digital cameras, we put our efforts into replenishing the product line of our Optio series that capitalize on their respective characteristics, and the sales remained steady.

As a result, the net sales of Imaging System Business as a whole amounted to 42,852 million yen (an increase of 15.4% from the year earlier period) mainly because the sales of digital single-lens reflex cameras, interchangeable lenses and camera accessories remained steady both in Japanese and European markets. The operating income amounted to 2,463 million yen (an increase of 976.5% from year earlier period) thanks to increased sales effect and our efforts for reducing selling, general and administrative expenses.

Optical Component Business

In the digital camera module field, we developed and started selling new products of low-profile high-functionality types, which efficiently employ the characteristics of sliding lens systems, as well as of popular types, and we also made efforts to find new customers and significantly increased sales.

In the microlens field, falling market prices of DVD products forced us to reduce the unit selling prices.

In the security field, we endeavored to increase the sales of lenses for surveillance cameras with focus on high-powered zoom lenses and ultra-compact pan-focus zoom lenses.

As a result, the net sales of Optical Component Business as a whole amounted to 18,460 million yen (an increase of 22.8% from the year earlier period) thanks to the increased sales in the digital camera module field. The operating income amounted to 1,224 million yen (a decline of 8.2% from the year earlier period) because the ratio of costs to sales increased due to the effect of lowered unit selling prices of microlenses, though the profit improved due to an increase in sales of digital camera modules.

Other Businesses

The net sales of Other Businesses amounted to 2,915 million yen (a decline of 19.4% from the year earlier period). The operating loss amounted to 190 million yen (compared with the operating loss of 167 million yen in the year earlier period). Major products of Other Businesses include surveying instruments, mobile printers, and audio-related products.

(2) Analysis of financial position

① Status of assets, liabilities and net assets

As for assets, current assets increased by 83 million yen from the end of the previous

consolidated business year to 99,326 million yen because notes and accounts receivable increased by 3,399 million, though cash on hand and in banks decreased by 3,179 million yen.

Fixed assets decreased by 33 million yen from the end of the previous consolidated business year to 47,926 million yen as tangible fixed assets increased by 980 million yen, and investments and other assets decreased by 968 million yen.

As a result, total assets increased by 50 million yen from the end of the previous consolidated business year to 147,253 million yen.

As for liabilities, current liabilities increased by 2,055 million from the end of the previous consolidated business year to 67,758 million yen because notes and accounts payable increased by 2,529 million yen, etc.

Fixed liabilities decreased by 5,417 million yen from the end of the previous consolidated business year to 32,947 million yen because corporate bonds with subscription rights decreased by 4,136 million yen as the rights were exercised, in addition to repayments of long-term debts.

As a result, total liabilities decreased by 3,362 million yen from the end of the previous consolidated business year to 100,705 million yen.

As for net assets, total net assets increased by 3,412 million yen from the end of the previous consolidated business year to 46,547 million yen because the capital and capital surplus increased as the subscription rights of corporate bonds with subscription rights were exercised.

② Status of cash flow

The balance of cash and cash equivalents (hereinafter referred to as “funds”) at the end of the half-year consolidated business year under review amounted to 22,647 million yen. The status of cash flow during the half-year consolidated business year under review is as follows:

(Cash flows from operating activities)

The funds provided by operating activities increased to 912 million yen (compared to an increase to 4,094 million yen in the year earlier period).

The major factors of increase in the funds are 1,264 million yen net income before adjustment of income taxes and others, 3,215 million yen depreciation and amortization, and notes and accounts payable increased by 1,553 million yen, whereas notes and accounts receivable increased by 2,860 million yen.

(Cash flows from investing activities)

The funds used in investing activities decreased to 2,957 million yen (compared to a decrease to 2,904 million yen in the year earlier period). The major factors of decrease in the funds are a 419 million yen revenue from sale of tangible fixed assets, a 1,463 million yen revenue from sale of investment securities, a 4,257 million yen expenditure for acquisition of tangible fixed assets, and a 408 million yen expenditure for acquisition of intangible fixed assets.

(Cash flows from financing activities)

The funds provided by financing activities decreased to 1,155 million yen (compared to an increase to 6,333 million yen in the year earlier period). The major factors are attributable to a 2,070 million expense for repayment for long-term borrowings and an 892 million yen expense for payments of dividends.

(Reference) Changes in indicators related to cash flow

	1st half-year ending September 30, 2005	For the year ending March 31, 2006	1st half-year ending September 30, 2006	For the year ending March 31, 2007	1st half-year ending September 30, 2007
Equity ratio (%)	28.2	30.7	28.4	28.6	30.6
Equity ratio based on market values (%)	51.2	69.0	48.3	59.9	64.6
Ratio of interest-bearing liabilities to cash flow (yearly)	—	—	5.7	3.3	22.2
Interest coverage ratio (times)	—	—	4.7	7.0	1.9

- Notes:
- Equity ratio: equity capital/total assets
 - Equity ratio based on current values: aggregate market value of shares/total assets
 - Ratio of interest-bearing liabilities to cash flow: 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 x term-end number of shares issued (after deduction of treasury shares)
 - * The operating cash flow represents the cash flow from operating activities as mentioned in the consolidated statement of cash flows. The interest-bearing debt covers the short- and long-term liabilities derived from borrowings, which are mentioned in the consolidated balance sheet. The interest payment represents the payment of interests mentioned in the consolidated statement of cash flows.
 - * In view of calculating the number of years of debt redemption in a half-year period, cash flows from operating activities are doubled for conversion into an annual amount.
 - * The ratio of interest-bearing liabilities to cash flow and interest coverage ration for the half-year period ending September 30, 2005 and the year ending March 31, 2006 are not presented because the cash flows provided by operating activities are in the red.

(3) The basic policy for appropriation of profits and dividends for the business term under review

Please see the lower note of “2. Status of dividend” on page 2.

2 Status of company group

Disclosure is omitted because there is no important change in “Business System Diagram (Description of Business)” and “Status of Affiliated Companies” as mentioned in the recent financial report (submitted on June 28, 2007).

3 Management policy

The management policy is not mentioned as there is no important change in the description in the brief announcement of the most recent financial statement in March 2007 (disclosed on

May 11, 2007).

