



February 7, 2019

Consolidated Financial Results of the Third Quarter Ended December 31, 2018 (IFRS)

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Securities code number: 7731

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(Amounts are rounded to the nearest millions of yen)

1. Consolidated Results of the Third Quarter ended December 31, 2018 (From April 1, 2018 to December 31, 2018)

(1) Consolidated Operating Results (Percentage represents comparison changes to the same period the previous year)

	Revenue		Operating Profit		Profit before Income Taxes		Profit Attributable to Owners of the Parent		Total Comprehensive Income for the Period	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended December 31, 2018	526,270	0.2	52,554	26.7	57,014	41.3	40,780	82.8	33,659	(23.2)
Nine months ended December 31, 2017	525,262	(7.2)	41,491	123.2	40,337	88.1	22,309	56.7	43,853	93.5

	Basic Earnings per Share	Diluted Earnings per Share
	Yen	Yen
Nine months ended December 31, 2018	102.92	102.58
Nine months ended December 31, 2017	56.31	56.13

(2) Consolidated Financial Position

	Total Assets	Total Equity	Equity Attributable to Owners of the Parent	Ratio of Equity Attributable to Owners of the Parent to Total Assets
	Millions of yen	Millions of yen	Millions of yen	%
As of December 31, 2018	1,146,822	586,778	586,028	51.1
As of March 31, 2018	1,098,343	573,541	572,908	52.2

2. Dividends

	Dividend per Share				
	First quarter ended	Second quarter ended	Third quarter ended	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2018	—	14.00	—	22.00	36.00
Year ending March 31, 2019	—	30.00	—		
Year ending March 31, 2019 (Planned)				30.00	60.00

(Note) Revision of cash dividend forecast from the latest announcement: None

3. Consolidated Financial Forecasts for the Year ending March 31, 2019 (From April 1, 2018 to March 31, 2019)
(Percentage represents comparison changes to the same period the previous year)

	Revenue		Operating Profit		Profit before Income Taxes		Profit Attributable to Owners of the Parent		Basic Earnings per Share Attributable to Owners of the Parent
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	720,000	0.4	80,000	42.3	83,000	47.5	59,000	69.7	148.90

(Note) Revision of forecast from the latest announcement: Yes

4. Others

(1) Changes in Significant Subsidiaries during the Current Fiscal Year: None

(Note) This refers to the presence or absence of specified subsidiaries, which accompany changes in scope of consolidation in the period under review.

(2) Changes in Accounting Policies and Changes in Accounting Estimates

1. Changes in accounting policies required by IFRS: Yes
2. Changes in accounting policies other than the above: None
3. Changes in accounting estimates: None

(Note) For details, please refer to page 14, "2. Condensed Consolidated Financial Statements (5) Notes to Condensed Consolidated Financial Statements, Changes in Accounting Policies."

(3) Number of shares issued (Common stock)

1. Number of shares issued as of the term end (Including treasury stocks):

Third quarter ended December 31, 2018	400,878,921 shares
Year ended March 31, 2018	400,878,921 shares

2. Number of treasury stock as of the term end:

Third quarter ended December 31, 2018	4,633,630 shares
Year ended March 31, 2018	4,655,476 shares

3. Average number of shares during the term (Quarterly total):

Third quarter ended December 31, 2018	396,231,080 shares
Third quarter ended December 31, 2017	396,211,617 shares

※ This report is out of scope of the quarterly review procedure by certified public accountants or auditing firms.

※ Appropriate use of business forecasts; other special items

Performance forecasts and other forward-looking statements included in this report are based on information currently available and on certain assumptions deemed rational at the time of this report's release. Due to various circumstances, however, actual results may differ significantly from such statements.

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1. Performance and Financial Position

(1) Qualitative Information regarding Consolidated Operating Results

During the nine months ended December 31, 2018, in the Imaging Products Business, the digital camera-interchangeable lens type market and the compact digital camera market continued to shrink. In the Precision Equipment Business, capital investments were steady both in the FPD-related field and in the semiconductor-related field. In the Healthcare Business, the market conditions of both the bioscience field and the ophthalmic diagnosis field were solid, primarily overseas.

