

June 24, 2022  
NIKON CORPORATION  
Toshikazu Umatate  
Representative Director  
President

Dear Shareholders,

Amendment to the Notice of the 158th Annual General Shareholders' Meeting

The following revisions are made in relation to an item in the segment “Reference Materials for the General Shareholders’ Meeting” of the Notice of the 158th Annual General Shareholders' Meeting dispatched on June 8, 2022.

1. Revised item

Page 17 of the Notice of the 158th Annual General Shareholders' Meeting

Item 4: Election of Four Directors Who Are Audit and Supervisory Committee Members

Candidate number 2 Shiro Hiruta

Career summary, position and duties at the Company, and important concurrent positions outside the Company

2. Revisions (the revised parts are underlined.)

Original	Revised
(Omission) Jun. 2019: External Director <u>(Audit and Supervisory Committee Member)</u> , the Company <u>(to present)</u>	(Omission) Jun. 2019: External Director, the Company Jun. 2020: <u>External Director (Audit and Supervisory Committee Member)</u> , the Company <u>(to present)</u>

This is a translation of the original Japanese “Notice of the 158th Annual General Shareholders’ Meeting” prepared for the convenience of non-Japanese speakers. Should there be any discrepancy between any part of this translation and the original Japanese text, the latter shall prevail.

Securities Code: 7731

June 8, 2022

NIKON CORPORATION  
15-3, Konan 2-chome, Minato-ku, Tokyo

Dear Shareholder,

### **Notice of the 158th Annual General Shareholders’ Meeting**

You are cordially notified that our 158th Annual General Shareholders’ Meeting will be held as outlined below.

In light of measures to prevent the spread of COVID-19, we would like to strongly request our shareholders to exercise your voting rights in advance by mail or via the Internet if at all possible, and refrain from attending this General Meeting of Shareholders on the date of the meeting, regardless of your health conditions.

In exercising your voting rights by mail or via the Internet, please review the attached Reference Materials for the General Shareholders’ Meeting and exercise no later than 5:00 p.m. on Tuesday, June 28, 2022.

Sincerely yours,

Toshikazu Umatate  
Representative Director  
President

**1. Date & Time:** 10:00 a.m., June 29, 2022 (Wednesday)

**2. Place:** Hall on the fifth floor of Tokyo Conference Center Shinagawa  
9-36, Konan 1-chome, Minato-ku, Tokyo

**3. Agenda:**

**Matters to be reported**

1. Business report, Consolidated Financial Statements, and audit reports concerning Consolidated Financial Statements by the Accounting Auditor and the Audit and Supervisory Committee for the 158th term (April 1, 2021 to March 31, 2022)
2. Non-Consolidated Financial Statements for the 158th term (April 1, 2021 to March 31, 2022)

**Matters to be resolved**

**Item 1:** Appropriation of Surplus

**Item 2:** Partial Amendments to the Articles of Incorporation

**Item 3:** Election of Six Directors (Excluding Directors Who Are Audit and Supervisory Committee Members)

**Item 4:** Election of Four Directors Who are Audit and Supervisory Committee Members

**Item 5:** Determination of the Amount and Contents of Compensation for Directors (Excluding Directors Who Are Audit and Supervisory Committee Members)

**Item 6:** Determination of the Amount and Contents of Compensation, etc. for Directors (Excluding Directors Who Are Audit and Supervisory Committee Members) Based on the Restricted Stock Remuneration System and the Performance-based Stock Remuneration System

<Requests to shareholders>

- \* There may be changes to the above measures depending on the status of the spread of infections and the details of announcements made by the national government, etc. until the date of the General Shareholders' Meeting. For updated information, please check our website ([https://www.nikon.com/about/ir/stock\\_info/meeting/index.htm](https://www.nikon.com/about/ir/stock_info/meeting/index.htm)).
- \* In the course of exercising voting rights in mail, there will be a risk of infections associated with the process of returning your votes or with the process of counting the votes. Accordingly, when exercising your voting rights in advance, we request our shareholders to exercise your voting rights via the internet, if at all possible.
- \* To ensure social distancing, the number of seats available will be limited. As such, there is a possibility that some attendees may be denied entry to the venue.
- \* Alcohol-based disinfectants will be provided for shareholders at the entrance of the venue. We kindly request our shareholders attending the meeting to bring and wear a mask.
- \* We will check the body temperatures of prospective attendees at the entrance of the venue. Attendees who are deemed to have a fever or who feel unwell may be denied entry to the venue.
- \* The operating staff will also check their own physical conditions, including measuring their body temperature, and wear masks at the venue.
- \* In order to shorten the duration of the meeting to help prevent the spread of COVID-19, the detailed explanations of matters to be reported (including audit reports) and proposal items at the meeting venue will be omitted. We kindly request our shareholders to read this convocation notice in advance.