The brief announcement of the most recent financial statement in Japanese can be seen on the website on the following URLs:

(Website of PENTAX)

<http://www.pentax.co.jp/japan/company/ir/semi/2007.html>

(Website of Tokyo Stock Exchange (Page to search information about publicly-listed companies))

<http://www.tse.or.jp/listing/compsearch/index.html>

4 Consolidated half-year financial statement

(1) Consolidated half-year balance sheet

Accounts	At the end of previous consolidated half-year period (September 30, 2006)		At the end of consolidated half-year period under review (September 30, 2007)		Summarized balance sheet for previous consolidated business year (March 31, 2007)		Change
	Amount (million yen)	Percentage (%)	Amount (million yen)	Percentage (%)	Amount (million yen)	Percentage (%)	
(Assets)							
I Current assets							
1 Cash on hand and in banks	23,853		24,183		27,362		-3,179
2 Note and accounts receivable – trades	32,897		36,500		33,101		3,399
3 Inventories	26,433		31,549		32,369		-820
4 Deferred tax assets	4,086		4,223		4,577		-354
5 Others	3,132		3,551		2,617		934
6 Allowance for doubtful accounts	-627		-683		-785		102
Total current assets	89,774	65.6	99,326	67.5	99,243	67.4	83
II Fixed assets							
(1) Tangible fixed assets							
1 Buildings and structures	6,784		7,068		7,181		-113
2 Land	7,487		7,026		7,237		-211
3 Others	11,970		13,998		12,693		1,305
Total tangible fixed assets	26,241	19.1	28,093	19.0	27,113	18.4	980
(2) Intangible fixed assets							
1 Goodwill	5,088		6,699		6,817		-118
2 Others	2,695		2,520		2,447		73
Total intangible fixed assets	7,783	5.7	9,220	6.3	9,265	6.3	-45
(3) Investment and other assets							
1 Investment securities	6,937		4,629		5,814		-1,185
2 Deferred tax assets	4,155		4,312		3,976		336
3 Others	2,074		1,679		1,800		-121
4 Allowance for doubtful accounts	-15		-8		-8		0
Total investment and other assets	13,151	9.6	10,613	7.2	11,581	7.9	-968
Total fixed assets	47,175	34.4	47,926	32.5	47,959	32.6	-33
Total assets	136,949	100.0	147,253	100.0	147,203	100.0	50

Accounts	At the end of previous consolidated half-year period (September 30, 2006)		At the end of consolidated half-year period under review (September 30, 2007)		Summarized balance sheet for previous consolidated business year (March 31, 2007)		Change
	Amount (million yen)	Percentage (%)	Amount (million yen)	Percentage (%)	Amount (million yen)	Percentage (%)	
(Liabilities)							
I Current liabilities							
1 Notes and accounts payable - trades	22,846		30,650		28,121		2,529
2 Short-term borrowings	19,168		20,446		19,024		1,422
3 Product warranty reserves	659		754		775		-21
4 Others	14,164		15,907		17,781		-1,874
Total current liabilities	56,837	41.5	67,758	46.0	65,703	44.6	2,055
II Fixed liabilities							
1 Corporate bond with subscription right	4,261		—		4,136		-4,136
2 Long-term borrowings	23,268		20,123		21,684		-1,561
3 Allowance for retirement benefits	9,881		9,843		9,478		365
4 Allowance for retirement benefits to directors	225		270		251		19
5 Deferred tax liabilities from revaluation	2,378		2,281		2,365		-84
6 Others	430		429		447		-18
Total Fixed liabilities	40,443	29.5	32,947	22.4	38,364	26.1	-5,417
Total liabilities	97,280	71.0	100,705	68.4	104,067	70.7	-3,362
(Net assets)							
I Shareholders' equity							
1 Capital stock	7,510	5.5	9,646	6.6	7,571	5.2	2,075
2 Capital surplus	21,040	15.3	23,163	15.7	21,101	14.3	2,062
3 Retained earnings	11,399	8.3	13,715	9.3	13,856	9.4	-141
4 Treasury stock	-46	-0.0	-103	-0.1	-52	-0.0	-51
Total shareholders' equity	39,903	29.1	46,421	31.5	42,476	28.9	3,945
II Differences of evaluation and conversion							
1 Evaluation differences of other securities	1,480	1.1	1,045	0.7	1,705	1.1	-660
2 Revaluation differences of land	3,494	2.5	3,351	2.3	3,474	2.4	-123
3 Foreign currency translation adjustments	-5,935	-4.3	-5,716	-3.9	-5,579	-3.8	-137
Total differences of evaluation and conversion	-961	-0.7	-1,319	-0.9	-398	-0.3	-921
III Minority interests	727	0.6	1,444	1.0	1,057	0.7	387
Total net assets	39,669	29.0	46,547	31.6	43,135	29.3	3,412
Total liabilities and net assets	136,949	100.0	147,253	100.0	147,203	100.0	50

(2) Consolidated half-year income statement

Accounts	Previous consolidated half-year period (From April 1 to September 30, 2006)		Consolidated half-year period under review (From April 1 to September 30, 2007)		Change	Summarized consolidated income statement for previous consolidated business year (From April 1, 2006 to March 31, 2007)	
	Amount (million yen)	Percentage (%)	Amount (million yen)	Percentage (%)		Amount (million yen)	Percentage (%)
I Net sales	74,669	100.0	85,689	100.0	11,020	157,344	100.0
II Cost of sales	50,740	68.0	57,312	66.9	6,572	103,918	66.0
Gross profit	23,929	32.0	28,377	33.1	4,448	53,426	34.0
III Selling, general and administrative expenses	22,374	29.9	25,039	29.2	2,665	47,772	30.4
Operating income	1,555	2.1	3,337	3.9	1,782	5,653	3.6
IV Non-operating income	709	0.9	498	0.6	-211	2,021	1.3
1 Interest received	79		112		33	204	
2 Dividends received	27		32		5	31	
3 Revenues from land and house rent, etc.	14		6		-8	24	
4 Investment profit on equity method	51		—		-51	30	
5 Foreign currency exchange gain, net	288		—		-288	1,056	
6 Others, net	250		347		97	672	
V Non-operating expenses	1,209	1.6	1,015	1.2	-194	2,607	1.7
1 Interest expenses	875		485		-390	1,906	
2 Investment loss on equity method	—		7		7	—	
3 Exchange loss	—		286		286	—	
4 Others, net	334		236		-98	700	
Ordinary income	1,055	1.4	2,820	3.3	1,765	5,067	3.2
VI Extraordinary income	498	0.7	342	0.4	-156	1,963	1.2
1 Gain on sales of investment securities	—		250		250	0	
2 Profit on fixed assets sold	173		88		-85	1,655	
3 Capital gain on transfer of business	325		—		-325	307	
4 Others, net	—		3		3	—	
VII Extraordinary loss	151	0.2	1,898	2.2	1,747	1,518	0.9
1 Appraisal loss on investment assets	—		875		875	249	
2 Costs related to merger, etc.	—		419		419	283	
3 Loss on liquidation of affiliated companies	45		187		142	47	
4 Loss on fixed assets sold and retired	48		163		115	160	
5 Patent royalty of the past business year	58		120		62	58	
6 Devaluation loss of investment securities	—		32		32	609	
7 Others, net	—		100		100	109	
Half-year net income before adjustment of income taxes and others	1,402	1.9	1,264	1.5	-138	5,521	3.5
Corporate tax, local tax and business tax	150	0.2	1,043	1.2	893	1,262	0.8
Adjusted amount of corporate tax and others	7	0.0	-584	-0.7	-591	617	0.4
Minority interest in income	156	0.2	219	0.3	63	60	0.0
Half-year net income	1,089	1.5	586	0.7	-503	3,570	2.3

