



February 3, 2022

Consolidated Financial Results of the Third Quarter Ended December 31, 2021 (IFRS)

Corporate Name: NIKON CORPORATION

Securities code number: 7731

Stock exchange listings: Tokyo

Representative: Toshikazu Umatate, Representative Director, President

Contact: Tetsuya Okumura, General Manager of Finance & Accounting Division

TEL: +81-3-6433-3626

URL: <https://www.nikon.com>

Date for the filing of the Quarterly Securities Report: February 3, 2022

Preparation of supplementary materials for quarterly financial results: Yes

Information meeting for quarterly financial results to be held: Yes (for institutional investors and analysts)

(Amounts are rounded to the nearest millions of yen)

1. Consolidated Results of the Third Quarter ended December 31, 2021 (From April 1, 2021 to December 31, 2021)

(1) Consolidated Operating Results

(Percentage represents year-on-year changes)

	Revenue		Operating Profit (Loss)		Profit (Loss) before Tax		Profit (Loss) Attributable to Owners of 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, 2021	406,345	24.5	46,951	—	52,556	—	39,073	—	56,881	472.3
Nine months ended December 31, 2020	326,258	(26.6)	(36,762)	—	(27,931)	—	(23,434)	—	9,938	(56.7)

	Basic Earnings per Share	Diluted Earnings per Share
	Yen	Yen
Nine months ended December 31, 2021	106.41	105.82
Nine months ended December 31, 2020	(63.83)	(63.83)

(2) Consolidated Financial Position

	Total Assets	Total Equity	Equity Attributable to Owners of Parent	Ratio of Equity Attributable to Owners of Parent to Total Assets
	Millions of yen	Millions of yen	Millions of yen	%
As of December 31, 2021	1,021,349	586,150	583,710	57.2
As of March 31, 2021	989,737	538,726	537,585	54.3

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, 2021	—	10.00	—	10.00	20.00
Year ending March 31, 2022	—	20.00	—	—	—
Year ending March 31, 2022 (Planned)	—	—	—	20.00	40.00

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

3. Consolidated Financial Forecasts for the Year ending March 31, 2022 (From April 1, 2021 to March 31, 2022)

(Percentage represents year-on-year changes)

	Revenue		Operating Profit		Profit before Taxes		Profit Attributable to Owners of Parent		Basic earnings per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	550,000	21.9	47,000	—	53,000	—	39,000	—	106.21

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

4. Others

(1) Changes in Significant Subsidiaries during the Nine Months Ended December 31, 2021: None

(Note) This refers to the presence or absence of specified subsidiaries, which accompany changes in the 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: None
2. Changes in accounting policies other than the above: None
3. Changes in accounting estimates: None

(3) Number of shares issued (ordinary shares)

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

As of December 31, 2021 378,336,521 shares

As of March 31, 2021 378,336,521 shares

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

As of December 31, 2021 11,115,866 shares

As of March 31, 2021 11,147,773 shares

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

Nine months ended December 31, 2021 367,199,869 shares

Nine months ended December 31, 2020 367,136,028 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.

Attached Material

Contents

1. Performance and Financial Position	4
(1) Qualitative Information on Consolidated Operating Results	4
(2) Qualitative Information on Consolidated Financial Position	5
(3) Qualitative Information on Consolidated Financial Forecasts	5
2. Quarterly Condensed Consolidated Financial Statements	6
(1) Quarterly Condensed Consolidated Statements of Financial Position	6
(2) Quarterly Condensed Consolidated Statements of Profit or Loss and Comprehensive Income.....	8
(3) Quarterly Condensed Consolidated Statements of Changes in Equity	10
(4) Quarterly Condensed Consolidated Statements of Cash Flows	12
(5) Notes to Quarterly Condensed Consolidated Financial Statements	13
(Going Concern Assumption)	13
(Segment Information)	13
(Contingent Liabilities)	15