Under these circumstances, during the nine months ended December 31, 2018, increases were seen in: revenue by 1,007 million yen (0.2%) year on year to 526,270 million yen, operating profit by 11,063 million yen (26.7%) year on year to 52,554 million yen, profit before income taxes by 16,677 million yen (41.3%) year on year to 57,014 million yen, and profit attributable to owners of the parent by 18,472 million yen (82.8%) year on year to 40,780 million yen.

From the three months ended June 30, 2018, the Group has adopted IFRS 15 "Revenue from Contracts with Customers." For details of the changes in accounting policies, please see "2. Condensed Consolidated Financial Statements (5) Notes to Condensed Consolidated Financial Statements, Changes in Accounting Policies."

Performance by segment is as follows.

In the Imaging Products Business, strong sales of the D850, a digital SLR camera, and the new products, Z 7 and Z 6, full-frame mirrorless cameras, contributed to an increase in sales of high-class cameras. However, revenue and profits fell as a result of a decline in overall unit sales for both digital camera interchangeable-lens type and compact digital cameras.

In the Precision Equipment Business, although unit sales of equipment for mid-to-small size panels decreased, revenue and profits rose significantly in the FPD lithography system field due to the increase in unit sales of equipment for large panels. Sales were solid for ArF immersion scanners and ArF scanners in the semiconductor lithography system field as well. As a result, revenue and profits increased substantially in the business as a whole.

In the Healthcare Business, revenue grew in the bioscience field due to an increase in sales of biological microscopes, mainly overseas. Revenue also increased in the ophthalmic diagnosis field due to the expansion of sales of ultra-wide field retinal imaging devices. As a result, the business overall saw a rise in revenue, while continuing to record a loss due to carrying out strategic investment in the ophthalmic diagnosis field and the regenerative medicine-related field as planned.

(2) Qualitative Information regarding Consolidated Financial Position

The balance of total assets as of December 31, 2018 increased 48,479 million yen from the end of the previous fiscal year to 1,146,822 million yen. This was mainly due to the increase of cash and cash equivalents by 27,184 million yen and inventories by 28,714 million yen.

The balance of total liabilities as of December 31, 2018 increased 35,241 million yen from the end of the previous fiscal year to 560,043 million yen. This was mainly because advances received had risen by 32,589 million yen.

The balance of total equity as of December 31, 2018 increased 13,237 million yen from the end of the previous fiscal year to 586,778 million yen. This was mainly because retained earnings had increased 20,241 million yen as a result of posting profit attributable to owners of the parent despite dividends paid, although other components of equity fell by 7,270 million yen due to factors such as decreases in fair value of investment securities.

During the nine months ended December 31, 2018, for the cash flows from operating activities, net cash of 70,922 million yen was provided in operating activities, primarily due to the posting of profit before income taxes of 57,014 million yen, and the increase of advances received by 31,624 million yen due to orders received for semiconductor lithography system. (Net cash of 92,750 million yen was provided in the same period the previous fiscal year).

For the cash flows from investing activities, net cash used in investing activities was 22,764 million yen primarily due to the acquisition of property, plant and equipment and intangible assets. (Net cash of 23,487 million yen was used in the same period the previous fiscal year).

For the cash flows from financing activities, net cash used in financing activities was 21,141 million yen primarily due to the payment of dividends. (Net cash of 9,501 million yen was used in the same period the previous fiscal year).

In addition, the effect of exchange rate changes on cash and cash equivalents increased 166 million yen.

As a result of the above, the balance of cash and cash equivalents as of December 31, 2018 rose by 27,184 million yen from the end of the previous fiscal year to 415,622 million yen.

(3) Qualitative Information regarding Consolidated Financial Forecasts

Regarding the consolidated financial forecast for the year ending March 31, 2019, in the Imaging Products Business, revenue and operating profit are lowered, as the forecast of unit sales of each product category is revised, based on the severe market condition such as the increasing price competition for entry level-cameras. In the Precision Equipment Business, although the forecast for FPD lithography system field remains the same as previously announced, in semiconductor lithography system field, the forecast for revenue is lowered while operating profit is raised. The change of forecast is a result of taking into account the shift of sales of some semiconductor lithography systems to the next fiscal year due to customer requirement, and prospects such as the expected receipt of a settlement payment regarding litigation over patents. The forecast for corporate profit/loss that cannot be attributed to any reportable segment is expected to improve from the previous projection, by optimizing corporate cost.