(3) Statement of changes in consolidated half-year shareholders' equity, etc.

Previous consolidated half-year period (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 changes during the consolidated half-year period					
Distribution of surplus (Note)			-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 changes in items other than shareholders' equity during the consolidated half-year period (net)					—
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	Total differences of evaluation and conversion		
Balance as of March 31, 2006	1,792	3,642	-5,859	-425	491	39,504
Amount of changes during the consolidated half-year period						
Distribution of surplus (Note)						-765
Half-year net income						1,089
Acquisition of treasury stock						-6
Decrease of revaluation differences of land		-148		-148		—
Amount of changes in items other than shareholders' equity during the consolidated half-year period (net)	-312		-76	-388	236	-152
Total of amounts of changes during the consolidated half-year period	-312	-148	-76	-536	236	166
Balance as of September 30, 2006	1,480	3,494	-5,935	-961	727	39,669

Note: The distribution of surplus was presented at the regular general meeting of stockholders in June 2006.

Consolidated half-year period under review (from April 1 to September 30, 2007)

(Unit: million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of March 31, 2007	7,571	21,101	13,856	-52	42,476
Amount of changes during the consolidated half-year period					
Issuing of new shares	2,074	2,061			4,136
Distribution of surplus			-894		-894
Half-year net income			586		586
Acquisition of treasury stock				-51	-51
Change in scope of application of equity method			44		44
Decrease of revaluation differences of land			123		123
Amount of changes in items other than shareholders' equity during the consolidated half-year period (net)					—
Total of amounts of changes during the consolidated half-year period	2,074	2,061	-140	-51	3,944
Balance as of September 30, 2007	9,646	23,163	13,715	-103	46,421

	Differences of evaluation and conversion				Minority interests	Total net assets
	Evaluation differences of other securities	Revaluation differences of land	Foreign currency translation adjustments	Total differences of evaluation and conversion		
Balance as of March 31, 2007	1,705	3,474	-5,579	-398	1,057	43,135
Amount of changes during the consolidated half-year period						
Issuing of new shares						4,136
Distribution of surplus						-894
Half-year net income						586
Acquisition of treasury stock						-51
Change in scope of application of equity method						44
Decrease of revaluation differences of land		-123		-123		—
Amount of changes in items other than shareholders' equity during the consolidated half-year period (net)	-660		-137	-797	387	-409
Total of amounts of changes during the consolidated half-year period	-660	-123	-137	-920	387	3,411
Balance as of September 30, 2007	1,045	3,351	-5,716	-1,319	1,444	46,547

Previous consolidated business year (from April 1, 2006 to March 31, 2007)

(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 changes during the consolidated business year					
Issuing of new shares	61	61			122
Distribution of surplus			-765		-765
Net income			3,570		3,570
Acquisition of treasury stock				-12	-12
Decrease of revaluation differences of land			166		166
Amount of decrease due to changes in accounting standards of foreign subsidiaries			-42		-42
Amount of changes in items other than shareholders' equity during the consolidated business year (net)					—
Total of amounts of changes during the consolidated business year	61	61	2,928	-12	3,038
Balance as of March 31, 2007	7,571	21,101	13,856	-52	42,476

	Differences of evaluation and conversion				Minority interests	Total net assets
	Evaluation differences of other securities	Revaluation differences of land	Foreign currency translation adjustments	Total differences of evaluation and conversion		
Balance as of March 31, 2006	1,792	3,642	-5,859	-425	491	39,504
Amount of changes during the consolidated business year						
Issuing of new shares						122
Distribution of surplus						-765
Net income						3,570
Acquisition of treasury stock						-12
Decrease of revaluation differences of land		-166		-166		—
Amount of decrease due to changes in accounting standards of foreign subsidiaries						-42
Amount of changes in items other than shareholders' equity during the consolidated business year (net)	-86		280	194	566	760
Total of amounts of changes during the consolidated business year	-86	-166	280	28	566	3,632
Balance as of March 31, 2007	1,705	3,474	-5,579	-398	1,057	43,135

(4) Statement of consolidated half-year cash flows

	Previous consolidated half-year period (from April 1 to September 30, 2006)	Consolidated half-year period under review (from April 1 to September 30, 2007)	Summarized consolidated cash flow statement for previous consolidated business year (from April 1, 2006 to March 31, 2007)
Accounts	Amount (million yen)	Amount (million yen)	Amount (million yen)
I Cash flows from operating activities			
1 Half-year net income before adjustment of income taxes and others	1,402	1,264	5,512
2 Depreciation	2,398	3,215	5,641
3 Amortization of goodwill	115	114	229
4 Decrease in allowance for doubtful accounts	-48	-120	56
5 Increase in product warranty reserves	-116	-33	-11
6 Decrease in accrued bonuses	3	-338	391
7 Decrease in allowance for retirement benefits	178	384	-208
8 Investment loss on equity method	-51	7	-30
9 Interest and dividends received	-106	-144	-236
10 Interest expenses	875	485	1,906
11 Exchange gain and loss	-13	35	-19
12 Gain on sales of investment securities	—	-250	-0
13 Devaluation loss of investment securities	—	32	609
14 Profit on fixed assets sold	-173	-88	-1,655
15 Loss on fixed assets sold and retired	48	163	160
16 Decrease in notes and accounts receivable	-568	-2,860	787
17 Decrease in inventories	-86	293	-5,416
18 Increase in notes and accounts payable	3,565	1,553	7,877
19 Increase and decrease in other assets and liabilities	-1,738	-2,022	668
20 Patent royalty of the past business year	58	120	58
21 Appraisal loss on inventory assets	—	875	249
22 Loss on liquidation of affiliated companies	45	187	47
23 Capital gain on transfer of business	-325	—	-307
24 Other marketing activities	-374	-266	-463
Sub-total	5,089	2,608	15,845
25 Interest and dividends received	113	155	244
26 Payment of interest	-881	-481	-1,919
27 Payment of income taxes	-227	-1,369	-687
Net cash provided by operating activities	4,094	912	13,483