1. Performance and Financial Position

(1) Qualitative Information on Consolidated Operating Results

During the nine months ended December 31, 2021 (from April 1, 2021 to December 31, 2021), in the Imaging Products Business, the supply problem became apparent mainly due to the shortage of semiconductors. As a consequence, the digital camera market had difficulty securing the sufficient supply of products. In the Precision Equipment Business, capital investments in the field related to FPDs, including both large-size panels and mid-to-small size panels, remained solid. Meanwhile, capital investments in the fields related to semiconductors were on an expansionary trend. In the Healthcare Business, the life science solutions and eye care solutions markets largely remained strong. In the Components Business, the Digital Solutions Business continued a solid trend in the markets related to optical parts & components and encoders. In the Customized Products Business, the EUV-related markets remained brisk.

Under these circumstances, during the nine months ended December 31, 2021, revenue increased 80,087 million yen (24.5%) year on year to 406,345 million yen, operating profit amounted to 46,951 million yen (compared to operating loss of 36,762 million yen in the same period of the previous fiscal year), profit before income tax amounted to 52,556 million yen (compared to loss before income tax of 27,931 million yen in the same period of the previous fiscal year), and profit attributable to owners of parent amounted to 39,073 million yen (compared to loss attributable to owners of parent of 23,434 million yen in the same period of the previous fiscal year).

Performance by segment is as follows.

As stated in “2. Quarterly Condensed Consolidated Financial Statements (5) Notes to Quarterly Condensed Consolidated Financial Statements (Segment Information),” the reportable segments have been changed since the three months ended June 30, 2021. Accordingly, the operating results for the previous fiscal year used in the year-on-year comparisons below have been reclassified in line with the change in the segment structure.

In the Imaging Products Business, the Group launched Z 9 full-frame mirrorless camera, the first flagship model for the Nikon Z Series, and received favorable recognition. The Group also sought to expand sales of mid- to high-end products to professionals and hobbyists by enhancing the lineup of interchangeable lenses for mirrorless cameras. As a result, the business segment recorded year-on-year increases in both revenue and profit partly because of favorable foreign exchange rates, despite some constraints in supply caused mainly by the shortage of semiconductors.

In the Precision Equipment Business, the FPD lithography systems field recorded year-on-year increases in both revenue and profit for the nine months ended December 31, 2021 due to the smooth progress of installations despite some adverse effects of travel restrictions on the business amid the spread of COVID-19 and increased unit sales of the systems for both large-size and mid-to-small size panels. The semiconductor lithography system field recorded an increase in profit from the same period of the previous fiscal year during which it recorded loss on disposal and write-down of inventories. This was because of increases in unit sales of refurbished systems and in profit from the service business, despite a decrease in unit sales of new systems. As a result, the business segment as a whole recorded a significant year-on-year increase in profit.

In the Healthcare Business, the life science solutions and eye care solutions fields continued to recover from the impact of the COVID-19 and recorded significant increases in both revenue and profit.

In the Components Business, the Digital Solutions Business recorded increases in both revenue and profit as sales of optical parts & components and encoders remained brisk. The Customized Products Business also recorded increases in both revenue and profit, backed by a significant growth in sales of the EUV-related components.

(2) Qualitative Information on Consolidated Financial Position

The balance of total assets as of December 31, 2021 increased 31,612 million yen from the end of the previous fiscal year to 1,021,349 million yen. This was mainly because increases were seen in cash and cash equivalents by 15,566 million yen and in property, plant and equipment, right-of-use assets, goodwill and intangible assets collectively by 13,810 million yen as well as in trade and other receivables by 7,598 million yen, while a decrease was seen in inventories by 3,455 million yen.

The balance of total liabilities as of December 31, 2021 decreased 15,811 million yen from the end of the previous fiscal year to 435,199 million yen. This was primarily because decreases were seen in advances received by 33,698 million yen and in retirement benefit liability by 4,235 million yen despite increases in income taxes payable by 12,125 million yen, and in other financial liabilities included in current and non-current liabilities collectively by 9,111 million yen due mainly to an increase in lease liabilities.