Based on these situations, the consolidated financial forecast announced on November 8, 2018 is revised as follows:

Revised Consolidated Financial Forecast for the Year Ending March 31, 2019

(From April 1, 2018 to March 31, 2019)

	Revenue	Operating Profit	Profit before Income Taxes	Profit Attributable to Owners of the Parent	Basic Earnings per Share Attributable to Owners of the Parent
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Yen
Previous Forecast (A)	740,000	74,000	76,000	53,000	133.76
Revised Forecast (B)	720,000	80,000	83,000	59,000	148.90
Difference (B-A)	(20,000)	6,000	7,000	6,000	
Change (%)	(2.7)	8.1	9.2	11.3	
(Reference) Year ended March 31, 2018	717,078	56,236	56,257	34,772	87.76

(Note) Foreign exchange rates for the forecasts are based on the premise: 1 USD = 110 Yen, 1 EUR = 128 Yen.

2. Condensed Consolidated Financial Statements

(1) Condensed Consolidated Statement of Financial Position

(Millions of yen)

	As of March 31, 2018	As of December 31, 2018	Changes
ASSETS			
Current assets			
Cash and cash equivalents	388,438	415,622	27,184
Trade and other receivables	104,526	101,717	(2,808)
Inventories	235,553	264,267	28,714
Other current financial assets	10,958	4,632	(6,326)
Other current assets	12,430	16,470	4,039
(Subtotal)	751,905	802,708	50,803
Non-current assets held for sale	2,277	2,173	(104)
Total current assets	754,182	804,882	50,700
Non-current assets			
Property, plant and equipment	118,761	116,723	(2,037)
Goodwill and intangible assets	60,985	59,880	(1,105)
Net defined benefit assets	5,706	5,740	33
Investments accounted for using the equity method	9,387	10,349	962
Other non-current financial assets	91,841	86,345	(5,496)
Deferred tax assets	53,355	59,274	5,919
Other non-current assets	4,126	3,629	(497)
Total non-current assets	344,161	341,940	(2,221)
Total assets	1,098,343	1,146,822	48,479

(Millions of yen)

	As of March 31, 2018	As of December 31, 2018	Changes
LIABILITIES / EQUITY			
LIABILITIES			
Current liabilities			
Trade and other payables	118,701	117,150	(1,551)
Bonds and borrowings	12,200	12,400	200
Income tax payables	11,567	10,912	(655)
Advances received	176,631	209,220	32,589
Provisions	6,820	5,611	(1,209)
Other current financial liabilities	28,879	30,577	1,698
Other current liabilities	34,959	38,634	3,675
Total current liabilities	389,756	424,503	34,748
Non-current liabilities			
Bonds and borrowings	113,140	114,002	863
Net defined benefit liabilities	7,995	8,205	210
Provisions	4,844	4,942	98
Deferred tax liabilities	3,978	3,842	(136)
Other non-current financial liabilities	2,490	2,218	(272)
Other non-current liabilities	2,599	2,330	(269)
Total non-current liabilities	135,046	135,540	494
Total liabilities	524,802	560,043	35,241
EQUITY			
Capital stock	65,476	65,476	—
Capital surplus	81,333	81,416	83
Treasury stock	(13,152)	(13,085)	67
Other components of equity	(18,310)	(25,580)	(7,270)
Retained earnings	457,561	477,802	20,241
Equity attributable to owners of the parent	572,908	586,028	13,121
Non-controlling interests	633	750	117
Total equity	573,541	586,778	13,237
Total liabilities and equity	1,098,343	1,146,822	48,479

(2) Condensed Consolidated Statements of Profit or Loss and Comprehensive Income
Condensed Consolidated Statement of Profit or Loss