	Previous consolidated half-year period (from April 1 to September 30, 2006)	Consolidated half-year period under review (from April 1 to September 30, 2007)	Summarized consolidated cash flow statement for previous consolidated business year (from April 1, 2006 to March 31, 2007)
Accounts	Amount (million yen)	Amount (million yen)	Amount (million yen)
II Cash flows from investing activities			
1 Increase in time deposits	73	0	43
2 Payment for acquisition of tangible fixed assets	-3,243	-4,257	-8,091
3 Proceeds from tangible fixed assets sold	671	419	2,929
4 Payment for acquisition of intangible fixed assets	-1,438	-408	-2,258
5 Payment for purchase of investment securities	-341	-264	-341
6 Proceeds from investment securities sold	—	1,463	0
7 Proceeds from transfer of business	1,535	—	1,534
8 Payments for subsidiary's stocks acquired due to change in the scope of consolidation	—	—	-708
9 Other investment activities	-161	90	-216
Net cash used in investing activities	-2,904	-2,957	-7,106
III Cash flows from financing activities			
1 Increase in short-term borrowings	1,106	1,650	501
2 Proceeds from long-term borrowings	7,300	208	8,308
3 Repayments of long-term borrowings	-1,373	-2,070	-3,631
4 Proceeds from shares issued to minority shareholders	94	—	94
5 Payment of acquisition of treasury stock	-6	-51	-12
6 Payment of dividends	-763	-892	-764
7 Dividends payment to minority shareholders	-25	—	-25
Net cash provided by (used in) financing activities	6,333	-1,155	4,471
IV Effect of exchange rate changes on cash and cash equivalents	90	21	243
V Net decrease in cash and cash equivalents	7,613	-3,179	11,091
VI Cash and cash equivalents at the beginning of the year	14,736	25,826	14,736
VII Balance of cash and cash equivalents at the end of half-year period (business year)	22,349	22,647	25,826

(5) Basic and important matters to prepare half-year consolidated financial statement

1. Scope of consolidation and matters related to application of equity method

(1) The number of consolidated subsidiaries is 33 and that of affiliated companies to which the equity method is applied is five.

(2) The scope of consolidation and status of change in application of equity method:

Consolidation (new) 0 and (exclusion) 0, and equity method (new) 0 and (exclusion) 1 company.

For reference, except for the matters mentioned above, disclosure is omitted as there is no important change in description in the recent half-year report (submitted on December 19, 2006).

(6) Changes in important matters as basics of preparation of consolidated half-year financial statement

(Change in accounting procedures)

Because of the revision of the Corporation Tax Law, our company and consolidated subsidiaries in Japan changed the method of depreciation of tangible fixed assets acquired on and after April 1, 2007 from the consolidated half-year period under review based on the revised Corporation Tax Law. Because of this change, the amount of operating income, that of ordinary income and that of net income before adjustment of income taxes and others decreased by 93 million yen, respectively. The effects of the change on segment information are mentioned in applicable sections, respectively.

(Additional information)

As for those tangible fixed assets that were acquired on and before March 31, 2007 and that were depreciated up to the preset possible amount of depreciation, our company and consolidated subsidiaries in Japan depreciate them evenly in five years from the year following the year of completion of depreciation up to the preset possible amount of depreciation. Because of this change, the amount of operating income, that of ordinary income and that of net income before adjustment of income taxes and others decreased by 55 million yen, respectively.

(7) Matters to note about half-year consolidated financial statement

(Omission of disclosure)

The disclosure of matters to note about leasing transactions, marketable securities, derivative transactions, stock options, etc., and corporate merger, etc. is omitted because the need to disclose such matters to note in the brief announcement of the most recent half-year financial statement is not considered substantial.

(Segment information)

1 Segment information in breakdown by type of business

Previous consolidated half-year period (from April 1 to September 30, 2006)

	Life Care Business (million yen)	Imaging System Business (million yen)	Optical Component Business (million yen)	Other Businesses (million yen)	Total (million yen)	Deleted or company-wide (million yen)	Consolidated basis (million yen)
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 businesses and research of basic technologies of the parent company are major factors of the expenses.

Consolidated half-year period under review (from April 1 to September 30, 2007)

	Life Care Business (million yen)	Imaging System Business (million yen)	Optical Component Business (million yen)	Other Businesses (million yen)	Total (million yen)	Deleted or company-wide (million yen)	Consolidated basis (million yen)
Net sales							
(1) Sales to unaffiliated customers	21,460	42,852	18,460	2,915	85,689	—	85,689
(2) Internal sales or amount transferred between segments	—	—	—	—	—	—	—
Total	21,460	42,852	18,460	2,915	85,689	—	85,689
Operating expenses	19,828	40,389	17,235	3,106	80,559	1,792	82,351
Operating income (- loss)	1,632	2,463	1,224	-190	5,130	(1,792)	3,337

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, 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 1,792 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: Change in accounting policy

Because of the revision of the Corporation Tax Law, our company and consolidated subsidiaries in Japan changed the method of depreciation of tangible fixed assets acquired on and after April 1, 2007 from the half-year consolidated financial period under review based on the revised Corporation Tax Law. In accordance with this change, compared with the case of conventional method, the operating cost of Life Care Business for the half-year consolidated financial period under review decreased by 10 million yen, that of Imaging System Business by 45 million yen, that of Optical Component Business by 32 million yen and that of Other Businesses by 1

million yen, or that of the company as a whole increased by 2 million yen, and the operating income decreased by the same amount.