The balance of total equity as of December 31, 2021 increased 47,424 million yen from the end of the previous fiscal year to 586,150 million yen. This was mainly because retained earnings increased by 38,965 million yen primarily as a result of posting profit attributable to owners of parent, other components of equity increased by 6,991 million yen due mainly to an increase in market value of shares held; and non-controlling interests increased by 1,299 million yen as a result of making Morf3D Inc. a subsidiary, etc.

During the nine months ended December 31, 2021, for the cash flows from operating activities, net cash of 17,467 million yen was provided (compared to net cash provided of 11,554 million yen in the same period of the previous fiscal year). This is mainly attributable to the recording of profit before tax of 52,556 million yen and depreciation and amortization of 18,366 million yen as well as a decrease in inventories, despite a decrease in advances received, an increase in trade and other receivables, and payment of income taxes.

For the cash flows from investing activities, net cash of 7,025 million yen was provided (compared to net cash used of 1,078 million yen in the same period the previous fiscal year). This is mainly attributable to proceeds of 20,459 million yen from sale of investment securities and of 5,000 million yen from sale of property, plant and equipment, despite purchases of property, plant and equipment and intangible assets in addition to purchase of investment securities.

For the cash flows from financing activities, net cash used in financing activities was 13,688 million yen (compared to net cash provided of 7,044 million yen in the same period the previous fiscal year). This is mainly attributable to repayments of lease liabilities and payment of dividends despite an increase of 3,444 million yen in short-term borrowings.

In addition, the effect of exchange rate changes on cash and cash equivalents increased by 4,761 million yen.

As a result of the above, the balance of cash and cash equivalents as of December 31, 2021 increased by 15,566 million yen from the end of the previous fiscal year to 367,364 million yen.

(3) Qualitative Information on Consolidated Financial Forecasts

Regarding the business environment for the fiscal year ending March 31, 2022, for the Imaging Products Business, the digital camera market will continue to suffer supply problems due in part to the shortage of semiconductors. In the Precision Equipment Business, capital investments in the field related to FPDs, including both large-size panels and mid-to-small size panels, are expected to remain solid. Capital investments in the semiconductor field are expected to continue expanding, supported by the buoyant semiconductor market. In the Healthcare Business, the life science solutions and eye care solutions fields are expected to remain on a recovery track, although the logistics bottleneck will likely affect the business segment. In the Components Business, target markets for the Digital Solutions Business, including the semiconductor market and the factory automation market, are expected to remain solid. The Customized Products Business is expected to see growing demand from EUV-related markets.

The consolidated financial forecast for the fiscal year ending March 31, 2022 is as stated in the “Notice Regarding the Revision of the Consolidated Financial Forecast for the Fiscal Year Ending March 31, 2022” announced on February 3, 2022.

2. Quarterly Condensed Consolidated Financial Statements

(1) Quarterly Condensed Consolidated Statements of Financial Position

(Millions of yen)

	As of March 31, 2021	As of December 31, 2021	Changes
ASSETS			
Current assets			
Cash and cash equivalents	351,798	367,364	15,566
Trade and other receivables	72,900	80,498	7,598
Inventories	235,760	232,305	(3,455)
Other current financial assets	1,179	920	(259)
Other current assets	14,215	11,457	(2,758)
Total current assets	675,853	692,545	16,692
Non-current assets			
Property, plant and equipment	86,210	87,065	855
Right-of-use assets	12,233	22,390	10,157
Goodwill and intangible assets	44,056	46,855	2,798
Retirement benefit asset	5,984	7,297	1,313
Investments accounted for using equity method	11,099	10,977	(122)
Other non-current financial assets	91,090	94,153	3,063
Deferred tax assets	62,956	59,669	(3,286)
Other non-current assets	255	400	144
Total non-current assets	313,884	328,804	14,920
Total assets	989,737	1,021,349	31,612