	Nine months ended December 31, 2017 (from April 1, 2017 to December 31, 2017)		Nine months ended December 31, 2018 (from April 1, 2018 to December 31, 2018)		Changes (Millions of yen)
	(Millions of yen)	Ratio to revenue (%)	(Millions of yen)	Ratio to revenue (%)	
Revenue	525,262	100.0	526,270	100.0	1,007
Cost of sales	(296,597)	(56.5)	(296,886)	(56.4)	(289)
Gross profit	228,665	43.5	229,384	43.6	719
Selling, general and administrative expenses	(182,507)		(176,624)		5,883
Other income	2,409		2,431		22
Other expenses	(7,076)		(2,637)		4,440
Operating Profit	41,491	7.9	52,554	10.0	11,063
Finance income	4,949		5,795		846
Finance costs	(5,403)		(2,694)		2,708
Share of the profit (loss) of investments accounted for using the equity method	(700)		1,359		2,059
Profit before income taxes	40,337	7.7	57,014	10.8	16,677
Income tax expenses	(17,961)		(16,156)		1,805
Profit for the period	22,376	4.3	40,859	7.8	18,482
Attributable to:					
Owners of the parent	22,309	4.2	40,780	7.7	18,472
Non-controlling interests	67		78		11
Profit for the period	22,376	4.3	40,859	7.8	18,482
Earnings per share:					
Basic earnings per share (Yen)	56.31		102.92		
Diluted earnings per share (Yen)	56.13		102.58		

Condensed Consolidated Statement of Comprehensive Income

(Millions of yen)

	Nine months ended December 31, 2017 (from April 1, 2017 to December 31, 2017)	Nine months ended December 31, 2018 (from April 1, 2018 to December 31, 2018)	Changes
Profit for the period	22,376	40,859	18,482
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Gain (loss) on financial assets measured at fair value through other comprehensive income	8,406	(7,990)	(16,395)
Remeasurement of defined benefit pension plans	(606)	—	606
Share of other comprehensive income of investments accounted for using the equity method	12	(6)	(17)
Total of items that will not be reclassified subsequently to profit or loss	7,811	(7,995)	(15,806)
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations	13,933	868	(13,065)
Effective portion of the change in fair value on cash flow hedges	(130)	(30)	100
Share of other comprehensive income of investments accounted for using the equity method	(136)	(42)	94
Total of items that may be reclassified subsequently to profit or loss	13,666	796	(12,870)
Other comprehensive income, net of taxes	21,477	(7,199)	(28,676)
Total comprehensive income for the period	43,853	33,659	(10,194)
Attributable to:			
Owners of the parent	43,755	33,605	(10,150)
Non-controlling interests	98	55	(43)
Total comprehensive income for the period	43,853	33,659	(10,194)

(3) Condensed Consolidated Statement of Changes in Equity

(Millions of yen)

	Equity attributable to owners of the parent					
	Capital stock	Capital surplus	Treasury stock	Other components of equity		
				Gain (loss) on financial assets measured at fair value through other comprehensive income	Remeasurement of defined benefit pension plans	Share of other comprehensive income of investments accounted for using the equity method
As of April 1, 2017	65,476	81,163	(13,215)	7,360	—	(557)
Profit for the period	—	—	—	—	—	—
Other comprehensive income	—	—	—	8,406	(606)	(125)
Total comprehensive income for the period	—	—	—	8,406	(606)	(125)
Dividends	—	—	—	—	—	—
Acquisition and disposal of treasury stock	—	(0)	(4)	—	—	—
Share-based payments	—	110	48	—	—	—
Changes in the ownership interest in subsidiaries	—	—	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	658	606	—
Total transactions with owners	—	110	44	658	606	—
As of December 31, 2017	65,476	81,273	(13,172)	16,423	—	(682)

As of April 1, 2018	65,476	81,333	(13,152)	12,726	—	(799)
Profit for the period	—	—	—	—	—	—
Other comprehensive income	—	—	—	(7,990)	—	(48)
Total comprehensive income for the period	—	—	—	(7,990)	—	(48)
Dividends	—	—	—	—	—	—
Acquisition and disposal of treasury stock	—	(0)	(2)	—	—	—
Share-based payments	—	83	69	—	—	—
Changes in the ownership interest in subsidiaries	—	—	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	(95)	—	—
Total transactions with owners	—	83	67	(95)	—	—
As of December 31, 2018	65,476	81,416	(13,085)	4,641	—	(846)

(Millions of yen)