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\* Pursuant to the relevant laws and regulations and the provisions of the Company's Articles of Incorporation, among other documents to be attached to this notice, matters to be stated or presented in "Subscription rights to shares" and "Framework to ensure fair business activity" in the Business Report, "Consolidated Statement of Changes in Equity" and "Notes to the Consolidated Financial Statements" in the Consolidated Financial Statements, and "Non-Consolidated Statement of Changes in Net Assets" and "Notes to the Non-Consolidated Financial Statements" in the Non-Consolidated Financial Statements are posted on the Company's website and are not attached to this notice. The Audit and Supervisory Committee and the Accounting Auditor have audited documents subject to audit including the above documents posted on the Company's website.

\* Any revisions to the Reference Materials for the General Shareholders' Meeting as well as to the Business Report, the Consolidated Financial Statements or the Non-Consolidated Financial Statements will be posted on the Company's website.

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## Reference Materials for the General Shareholders' Meeting

### Item 1: Appropriation of Surplus

It is proposed that surplus be appropriated as follows:

Matters concerning year-end dividends

The Company's fundamental policy on shareholder returns is to distribute a steady dividend that reflects the perspective of shareholders, and simultaneously realizing appropriate capital allocation flexibly from a mid to long-term perspective, while strengthening investments (including strategic investments, R&D, and capital expenditures) to ensure sustainable growth.

Based on this policy, it is proposed that a year-end dividend be paid out as follows.

(1) Type of dividend assets

Cash

(2) Allotment of dividend assets to shareholders and total amount

20 yen per Company common stock

Total payment of dividends: 7,357,015,500 yen

(3) Effective date of dividends from surplus

June 30, 2022

The annual dividend for the fiscal year under review, including an interim dividend, will be 40 yen per Company common stock.

## **Item 2: Partial Amendments to the Articles of Incorporation**

### 1. Reasons for the proposal

- (1) The “Act for Partially Amending the Act on Strengthening Industrial Competitiveness and Other Related Acts” (Act No. 70 of 2021) came into effect on June 16, 2021, allowing a listed companies to provide in its Articles of Incorporation to the effect that a general shareholders’ meetings without a designated location for the meeting (so called “virtual-only shareholders’ meetings”) may be held as long as the company obtains confirmation from the Minister of Economy, Trade and Industry and the Minister of Justice.

The Company believes that virtual-only shareholders’ meetings will make it easier for many shareholders, including those living in distant locations, to attend the meeting, as well as mitigate the risks of spreading infectious diseases such as COVID-19. Accordingly, the Company proposes to establish a new provision under Article 13, Paragraph 2 of the Articles of Incorporation to enable the holding of a general shareholders’ meeting without a designated location for the meeting as an option for the format of holding shareholders’ meetings.

In submitting this proposal, the Company has obtained confirmation from the Minister of Economy, Trade and Industry and the Minister of Justice pursuant to Article 66, Paragraph 1 of the Act on Strengthening Industrial Competitiveness (Act No. 98 of 2013).

- (2) The amended provisions stipulated in the proviso of Article 1 of the supplementary provisions of the “Act Partially Amending the Companies Act” (Act No. 70 of 2019) will come into effect on September 1, 2022. To prepare for the implementation of a system for electronic provision of materials for general shareholders’ meetings, the Articles of Incorporation of the Company shall be amended as follows.
  - i) The proposed Article 16, Paragraph 1 provides that information contained in the reference materials for the general shareholders’ meetings, etc. shall be provided electronically.
  - ii) The proposed Article 16, Paragraph 2 is to establish a provision to limit the scope of matters to be included in the paper copy to be sent to shareholders who have requested it.
  - iii) The provision related to disclosure of reference materials for general shareholders’ meetings using the Internet and deemed provision thereof (Article 16 of the current Articles of Incorporation) will become unnecessary and will therefore be deleted
  - iv) In line with the above establishment and deletion of the provisions, supplementary provisions related to the effective date, etc. shall be established.
- (3) Considering that the position of chairman of the Board has been vacant and the provision regarding the chairman of the Board is a discretionary one, the Company proposes its deletion from the Articles of Incorporation.

### 2. Description of the amendments

The details of the amendments are described as follows.