Note 5: Others

As for those tangible fixed assets that were acquired on and before March 31, 2007 and that were depreciated up to the preset possible amount of depreciation, our company and consolidated subsidiaries in Japan depreciate them evenly in five years from the year following the year of completion of depreciation up to the preset possible amount of depreciation. Because of this change, the operating cost of Life Care Business for the half-year consolidated financial period under review increased by 15 million yen, that of Imaging System Business by 21 million yen, that of Optical Component Business by 15 million yen, and that of Other Businesses by 2 million yen, and the amount of investments of the company as a whole increased by 1 million yen, and the operating income decreased by the same amount.

Previous consolidated business year (from April 1, 2006 to March 31, 2007)

	Life Care Business (million yen)	Imaging System Business (million yen)	Optical Component Business (million yen)	Other Businesses (million yen)	Total (million yen)	Deleted or company-wide (million yen)	Consolidated basis (million yen)
Net sales							
(1) Sales to unaffiliated customers	40,969	81,192	28,403	6,779	157,344	—	157,344
(2) Internal sales or amount transferred between segments	—	—	—	—	—	—	—
Total	40,969	81,192	28,403	6,779	157,344	—	157,344
Operating expenses	37,730	78,088	26,641	7,037	149,497	2,193	151,691
Operating income (- loss)	3,239	3,103	1,761	-257	7,846	(2,193)	5,653

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, 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 2,193 million yen. Costs related to development of new businesses and research of basic technologies of the parent company are major factors of the expenses.

2 Segment information by region

Previous consolidated half-year period (from April 1 to September 30, 2006)

	Japan (million yen)	North America (million yen)	Europe (million yen)	Asia (million yen)	Total (million yen)	Deleted or company- wide (million yen)	Consolidated basis (million yen)
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 and China

Note 2: 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 businesses and research of basic technologies of the parent company are major factors of the expenses.

Consolidated half-year period under review (from April 1 to September 30, 2007)

	Japan (million yen)	North America (million yen)	Europe (million yen)	Asia (million yen)	Total (million yen)	Deleted or company- wide (million yen)	Consolidated basis (million yen)
Net sales							
(1) Sales to unaffiliated customers	25,946	18,366	29,727	11,650	85,689	—	85,689
(2) Internal sales or amount transferred between segments	31,437	304	137	2,267	34,147	(34,147)	—
Total	57,383	18,670	29,864	13,917	119,837	(34,147)	85,689
Operating expenses	53,712	19,467	28,582	13,294	115,057	(32,705)	82,351
Operating income (- loss)	3,671	-797	1,281	623	4,780	(1,442)	3,337

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 item of “Deleted or company-wide” amounts to 1,792 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 3: Change in accounting policy

Because of the revision of the Corporation Tax Law, our company and consolidated subsidiaries in Japan changed the method of depreciation of tangible fixed assets acquired on and after April 1, 2007 from the half-year consolidated period under review based on the revised Corporation Tax Law. In accordance with this change, compared with the case of

conventional method, the operating cost in Japan for the half-year consolidated financial period under review decreased by 91 million yen, or that of the company as a whole increased by 2 million yen, and the operating income decreased by the same amount.

Note 4: Others

As for those tangible fixed assets that were acquired on and before March 31, 2007 and that were depreciated up to the preset possible amount of depreciation, our company and consolidated subsidiaries in Japan depreciate them evenly in five years from the year following the year of completion of depreciation up to the preset possible amount of depreciation. Because of this change, compared with the case of conventional method, the operating cost in Japan for the half-year consolidated financial period under review decreased by 54 million yen, or that of the company as a whole increased by 1 million yen, and the operating income decreased by the same amount.

Previous consolidated business year (from April 1, 2006 to March 31, 2007)

	Japan (million yen)	North America (million yen)	Europe (million yen)	Asia (million yen)	Total (million yen)	Deleted or company- wide (million yen)	Consolidated basis (million yen)
Net sales							
(1) Sales to unaffiliated customers	56,025	39,735	52,846	8,736	157,344	—	157,344
(2) Internal sales or amount transferred between segments	63,897	518	247	6,740	71,404	(71,404)	—
Total	119,922	40,254	53,093	15,477	228,749	(71,404)	157,344
Operating expenses	114,123	39,873	51,462	14,779	220,238	(68,547)	151,691
Operating income	5,799	381	1,631	697	8,510	(2,857)	5,653

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 item of “Deleted or company-wide” amounts to 2,193 million yen. Costs related to development of new businesses and research of basic technologies of the parent company are major factors of the expenses.

3 Overseas sales

Previous consolidated half-year period (from April 1 to September 30, 2006)

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

Consolidated half-year period under review (from April 1 to September 30, 2007)

	North America	Europe	Other regions	Total
I Overseas sales (million yen)	19,229	29,789	23,094	72,114
II Consolidated sales (million yen)				85,689
III Ratio of overseas sales to consolidated sales (%)	22.4	34.8	27.0	84.2

Previous consolidated business year (from April 1, 2006 to March 31, 2007)

	North America	Europe	Other regions	Total
I Overseas sales (million yen)	40,719	53,039	31,761	125,521
II Consolidated sales (million yen)				157,344
III Ratio of overseas sales to consolidated sales (%)	25.9	33.7	20.2	79.8

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 Americathe U.S. and Canada
- (2) Europe.....Germany, the U.K. and France
- (3) Other regionsAsia, 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).

(Information per share)

Previous consolidated half-year period (from April 1 to September 30, 2006)	Consolidated half-year period under review (from April 1 to September 30, 2007)	Previous consolidated business year (from April 1, 2006 to March 31, 2007)
Net assets per share 305.26 yen	Net assets per share 333.09 yen	Net assets per share 329.64 yen
Half-year net income per share 8.53 yen	Half-year net income per share 4.47 yen	Net income per share 27.98 yen
Half-year net income per share after adjustment of potential shares 8.04 yen	Half-year net income per share after adjustment of potential shares 4.33 yen	Net income per share after adjustment of potential shares 26.35 yen

Note: Basics of calculation

1. Net assets per share

	Previous consolidated half-year period (from April 1 to September 30, 2006)	Consolidated half-year period under review (from April 1 to September 30, 2007)	Previous consolidated business year (from April 1, 2006 to March 31, 2007)
Total of net assets in half-year consolidated balance sheet (consolidated balance sheet) (million yen)	39,669	46,547	43,135
Amount of net assets related to common shares (million yen)	38,942	45,102	42,078
Breakdown of major items of difference Equity of minority shareholders	727	1,444	1,057
Number of issued common shares (1,000 shares)	127,698	135,609	127,925
Number of treasury common shares (1,000 shares)	128	205	138
Number of common shares used for calculation of the amount of net assets per share (1,000 shares)	127,570	135,403	127,786