	Equity attributable to owners of the parent					Non-controlling interests	Total equity
	Other components of equity			Retained earnings	Total		
	Exchange differences on translation of foreign operations	Effective portion of the change in fair value on cash flow hedges	Total				
As of April 1, 2017	(32,022)	(162)	(25,381)	429,481	537,524	626	538,150
Profit for the period	—	—	—	22,309	22,309	67	22,376
Other comprehensive income	13,902	(130)	21,446	—	21,446	31	21,477
Total comprehensive income for the period	13,902	(130)	21,446	22,309	43,755	98	43,853
Dividends	—	—	—	(7,142)	(7,142)	(57)	(7,199)
Acquisition and disposal of treasury stock	—	—	—	—	(4)	—	(4)
Share-based payments	—	—	—	—	157	—	157
Changes in the ownership interest in subsidiaries	—	—	—	—	—	47	47
Transfer from other components of equity to retained earnings	—	—	1,264	(1,264)	—	—	—
Total transactions with owners	—	—	1,264	(8,406)	(6,989)	(10)	(6,999)
As of December 31, 2017	(18,120)	(292)	(2,671)	443,383	574,290	714	575,004

As of April 1, 2018	(30,406)	169	(18,310)	457,561	572,908	633	573,541
Profit for the period	—	—	—	40,780	40,780	78	40,859
Other comprehensive income	892	(30)	(7,175)	—	(7,175)	(24)	(7,199)
Total comprehensive income for the period	892	(30)	(7,175)	40,780	33,605	55	33,659
Dividends	—	—	—	(20,634)	(20,634)	(40)	(20,674)
Acquisition and disposal of treasury stock	—	—	—	—	(2)	—	(2)
Share-based payments	—	—	—	—	152	—	152
Changes in the ownership interest in subsidiaries	—	—	—	—	—	102	102
Transfer from other components of equity to retained earnings	—	—	(95)	95	—	—	—
Total transactions with owners	—	—	(95)	(20,539)	(20,484)	62	(20,422)
As of December 31, 2018	(29,514)	139	(25,580)	477,802	586,028	750	586,778

(4) Condensed Consolidated Statement of Cash Flows

(Millions of yen)

	Nine months ended December 31, 2017 (from April 1, 2017 to December 31, 2017)	Nine months ended December 31, 2018 (from April 1, 2018 to December 31, 2018)
Cash flows from operating activities:		
Profit before income taxes	40,337	57,014
Depreciation and amortization	23,046	20,818
Impairment losses	995	393
Interest and dividend income	(3,203)	(3,897)
Share of the (profit) loss of investments accounted for using the equity method	700	(1,359)
Losses (gains) on sales of property, plant and equipment	(60)	(68)
Interest expenses	1,081	1,136
Decrease (increase) in trade and other receivables	(9,026)	3,804
Decrease (increase) in inventories	(24,198)	(28,608)
Increase (decrease) in trade and other payables	7,533	1,752
Increase (decrease) in advances received	72,416	31,624
Increase (decrease) in provisions	64	(1,458)
Increase (decrease) in net defined benefit assets and liabilities	(704)	(96)
Others, net	7,233	5,215
Subtotal	116,215	86,270
Interest and dividend income received	4,174	4,235
Interest expenses paid	(719)	(711)
Additional retirement benefits paid (Note)	(19,856)	—
Income taxes (paid) refund	(7,063)	(18,872)
Net cash provided by operating activities	92,750	70,922
Cash flows from investing activities:		
Purchase of property, plant and equipment	(18,582)	(16,435)
Proceeds from sales of property, plant and equipment	271	162
Purchase of intangible assets	(6,008)	(5,904)
Payments for acquisition of shares of subsidiaries resulting in changes in the consolidation scope	—	(2,380)
Purchase of investment securities	(2,943)	(5,364)
Proceeds from sales of investment securities	5,319	441
Transfer to time deposits	(5,163)	(1,325)
Proceeds from withdrawal of time deposits	3,264	7,461
Others, net	354	580
Net cash used in investing activities	(23,487)	(22,764)
Cash flows from financing activities:		
Net increase (decrease) in short-term borrowings	(1,400)	(50)
Repayment of long-term borrowings and bonds	(95)	—
Cash dividends paid	(7,027)	(20,380)
Cash dividends paid to non-controlling interests	(57)	(40)
Others, net	(923)	(671)
Net cash used in financing activities	(9,501)	(21,141)
Effect of exchange rate changes on cash and cash equivalents	7,847	166
Net increase (decrease) in cash and cash equivalents	67,609	27,184
Cash and cash equivalents at the beginning of the period	319,046	388,438
Cash and cash equivalents at the end of the period	386,655	415,622

(Note) "Additional retirement benefits paid" includes the payments related to the voluntary retirement in Japan and the payments related to the discontinuation of operations in a Chinese manufacturing subsidiary.