(Millions of yen)

	As of March 31, 2021	As of December 31, 2021	Changes
LIABILITIES / EQUITY			
LIABILITIES			
Current liabilities			
Trade and other payables	60,615	59,999	(617)
Bonds and borrowings	29,943	33,453	3,510
Income taxes payable	1,428	13,553	12,125
Advances received	163,110	129,412	(33,698)
Provisions	5,458	4,211	(1,248)
Other current financial liabilities	25,575	26,368	793
Other current liabilities	32,176	30,483	(1,693)
Total current liabilities	318,305	297,478	(20,827)
Non-current liabilities			
Bonds and borrowings	104,131	105,105	974
Retirement benefit liability	9,905	5,670	(4,235)
Provisions	5,048	5,210	162
Deferred tax liabilities	3,053	2,728	(325)
Other non-current financial liabilities	8,258	16,577	8,318
Other non-current liabilities	2,310	2,431	121
Total non-current liabilities	132,706	137,721	5,015
Total liabilities	451,011	435,199	(15,811)
EQUITY			
Share capital	65,476	65,476	—
Capital surplus	46,419	46,538	118
Treasury shares	(17,529)	(17,479)	50
Other components of equity	(14,133)	(7,143)	6,991
Retained earnings	457,352	496,318	38,965
Equity attributable to owners of parent	537,585	583,710	46,125
Non-controlling interests	1,141	2,440	1,299
Total equity	538,726	586,150	47,424
Total liabilities and equity	989,737	1,021,349	31,612

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

	Nine months ended December 31, 2020 (from April 1, 2020 to December 31, 2020)		Nine months ended December 31, 2021 (from April 1, 2021 to December 31, 2021)		Changes (Millions of yen)
	(Millions of yen)	Ratio to revenue (%)	(Millions of yen)	Ratio to revenue (%)	
Revenue	326,258	100.0	406,345	100.0	80,087
Cost of sales	(211,656)	(64.9)	(224,794)	(55.3)	(13,138)
Gross profit	114,603	35.1	181,551	44.7	66,949
Selling, general and administrative expenses	(132,074)		(137,689)		(5,615)
Other operating income	2,624		4,532		1,908
Other operating expenses	(21,915)		(1,444)		20,471
Operating profit (loss)	(36,762)	(11.3)	46,951	11.6	83,713
Finance income	10,036		7,009		(3,027)
Finance costs	(2,616)		(2,118)		498
Share of profit of investments accounted for using equity method	1,411		715		(696)
Profit (loss) before tax	(27,931)	(8.6)	52,556	12.9	80,487
Income tax expense	4,472		(13,622)		(18,094)
Profit (loss) for the period	(23,460)	(7.2)	38,934	9.6	62,394
Profit (loss) attributable to:					
Owners of parent	(23,434)	(7.2)	39,073	9.6	62,507
Non-controlling interests	(26)		(139)		(113)
Profit (loss) for the period	(23,460)	(7.2)	38,934	9.6	62,394
Earnings (loss) per share:					
Basic earnings (loss) per share (Yen)	(63.83)		106.41		
Diluted earnings (loss) per share (Yen)	(63.83)		105.82		

Quarterly Condensed Consolidated Statements of Comprehensive Income

(Millions of yen)

	Nine months ended December 31, 2020 (from April 1, 2020 to December 31, 2020)	Nine months ended December 31, 2021 (from April 1, 2021 to December 31, 2021)	Changes
Profit (loss) for the period	(23,460)	38,934	62,394
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	32,350	11,681	(20,669)
Remeasurements of defined benefit plans	—	(389)	(389)
Share of other comprehensive income of investments accounted for using equity method	(2)	(2)	(0)
Total of items that will not be reclassified subsequently to profit or loss	32,348	11,290	(21,058)
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations	1,217	6,333	5,116
Effective portion of cash flow hedges	(205)	133	338
Share of other comprehensive income of investments accounted for using equity method	37	190	153
Total of items that may be reclassified subsequently to profit or loss	1,050	6,656	5,607
Other comprehensive income, net of taxes	33,398	17,947	(15,451)
Total comprehensive income for the period	9,938	56,881	46,942
Comprehensive income attributable to:			
Owners of the parent	9,978	56,960	46,982
Non-controlling interests	(40)	(79)	(40)
Total comprehensive income for the period	9,938	56,881	46,942