2. The amount of half-year (period under review) net income per share and the amount of half-year (period under review) net income per share after adjustment of potential shares

	Previous consolidated half-year period (from April 1 to September 30, 2006)	Consolidated half-year period under review (from April 1 to September 30, 2007)	Previous consolidated business year (from April 1, 2006 to March 31, 2007)
Amount of half-year (period under review) net income per share			
Half-year (period under review) net income (million yen)	1,089	586	3,570
Amount not imputed to common shareholders (million yen)	—	—	—
Half-year (period under review) net income related to common shares (million yen)	1,089	586	3,570
Average number of common shares in half-year period (1,000 shares)	127,574	131,033	127,633
Half-year (period under review) net income per share after adjustment of potential shares			
Number of increase in common shares (1,000 shares) (Of which the number of convertible bonds with subscription right (1,000 shares))	7,911 (7,911)	4,411 (4,411)	7,847 (7,847)
Outline of potential shares that were not included in the calculation of half-year (period under review) net income per share after adjustment of potential shares because they did not have the dilutive effect	PENTAX Corp. 1st subscription warrants (Issued on July 4, 2005)	-----	PENTAX Corp. 1st subscription warrants (Issued on July 4, 2005)

(Important subsequent events)

Previous consolidated half-year period (from April 1 to September 30, 2006)

No relevant data.

Consolidated half-year period under review (from April 1 to September 30, 2007)

Conclusion of merger agreement with HOYA CORPORATION

At the meeting of board directors on October 29, 2007, HOYA CORPORATION (hereinafter referred to as “HOYA”) and PENTAX Corp. as a consolidated subsidiary thereof concluded a merger agreement on the merger between HOYA and PENTAX. The agreement is slated to become effective on March 31, 2008.

1. Purpose of merger

As for the method of integration of management of HOYA and PENTAX, the two companies had originally scheduled their merger on October 1, 2007, according to the basic agreement on merger concluded on December 21, 2006. The method was changed to make PENTAX a wholly owned subsidiary of HOYA by appropriate means including restructure transaction and other similar methods through exchange of shares, etc. after HOYA carries out TOB to acquire all shares of PENTAX. However, we reached a conclusion that the integration by means of the originally planned merger is the optimum choice in order to make it possible for each business unit of PENTAX to make business judgments and take actions as quickly as other business units of HOYA and to optimize the distribution of management resources in a framework of the HOYA Group as a whole, rather than in a small framework of subsidiaries, because mobility and flexibility of management are important to strengthen the major businesses of PENTAX.

2. Schedule of merge

Meeting of board of directors to decide the merger:	October 29 (Monday), 2007 (HOYA and PENTAX)
Conclusion of merger agreement:	October 29 (Monday), 2007
Assignment of liquidation posts of PENTAX’s stocks:	October 30 (Tuesday), 2007 (planned)
Date of delisting of PENTAX’s stocks:	November 30 (Friday), 2007 (planned)
Date of effectuation of merger:	March 31 (Monday), 2008 (planned)
Date of granting merger consideration:	May 20 (Tuesday), 2008 (planned)

There is quite a long period of time from the conclusion of merger agreement and the date of effectuation of merger. This is because we considered the time required for the procedures prescribed by the Drugs, Cosmetics and Medical Instruments Law in order for PENTAX’s medical product businesses to be continued by HOYA after the merger.

For further details about the method of merger, value of merger consideration, grounds for calculation of the value of merger consideration, etc., please see the “Notice of Conclusion of Merger Agreement” that is shown on the website of Tokyo Stock Exchange or PENTAX’s website (<http://www.pentax.co.jp/>).

Previous consolidated business year (from April 1, 2006 to March 31, 2007)

“Conclusion of agreement on management integration with HOYA CORPORATION”

PENTAX Corp. and HOYA CORPORATION (hereinafter referred to as “HOYA”) concluded a basic agreement on management integration on December 21, 2006. Since then, the two companies have discussed proposals, including TOB proposed by HOYA. As a result, PENTAX and HOYA concluded an agreement on May 31, 2007, to carry out management integration by making PENTAX a wholly owned subsidiary of HOYA by appropriate means such as a restructure transaction, etc. through exchange of shares, etc. after HOYA carries out TOB to acquire all shares of PENTAX. The two companies also decided to change part of the method of TOB on June 15, 2007.

1. Purpose of TOB

PENTAX and HOYA will establish a firm business foundation by making the most of the management resources possessed by the two companies in a mutually complementary manner, and create corporate values by developing attractive products with the optical and precision processing technologies that the two companies are good at, and by providing such products to a wider range of customers. After the management integration, the two companies will promote the optimization of their business portfolios, and aim to realize further reinforcement of competitiveness.

2. Method of TOB

(1) Buying price

- ① Common stock: 770 yen per share
- ② PENTAX’s convertible bond: 1,433,056 yen per bond (the face value of each bond is 1,000,000 yen)
- ③ PENTAX’s first stock subscription right: 1 yen per right

(2) Upper limit of shares slated to be bought

None

(3) Lower limit of shares slated to be bought

67,740,000 shares

(4) Time of TOB commencement

HOYA is scheduled to commence TOB on the day about three business days after PENTAX submits its financial report for the 77th term to the Director of Kanto Finance Bureau.