(5) Notes to Condensed Consolidated Financial Statements

(Note regarding Going Concern Assumption)

Not applicable

(Changes in Accounting Policies)

The Group has adopted IFRS 15 “Revenue from Contracts with Customers” from the three months ended June 30, 2018.

		Summaries of new standards and amendments
IFRS 15	Revenue from Contracts with Customers	Accounting for recognition of revenue and relevant disclosure requirements

In accordance with the adoption of IFRS 15, revenue is recognized based on the following five-step model.

Step 1: Identify the contract with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when the entity satisfies a performance obligation

The Imaging Products Business provides products of imaging products and its peripheral domain, such as digital SLR cameras, compact digital cameras and interchangeable camera lenses. The Precision Equipment Business provides products with regard to the FPD lithography system and semiconductor lithography system. The Healthcare Business provides products for bioscience and ophthalmic diagnosis fields, such as biological microscopes, cell culture observation systems, and ultra-wide field retinal imaging devices. The Group also renders services related to products, such as warranty, repair and maintenance, remodeling and relocation services.

For sales of products and rendering of services, the performance obligations are identified based on the contract with a customer.

Regarding the sales of products which require installation by the Group, revenue is recognized at the point when the installation is completed. For the products that do not require installation by the Group, revenue is recognized at the point when the product is delivered to a customer, as the customer obtains control over the products upon delivery and the performance obligation is deemed to be satisfied. Revenue is measured at the consideration promised in a contract with a customer, less discounts, rebates and other items.

For the services, if the performance obligation is satisfied at a point in time, revenue is recognized at the point when the services are completed. If the performance obligation is satisfied over time, revenue is recognized on a straight-line basis or on progress over the period rendering services.

As a result of identification of performance obligations in contracts with customers and the determination of the transaction price, a part of sales promotion and other expenses that is consideration paid by the Group to customers, which had been previously recorded under selling, general and administrative expenses, is accounted for as reduction of revenue from the three months ended June 30, 2018.

Upon the adoption of IFRS 15, the Group has selected to retrospectively recognize the cumulative effect of initial application as a transitional measure, which was recorded at the date of initial application.

Comparing with the former accounting standard, in regard to the impact on the accounts, mainly the revenue and selling, general and administrative expenses in the condensed consolidated statement of profit or loss for the nine months ended December 31, 2018 decreased by 7,197 million yen and 7,180 million yen, respectively. However, these changes have no effect on the profit for the period.

(Segment Information)

(1) Outline of Reportable Business Segments

The business segments that the Group reports are the business units for which the Company is able to obtain respective financial information separately for the Board of Directors to conduct periodic investigations to determine distribution of management resources and evaluate the Group's business results.

In consideration of the similarity of economic characteristics, the Group integrated its business divisions into three reportable segments consisting of the Imaging Products Business, the Precision Equipment Business, and the Healthcare Business.

The Imaging Products Business provides products and services of imaging products and its peripheral domain, such as digital SLR cameras, compact digital cameras and interchangeable camera lenses. The Precision Equipment Business provides products and services with regard to the FPD lithography system and semiconductor lithography system. The Healthcare Business provides products and services for bioscience and ophthalmic diagnosis fields, such as biological microscopes, cell culture observation systems, and ultra-wide field retinal imaging devices.

(2) Information on Reportable Business Segments

Profit or loss of reportable segments is based on operating profit. The intersegment revenues are based on current market prices.

Information on revenue and profit (loss) by reportable segments is as follows.

For the nine months ended December 31, 2017 (From April 1, 2017 to December 31, 2017)

(Millions of yen)

	Imaging Products	Precision Equipment	Healthcare	Industrial Metrology and Others (Note1)	Total	Reconciliation (Note2)	Consolidated (Note3)	
Revenue								
External customers	291,221	146,151	39,264	48,626	525,262	—	525,262	
Intersegment	622	186	208	42,609	43,625	(43,625)	—	
Total	291,843	146,337	39,472	91,235	568,887	(43,625)	525,262	
Segment profit (loss)	31,618	28,595	(3,147)	3,187	60,253	(18,762)	41,491	
Finance income								4,949
Finance costs								(5,403)
Shares of the loss of investments accounted for using the equity method								(700)
Profit before income taxes								40,337

Notes: 1. The "Industrial Metrology and Others" category consists of operations not included in the reportable segments such as the Industrial Metrology Business, the Glass Business, and the Customized Products Business.