(3) Quarterly Condensed Consolidated Statements of Changes in Equity

(Millions of yen)

	Equity attributable to owners of parent					
	Share capital	Capital surplus	Treasury shares	Other components of equity		
				Gain (loss) on financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Share of other comprehensive income of investments accounted for using equity method
As of April 1, 2020	65,476	46,369	(17,639)	1,108	—	(964)
Profit (loss) for the period	—	—	—	—	—	—
Other comprehensive income	—	—	—	32,386	—	35
Total comprehensive income for the period	—	—	—	32,386	—	35
Dividends	—	—	—	—	—	—
Purchase and disposal of treasury shares	—	(0)	(1)	—	—	—
Share-based payment transactions	—	159	49	—	—	—
Changes in ownership interest in subsidiaries	—	—	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	(3,316)	—	—
Total transactions with owners	—	159	48	(3,316)	—	—
As of December 31, 2020	65,476	46,528	(17,590)	30,178	—	(929)

As of April 1, 2021	65,476	46,419	(17,529)	13,172	—	(873)
Profit (loss) for the period	—	—	—	—	—	—
Other comprehensive income	—	—	—	11,713	(389)	187
Total comprehensive income for the period	—	—	—	11,713	(389)	187
Dividends	—	—	—	—	—	—
Purchase and disposal of treasury shares	—	(0)	(2)	—	—	—
Share-based payment transactions	—	115	52	—	—	—
Increase (decrease) by business combination	—	—	—	—	—	—
Changes in ownership interest in subsidiaries	—	3	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	(11,285)	389	—
Total transactions with owners	—	118	50	(11,285)	389	—
As of December 31, 2021	65,476	46,538	(17,479)	13,600	—	(685)

(Millions of yen)

	Equity attributable to owners of parent					Non-controlling interests	Total equity
	Other components of equity			Retained earnings	Total		
	Exchange differences on translation of foreign operations	Effective portion of cash flow hedges	Total				
As of April 1, 2020	(39,699)	53	(39,502)	485,948	540,652	1,108	541,760
Profit (loss) for the period	—	—	—	(23,434)	(23,434)	(26)	(23,460)
Other comprehensive income	1,196	(205)	33,412	—	33,412	(14)	33,398
Total comprehensive income for the period	1,196	(205)	33,412	(23,434)	9,978	(40)	9,938
Dividends	—	—	—	(7,343)	(7,343)	(43)	(7,386)
Purchase and disposal of treasury shares	—	—	—	—	(1)	—	(1)
Share-based payment transactions	—	—	—	—	208	—	208
Changes in ownership interest in subsidiaries	—	—	—	—	—	10	10
Transfer from other components of equity to retained earnings	—	—	(3,316)	3,316	—	—	—
Total transactions with owners	—	—	(3,316)	(4,027)	(7,135)	(33)	(7,168)
As of December 31, 2020	(38,503)	(151)	(9,406)	458,487	543,495	1,035	544,530