(Amendments are underlined)

Current Articles of Incorporation	Proposed Amendments
<p>Article 1. - Article 12. (Omitted) (Convocation) Article 13. (Omitted) (New)</p> <p>Article 14. - Article 15. (Omitted) <u>(Disclosure of Reference Materials for the General Shareholders' Meetings Using the Internet and Deemed Provision Thereof)</u> <u>Article 16.</u> <u>When convening the General Shareholders' Meeting, the Company may be deemed to have provided shareholders with information to be described or indicated in reference materials for the General Shareholders' Meeting, business reports and non-consolidated and consolidated financial statements, if disclosed using the Internet in accordance with Ministry of Justice Ordinance.</u> (New)</p> <p>Article 17. - Article 22. (Omitted) (Representative Directors <u>and Directors with Executive Power</u>) <u>Article 23.</u> <u>The Board of Directors may elect one (1) Chairman of the Board from among Directors who are not Audit and Supervisory Committee Members when necessary by resolution.</u> 2. Representative Directors shall be elected by resolution of the Board of Directors. 3. Representative Directors shall carry out the business of the Company in accordance with the resolutions of the Board of Directors. Article 24. - Article 34. (Omitted)</p>	<p>Article 1. - Article 12. (Unchanged) (Convocation) Article 13. (Unchanged) 2. <u>The Company may hold a General Shareholders' Meeting without a designated location for the meeting.</u> Article 14. - Article 15. (Unchanged)</p> <p>(Deleted)</p> <p><u>(Measures for Electronic Provision, etc.)</u> <u>Article 16.</u> <u>When convening the General Shareholders' Meeting, the Company shall provide information contained in reference materials for the General Shareholders' Meeting, etc. electronically.</u> 2. <u>Among the matters to be provided electronically, the Company may choose not to include all or part of the matters stipulated in the Ministry of Justice Ordinance in the paper copy to be sent to shareholders who have requested it by the record date for voting rights.</u> Article 17. - Article 22. (Unchanged) (Representative Directors)</p> <p>(Deleted)</p> <p><u>Article 23.</u> Representative Directors shall be elected by resolution of the Board of Directors. 2. Representative Directors shall carry out the business of the Company in accordance with the resolutions of the Board of Directors. Article 24. - Article 34. (Unchanged)</p>

Current Articles of Incorporation	Proposed Amendments
<p style="text-align: center;">Supplementary Provisions (Transitional Measures concerning Limitation of Liability of Corporate Auditors)</p> <p>The Company may, by resolution of the Board of Directors, limit the liability of Corporate Auditors, who are Corporate Auditors (including former Corporate Auditors) prior to the conclusion of the 152nd General Shareholders' Meeting to be held in June 2016, as stipulated by Article 423, Paragraph 1 of the Companies Act to the extent permitted by law.</p>	<p style="text-align: center;">Supplementary Provisions (Transitional Measures concerning Limitation of Liability of Corporate Auditors)</p> <p><u>Article 1.</u> The Company may, by resolution of the Board of Directors, limit the liability of Corporate Auditors, who are Corporate Auditors (including former Corporate Auditors) prior to the conclusion of the 152nd General Shareholders' Meeting to be held in June 2016, as stipulated by Article 423, Paragraph 1 of the Companies Act to the extent permitted by law.</p>
(New)	<p><u>(Transitional Measures concerning Measures for Electronic Provision, etc.)</u></p>
(New)	<p><u>Article 2.</u> <u>The deletion of Article 16 of the Articles of Incorporation before amendment (Disclosure of Reference Materials for the General Shareholders' Meetings Using the Internet and Deemed Provision Thereof) and the establishment of Article 16 of the Articles of Incorporation after amendment (Measures for Electronic Provision, etc.) shall come into effect on September 1, 2022.</u></p>
(New)	<p><u>2. Notwithstanding the provisions of the preceding paragraph, Article 16 of the Articles of Incorporation before amendment shall remain in force with respect to a General Shareholders' Meeting to be held on or before the last day of February 2023.</u></p> <p><u>3. This Article shall be deleted on March 1, 2023 or after the lapse of three (3) months from the date of the General Shareholders' Meeting set forth in the preceding paragraph, whichever is later.</u></p>




**Item 3: Election of Six Directors (Excluding Directors Who Are Audit and Supervisory Committee Members)**


The terms of office for all six Directors (excluding Directors who are Audit and Supervisory Committee Members) will expire at the conclusion of this General Shareholders' Meeting. Accordingly, the Company propose that six Directors (excluding Directors who are Audit and Supervisory Committee Members) be elected.


The Audit and Supervisory Committee has reported that there are no matters to be addressed with regard to the election of Directors (excluding Directors who are Audit and Supervisory Committee Members).