5 Non-consolidated half-year financial statement

(1) Half-year balance sheet

Accounts	At the end of previous half-year period (September 30, 2006)		At the end of half-year period under review (September 30, 2007)		Summarized balance sheet for previous business year (March 31, 2007)		Change
	Amount (million yen)	Percentage (%)	Amount (million yen)	Percentage (%)	Amount (million yen)	Percentage (%)	
(Assets)							
I Current assets							
1 Cash on hand and in banks	16,132		14,368		17,827		-3,459
2 Note receivable – trades	3,794		1,629		2,862		-1,233
3 Accounts receivable – trades	31,086		35,447		34,828		619
4 Inventories	13,253		16,646		14,579		2,067
5 Deferred tax assets	1,989		1,969		2,274		-305
6 Others	4,195		3,353		2,613		740
7 Allowance for doubtful accounts	-570		-193		-183		-10
Total current assets	69,881	58.4	73,221	60.0	74,802	60.3	-1,581
II Fixed assets							
(1) Tangible fixed assets							
1 Buildings	4,989		4,713		4,785		-72
2 Machinery and equipment	656		559		701		-142
3 Land	7,627		7,208		7,418		-210
4 Others	3,596		3,705		3,504		201
Total tangible fixed assets	16,869	14.1	16,187	13.3	16,409	13.2	-222
(2) Intangible fixed assets	1,272	1.1	1,896	1.5	1,841	1.5	55
(3) Investment and other assets							
1 Investment securities	5,038		3,877		3,929		-52
2 Shares of affiliated companies	17,573		17,122		18,582		-1,460
3 Investments in affiliated companies	3,238		3,228		3,238		-10
4 Long-term loans	1,344		2,216		1,456		760
5 Deferred tax assets	2,444		2,808		2,092		716
6 Others	1,923		1,554		1,656		-102
7 Allowance for doubtful accounts	-14		-8		-8		0
Total investment and other assets	31,548	26.4	30,799	25.2	30,946	25.0	-147
Total fixed assets	49,689	41.6	48,884	40.0	49,198	39.7	-314
Total assets	119,570	100.0	122,105	100.0	124,000	100.0	-1,895

Accounts	At the end of previous half-year period (September 30, 2006)		At the end of half-year period under review (September 30, 2007)		Summarized balance sheet for previous business year (March 31, 2007)		Change
	Amount (million yen)	Percentage (%)	Amount (million yen)	Percentage (%)	Amount (million yen)	Percentage (%)	
(Liabilities)							
I Current liabilities							
1 Notes payable - trades	10,413		12,578		12,579		-1
2 Accounts payable - trades	11,589		14,565		13,933		632
3 Short-term borrowings	14,083		14,164		13,660		504
4 Accrued bonuses	1,170		1,290		1,482		-192
5 Income tax payable	71		310		222		88
6 Product warranty reserves	355		325		365		-40
7 Others	5,151		5,077		6,260		-1,183
Total current liabilities	42,834	35.8	48,311	39.6	48,503	39.1	-192
II Fixed liabilities							
1 Corporate bond with subscription right	4,260		—		4,136		-4,136
2 Long-term borrowings	23,213		19,849		21,623		-1,774
3 Allowance for retirement benefits	4,845		4,786		4,704		82
4 Allowance for retirement benefits to directors	211		246		233		13
5 Loss reserve for subsidiaries	1,339		485		747		-262
6 Deferred tax liabilities from revaluation	2,377		2,281		2,365		-84
7 Others	400		369		397		-28
Total Fixed liabilities	36,648	30.7	28,018	22.9	34,208	27.6	-6,190
Total liabilities	79,482	66.5	76,330	62.5	82,711	66.7	-6,381

Accounts	At the end of previous half-year period (September 30, 2006)		At the end of half-year period under review (September 30, 2007)		Summarized balance sheet for previous business year (March 31, 2007)		Change
	Amount (million yen)	Percentage (%)	Amount (million yen)	Percentage (%)	Amount (million yen)	Percentage (%)	
(Net assets)							
I Shareholders' equity							
1 Capital stock	7,510	6.3	9,646	7.9	7,571	6.1	2,075
2 Capital surplus							
(1) Capital reserves	2,913		5,036		2,974		2,062
(2) Other capital surplus	18,126		18,126		18,126		—
Total capital surplus	21,040	17.6	23,163	19.0	21,101	17.0	2,062
3 Retained earnings							
(1) Other retained earnings							
Deferred reserves for fixed assets	68		63		65		-2
Retained earnings carried forward	6,561		8,628		7,441		1,187
Total retained earnings	6,629	5.5	8,692	7.1	7,507	6.0	1,185
4 Treasury stock	-46	-0.0	-103	-0.1	-52	-0.0	-51
Total shareholders' equity	35,134	29.4	41,398	33.9	36,127	29.1	5,271
II Differences of evaluation and conversion							
1 Evaluation differences of other securities	1,460	1.2	1,026	0.8	1,686	1.4	-660
2 Revaluation differences of land	3,493	2.9	3,351	2.8	3,474	2.8	-123
Total differences of evaluation and conversion	4,953	4.1	4,377	3.6	5,161	4.2	-784
Total net assets	40,088	33.5	45,775	37.5	41,288	33.3	4,487
Total liabilities and net assets	119,570	100.0	122,105	100.0	124,000	100.0	-1,895

(2) Half-year income statement

Accounts	Previous half-year period (From April 1 to September 30, 2006)		Half-year period under review (From April 1 to September 30, 2007)		Change	Summarized income statement for previous business year (From April 1, 2006 to March 31, 2007)	
	Amount (million yen)	Percentage (%)	Amount (million yen)	Percentage (%)		Amount (million yen)	Percentage (%)
I Net sales	53,917	100.0	56,387	100.0	2,470	117,127	100.0
II Cost of sales	43,158	80.0	43,690	77.5	532	92,116	78.6
Gross profit	10,758	20.0	12,696	22.5	1,938	25,011	21.4
III Selling, general and administrative expenses	9,877	18.4	10,564	18.7	687	21,668	18.5
Operating income	880	1.6	2,132	3.8	1,252	3,343	2.9
IV Non-operating income	556	1.1	414	0.7	-152	2,063	1.8
1 Interest received	22		54		32	51	
2 Dividends received	27		32		5	693	
3 Revenues from land and house rent, etc.	173		159		-14	340	
4 Foreign currency exchange gain	219		—		-219	738	
5 Others	122		168		46	239	
V Non-operating expenses	1,005	1.9	724	1.3	-281	2,174	1.9
1 Interest expenses	748		322		-426	1,715	
2 Foreign currency exchange gain, net	—		230		230	—	
3 Others	257		171		-86	459	
Ordinary income	440	0.8	1,823	3.2	1,383	3,231	2.8
VI Extraordinary income	186	0.3	536	1.0	350	357	0.3
1 Gain on reversal of allowance for losses of subsidiaries	7		449		442	50	
2 Profit on fixed assets sold	168		86		-82	307	
3 Gain on sales of investment securities	—		1		1	0	
4 Gain on reversal of allowance for doubtful accounts	11		—		-11	—	
VII Extraordinary loss	74	0.1	1,008	1.8	934	1,237	1.1
1 Integration and other related costs	—		419		419	283	
2 Transfer to allowance for losses of subsidiaries	—		187		187	—	
3 Loss on fixed assets sold and retired	15		161		146	116	
4 Patent royalty for previous business year	58		120		62	58	
5 Appraisal loss on investment securities	—		32		32	609	
6 Loss on disposal of inventory assets	—		25		25	—	
7 Appraisal loss on affiliated companies' shares	—		9		9	—	
8 Appraisal loss on inventory assets	—		—		—	161	
9 Loss on liquidation of subsidiaries	—		—		—	7	
10 Others	—		53		53	—	
Half-year net income before taxes	553	1.0	1,351	2.4	798	2,352	2.0
Corporate tax, local tax and business tax	11	0.0	268	0.4	257	184	0.2
Adjustment amount of corporate tax and others	225	0.4	-872	-1.5	-1,097	993	0.8
Half-year net income	316	0.6	1,955	3.5	1,639	1,175	1.0

(3) Statement of changes in consolidated half-year shareholders' equity, etc.