As of April 1, 2021	(26,204)	(228)	(14,133)	457,352	537,585	1,141	538,726
Profit (loss) for the period	—	—	—	39,073	39,073	(139)	38,934
Other comprehensive income	6,242	133	17,887	—	17,887	59	17,947
Total comprehensive income for the period	6,242	133	17,887	39,073	56,960	(79)	56,881
Dividends	—	—	—	(11,016)	(11,016)	(17)	(11,033)
Purchase and disposal of treasury shares	—	—	—	—	(2)	—	(2)
Share-based payment transactions	—	—	—	—	167	—	167
Increase (decrease) by business combination	—	—	—	—	—	1,392	1,392
Changes in ownership interest in subsidiaries	—	—	—	—	3	15	18
Transfer from other components of equity to retained earnings	—	—	(10,896)	10,908	12	(12)	—
Total transactions with owners	—	—	(10,896)	(107)	(10,835)	1,378	(9,457)
As of December 31, 2021	(19,962)	(95)	(7,143)	496,318	583,710	2,440	586,150

(4) Quarterly Condensed Consolidated Statements of Cash Flows

(Millions of yen)

	Nine months ended December 31, 2020 (from April 1, 2020 to December 31, 2020)	Nine months ended December 31, 2021 (from April 1, 2021 to December 31, 2021)
Cash flows from operating activities:		
Profit (loss) before tax	(27,931)	52,556
Depreciation and amortization	20,997	18,366
Impairment losses	18,868	448
Interest and dividend income	(2,386)	(1,819)
Share of (profit) loss of investments accounted for using equity method	(1,411)	(715)
Losses (gains) on sale of property, plant and equipment	(135)	(3,269)
Interest expenses	978	959
Decrease (increase) in trade and other receivables	9,326	(5,598)
Decrease (increase) in inventories	418	4,124
Increase (decrease) in trade and other payables	(11,850)	(1,813)
Increase (decrease) in advances received	7,271	(34,352)
Increase (decrease) in provisions	(706)	(2,023)
Others, net	(1,867)	(7,782)
Subtotal	11,571	19,081
Interest and dividend income received	2,554	2,828
Interest expenses paid	(781)	(918)
Income taxes refund (paid)	(1,790)	(3,524)
Net cash provided by (used in) operating activities	11,554	17,467
Cash flows from investing activities:		
Purchase of property, plant and equipment	(12,169)	(12,953)
Proceeds from sale of property, plant and equipment	546	5,000
Purchase of intangible assets	(4,045)	(4,170)
Purchase of investment securities	(842)	(3,358)
Proceeds from sale of investment securities	13,459	20,459
Acquisition of businesses resulting in change in scope of consolidation	—	(378)
Proceeds from withdrawal of time deposits	1,857	—
Others, net	116	2,425
Net cash provided by (used in) investing activities	(1,078)	7,025
Cash flows from financing activities:		
Net increase (decrease) in short-term borrowings	—	3,444
Repayments of long-term borrowings	—	(803)
Repayments of lease liabilities	(5,543)	(5,478)
Proceeds from issuance of bonds	19,894	—
Cash dividends paid	(7,242)	(10,821)
Cash dividends paid to non-controlling interests	(43)	(17)
Purchase of treasury shares	(1)	(2)
Others, net	(21)	(12)
Net cash provided by (used in) financing activities	7,044	(13,688)
Effect of exchange rate changes on cash and cash equivalents	831	4,761
Net increase (decrease) in cash and cash equivalents	18,351	15,566
Cash and cash equivalents at beginning of the period	324,034	351,798
Cash and cash equivalents at end of the period	342,385	367,364

(5) Notes to Quarterly Condensed Consolidated Financial Statements

(Going Concern Assumption)

Not applicable

(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 the distribution of management resources and evaluate the Group's business results.

In consideration of the similarity of economic characteristics, the Group has integrated its business divisions into four reportable segments consisting of the Imaging Products Business, the Precision Equipment Business, the Healthcare Business and the Components 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 the life science solutions field such as biological microscopes and cell culture observation systems, for the eye care solutions field such as ultra-wide field retinal imaging devices, and for the contract cell development and manufacturing field. The Components Business provides products and services related to the Digital Solutions Business such as optical components, optical parts, encoders, and material processing; related to the Customized Products Business such as EUV-related components and space-related solutions, and related to the Glass Business such as photomask substrates for FPDs.