2. Reconciliation of segment profit (loss) includes elimination of intersegment transactions of 361 million yen and corporate profit (loss) of minus 19,123 million yen. The main components of corporate profit (loss) are fundamental research expenses, general and administrative expenses of headquarter functions, expenses incurred to establish new business, and other income or expenses that cannot be attributed to any segments.

3. Reconciliation is made between segment profit (loss) and operating profit reported in the condensed consolidated statement of profit or loss.

For the nine months ended December 31, 2018 (From April 1, 2018 to December 31, 2018)

(Millions of yen)

	Imaging Products	Precision Equipment	Healthcare	Industrial Metrology and Others (Note1)	Total	Reconciliation (Note2)	Consolidated (Note3)	
Revenue								
External customers	241,460	186,337	45,737	52,735	526,270	—	526,270	
Intersegment	928	298	152	46,467	47,845	(47,845)	—	
Total	242,389	186,635	45,889	99,202	574,115	(47,845)	526,270	
Segment profit (loss)	21,830	47,275	(2,580)	4,897	71,422	(18,868)	52,554	
Finance income								5,795
Finance costs								(2,694)
Shares of the profit of investments accounted for using the equity method								1,359
Profit before income taxes								57,014

Notes: 1. The "Industrial Metrology and Others" category consists of operations not included in the reportable segments such as the Industrial Metrology Business, the Glass Business, and the Customized Products Business.

2. Reconciliation of segment profit (loss) includes elimination of intersegment transactions of 362 million yen and corporate profit (loss) of minus 19,229 million yen. The main components of corporate profit (loss) are fundamental research expenses, general and administrative expenses of headquarter functions, expenses incurred to establish new business, and other income or expenses that cannot be attributed to any segments.

3. Reconciliation is made between segment profit (loss) and operating profit reported in the condensed consolidated statement of profit or loss.

(Contingent Liabilities)

(Litigation)

The Company and its group companies are exposed throughout their business activities to the possibility of being involved in a contentious case, becoming a defendant in a lawsuit, and being the object of inquiries by government agencies, in Japan and overseas. The Company and its group companies examine the possibility of recognizing a provision for the obligation arising from a contentious case or a lawsuit, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The Company's subsidiary in India (hereinafter referred as "Subsidiary in India") was inquired by the Indian Tax Authority regarding the import of the Company's digital cameras, and in October 2016, the imposition was confirmed in relation to the customs duty, interest, and penalty concerning those products. In January 2017, the Subsidiary in India appealed to the Customs, Excise and Service Tax Appellate Tribunal; however, the appeal was dismissed in December 2017. To object to this decision, in January 2018, the Subsidiary in India filed an appeal to the Supreme Court of India, which was admitted in March 2018 for the final hearing and decision. As it is currently unable to forecast the final decision, the provision is not recognized in accordance with the aforementioned accounting policy.

In regard to any other cases, no significant impact on the Company's consolidated performance and financial position is expected at this point in time.

(Significant Subsequent Event)

The Company, ASML Holding N.V. ("ASML") located in the Netherlands and Carl Zeiss SMT GmbH ("Zeiss") located in Germany have signed a Memorandum of Understanding relating to a comprehensive settlement of all legal proceedings over patents for lithography equipment and digital cameras on January 23, 2019.

The Memorandum of Understanding is a binding agreement that concerns all pending disputes between the Company, ASML and Zeiss in Europe, Japan and the United States, including at the U.S. International Trade Commission (ITC). The three companies expect to execute a definitive settlement and cross-license agreement and dismiss all legal proceedings between the parties in February 2019. The terms of the Memorandum include a payment to the Company by ASML and Zeiss of a total of EUR 150 million (approximately Japanese Yen 19.0 billion*). Furthermore, the cross-license agreement contemplated by the Memorandum includes mutual royalty payments of 0.8% over the sales of immersion lithography systems for 10 years from the signature date of the parties' definitive agreement.

*Yen figures calculated at an exchange rate of 1 EUR = 125 yen