Previous half-year period (from April 1 to September 30, 2006)

(Unit: million yen)

Accounts	Shareholders' equity								
	Capital stock	Capital surplus			Retained earnings			Treasury stock	Total shareholders' equity
		Capital reserve	Other capital surplus	Total capital surplus	Other retained earnings		Total Retained earnings		
					Deferred reserves for fixed assets	Retained earnings carried forward			
Balance as of March 31, 2006	7,510	2,913	18,126	21,040	92	6,838	6,931	-40	35,441
Amount of changes during the half-year period									
Distribution of surplus						-765	-765		-765
Half-year net income						316	316		316
Acquisition of treasury stock								-6	-6
Disposition of deferred reserves for fixed assets					-23	23			—
Disposition of revaluation differences of land						147	147		147
Amount of changes in accounts other than shareholders' equity during the half-year period (net)									—
Total of amounts of changes during the half-year period	—	—	—	—	-23	-277	-301	-6	-307
Balance as of September 30, 2006	7,510	2,913	18,126	21,040	68	6,561	6,629	-46	35,134

Accounts	Differences of evaluation and conversion			Total net assets
	Evaluation differences of other securities	Revaluation differences of land	Total differences of evaluation and conversion	
Balance as of March 31, 2006	1,772	3,641	5,413	40,855
Amount of changes during the half-year period				
Distribution of surplus				-765
Half-year net income				316
Acquisition of treasury stock				-6
Disposition of deferred reserves for fixed assets				—
Disposition of revaluation differences of land		-147	-147	—
Amount of changes in accounts other than shareholders' equity during the half-year period (net)	-312	—	-312	-312
Total of amounts of changes during the half-year period	-312	-147	-460	-767
Balance as of September 30, 2006	1,460	3,493	4,953	40,088

Half-year period under review (from April 1 to September 30, 2007)

(Unit: million yen)

Accounts	Shareholders' equity								
	Capital stock	Capital surplus			Retained earnings			Treasury stock	Total shareholders' equity
		Capital reserve	Other capital surplus	Total capital surplus	Other retained earnings		Total Retained earnings		
					Deferred reserves for fixed assets	Retained earnings carried forward			
Balance as of March 31, 2007	7,571	2,974	18,126	21,101	65	7,441	7,507	-52	36,127
Amount of changes during the half-year period									
Issuing of new shares	2,074	2,061		2,061					4,136
Distribution of surplus						-894	-894		-894
Half-year net income						1,995	1,995		1,995
Acquisition of treasury stock								-51	-51
Disposition of deferred reserves for fixed assets					-2	2			—
Disposition of revaluation differences of land						123	123		123
Amount of changes in accounts other than shareholders' equity during the half-year period (net)									—
Total of amounts of changes during the half-year period	2,074	2,061	—	2,061	-2	1,187	1,184	-51	5,270
Balance as of September 30, 2007	9,646	5,036	18,126	23,163	63	8,628	8,629	-103	41,398

Accounts	Differences of evaluation and conversion			Total net assets
	Evaluation differences of other securities	Revaluation differences of land	Total differences of evaluation and conversion	
Balance as of March 31, 2007	1,686	3,474	5,161	41,288
Amount of changes during the half-year period				
Issuing of new shares				4,136
Distribution of surplus				-894
Half-year net income				1,955
Acquisition of treasury stock				-51
Disposition of deferred reserves for fixed assets				—
Disposition of revaluation differences of land		-123	-123	—
Amount of changes in accounts other than shareholders' equity during the half-year period (net)	-660	—	-660	-660
Total of amounts of changes during the half-year period	-660	-123	-783	4,486
Balance as of September 30, 2007	1,026	3,351	4,377	45,775

Statement of changes in shareholders' equity in the previous business year (from April 1, 2006 to March 31, 2007)

(Unit: million yen)

Accounts	Shareholders' equity								
	Capital stock	Capital surplus			Retained earnings			Treasury stock	Total shareholders' equity
		Capital reserve	Other capital surplus	Total capital surplus	Other retained earnings		Total Retained earnings		
					Deferred reserves for fixed assets	Retained earnings carried forward			
Balance as of March 31, 2006	7,510	2,913	18,126	21,040	92	6,838	6,931	-40	35,441
Amount of changes during the business year									
Issuing of new shares	61	61		61					122
Distribution of surplus						-765	-765		-765
Net income						1,175	1,175		1,175
Acquisition of treasury stock								-12	-12
Disposition of deferred reserves for fixed assets					-26	26			—
Disposition of revaluation differences of land						166	166		166
Amount of changes in accounts other than shareholders' equity during the business year (net)									—
Total of amounts of changes during the business year	61	61	—	61	-26	602	576	-12	686
Balance as of March 31, 2007	7,571	2,974	18,126	21,101	65	7,441	7,507	-52	36,127

Accounts	Differences of evaluation and conversion			Total net assets
	Evaluation differences of other securities	Revaluation differences of land	Total differences of evaluation and conversion	
Balance as of March 31, 2006	1,772	3,641	5,413	40,855
Amount of changes during the business year				
Issuing of new shares				122
Distribution of surplus				-765
Net income				1,175
Acquisition of treasury stock				-12
Disposition of deferred reserves for fixed assets				—
Disposition of revaluation differences of land		-166	-166	—
Amount of changes in accounts other than shareholders' equity during the business year (net)	-86	—	-86	-86
Total of amounts of changes during the business year	-86	-166	-252	434
Balance as of March 31, 2007	1,686	3,474	5,161	41,288