(Regarding Revision of Reportable Business Segments)

Since the three months ended June 30, 2021, the Company has established the Components Business as a new reportable business segment with the aim of promoting business in Digital Manufacturing and Vision Systems/Robotics, which are defined as the areas of long-term growth. As part of establishing the new business segment, the Company has transferred the Digital Solutions Business, the Customized Products Business and the Glass Business, which were previously included in the Industrial Metrology and Others, to the Components Business. In addition, to promote the establishment of an effective production system across the Group, the Company has transferred some manufacturing subsidiaries related to the Imaging Products Business, the Precision Equipment Business and the Components Business to the Industrial Metrology and Others.

The segment information for the nine months ended December 31, 2020 has been prepared based on the revised business segments.

(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 segment is as follows.

For the Nine Months ended December 31, 2020 (From April 1, 2020 to December 31, 2020)

(Millions of yen)

	Imaging Products	Precision Equipment	Healthcare	Components	Industrial Metrology and Others (Note1)	Total	Reconciliation (Note2)	Consolidated	
Revenue									
External customers	116,761	130,433	42,809	18,118	18,137	326,258	—	326,258	
Intersegment	1,077	258	110	5,210	57,068	63,723	(63,723)	—	
Total	117,838	130,691	42,919	23,328	75,205	389,981	(63,723)	326,258	
Segment profit (loss)	(28,640)	4,069	(1,669)	394	(3)	(25,849)	(10,913)	(36,762)	
Finance income									10,036
Finance costs									(2,616)
Shares of profit of investments accounted for using equity method									1,411
Profit (loss) before tax									(27,931)
Other items:									
Impairment losses	15,498	—	—	644	2,726	18,868	—	18,868	

Notes: 1. The “Industrial Metrology and Others” category consists of operations not included in the reportable segments.

2. Regarding segment profit (loss), reconciliation is made between segment profit (loss) and operating profit (loss) reported in the quarterly condensed consolidated statement of profit or loss. Reconciliation of segment profit (loss) includes elimination of intersegment transactions of 2,260 million yen and corporate profit (loss) of minus 13,173 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.

For the Nine Months ended December 31, 2021 (From April 1, 2021 to December 31, 2021)

(Millions of yen)

	Imaging Products	Precision Equipment	Healthcare	Components	Industrial Metrology and Others (Note1)	Total	Reconciliation (Note2)	Consolidated	
Revenue									
External customers	136,022	162,982	53,202	30,603	23,536	406,345	—	406,345	
Intersegment	507	128	157	8,046	47,311	56,149	(56,149)	—	
Total	136,529	163,111	53,359	38,649	70,847	462,494	(56,149)	406,345	
Segment profit (loss)	18,813	24,865	2,816	10,142	174	56,810	(9,860)	46,951	
Finance income									7,009
Finance costs									(2,118)
Shares of profit of investments accounted for using equity method									715
Profit (loss) before tax									52,556

Notes: 1. The “Industrial Metrology and Others” category consists of operations not included in the reportable segments.

2. Regarding segment profit (loss), reconciliation is made between segment profit (loss) and operating profit (loss) reported in the quarterly condensed consolidated statement of profit or loss. Reconciliation of segment profit (loss) includes elimination of intersegment transactions of 2,255 million yen and corporate profit (loss) of minus 12,115 million yen. Out of the corporate profit (loss) of minus 12,115 million yen, gains from sale of land of 2,352 million yen are recognized in other operating income reported in the quarterly condensed consolidated statement of profit or loss. 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.

(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 (hereinafter referred to as "CESTAT"); 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 (hereinafter referred as the "Supreme Court"). In March 2021, the Supreme Court delivered a judgment revoking the decision of CESTAT and consequently the demand notice by the Indian Tax Authority. Subsequently in April 2021, the Indian Tax Authority filed a request for retrial. As it is currently unable to forecast the outcome of the request for retrial, 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.