The candidates are as follows:


Candidate number	Name	Status of committees attended	Attendance at meetings of the Board of Directors
1	[Reappointment] Kazuo Ushida	Nominating Committee Compensation Committee	100% (18 of 18)
2	[Reappointment] Toshikazu Umatate	Compensation Committee	100% (18 of 18)
3	[Reappointment] Takumi Odajima		100% (18 of 18)
4	[Reappointment] Muneaki Tokunari		100% (18 of 18)
5	[External/ Independent/ Reappointment] Shigeru Murayama	Nominating Committee	100% (18 of 18)
6	[External/ Independent/ New Candidate] Tsuneyoshi Tatsuoka		


Candidate number 1	Career summary, position and duties at the Company, and important concurrent positions outside the Company
 <p data-bbox="300 712 427 739">Kazuo Ushida</p> <p data-bbox="252 763 427 837">Date of birth: January 25, 1953 (Age: 69)</p> <p data-bbox="252 862 464 958">Shares held in the Company Actual number of common stock held: 42,899 shares</p> <p data-bbox="252 958 443 1032">Number of dilutive stock held: 169,300 shares</p> <p data-bbox="252 1057 464 1106">Years of service as Director: 17 years</p>	<p data-bbox="497 331 1385 920"> Apr. 1975: Joined the Company  Jun. 2003: Corporate Vice President, General Manager of Development Headquarters, Precision Equipment Company, the Company  Jun. 2005: Managing Director, Member of the Board &amp; Executive Vice President, President of Precision Equipment Company, the Company  Jun. 2007: Director, Member of the Board &amp; Executive Vice President, President of Precision Equipment Company, the Company  Jun. 2009: Director, Member of the Board &amp; Executive Vice President, Officer in charge of Intellectual Property Headquarters, President of Precision Equipment Company, the Company  Jun. 2013: Representative Director, Member of the Board &amp; Senior Executive Vice President, Officer in charge of Intellectual Property Headquarters, President of Precision Equipment Company, Vice Officer in charge of Corporate Planning Headquarters, the Company  Jun. 2014: President and Representative Director, Overseeing Medical Business Development Division and Business Development Division, the Company  Jun. 2015: President and Representative Director, Overseeing Corporate Strategy Division, Medical Business Development Division and Business Development Division, the Company  Jun. 2016: President and Representative Director, Officer in charge of Business Development Division, the Company  Jun. 2017: President and Representative Director, Officer in charge of Business Development Division, Optical Engineering Division and Research &amp; Development Division, the Company  Apr. 2019: Representative Director and Chairman of the Board, the Company  Apr. 2020: Chairman of the Board, the Company  Jun. 2021: Director and Chairman of the Board, the Company (to present) </p> <p data-bbox="497 920 1385 994"> [Important concurrent positions outside the Company]  Director and Audit &amp; Supervisory Committee Member of Toyo Kanetsu K.K.  Outside Director of JSR Corporation (scheduled to assume office in June 2022) </p> <p data-bbox="497 994 1385 1043"> [Special interests in the Company]  None </p> <p data-bbox="497 1043 1385 1214"> [Reasons for candidacy]  Kazuo Ushida has been engaged mainly in development of the semiconductor lithography systems since joining the Company, and has served as General Manager of Development Headquarters and President of Precision Equipment Company. He has led the restructuring as a President, exploiting his experience in business operation cultivated in the globally competitive environment of the cutting-edge semiconductor lithography market. As he is sufficiently qualified for directorship, we nominate him as a candidate to continue as Director. </p>

Candidate number 2	Career summary, position and duties at the Company, and important concurrent positions outside the Company
 <p>Toshikazu Umatate</p> <p>Date of birth: March 1, 1956 (Age: 66)</p> <p>Shares held in the Company Actual number of common stock held: 28,365 shares Number of dilutive stock held: 214,700 shares</p> <p>Years of service as Director: 3 years</p>	<p>Apr. 1980: Joined the Company</p> <p>Jun. 2005: Corporate Vice President, General Manager of Development Headquarters, Precision Equipment Company, the Company</p> <p>Jun 2009: Corporate Vice President, Vice President of Precision Equipment Company &amp; General Manager of Sales Headquarters, Precision Equipment Company, the Company</p> <p>Jun. 2012: Senior Vice President, Vice President of Precision Equipment Company &amp; General Manager of Semiconductor Equipment Division, Precision Equipment Company, the Company</p> <p>Jun. 2014: Senior Vice President, General Manager of Semiconductor Lithography Business Unit, the Company</p> <p>Apr. 2018: Senior Vice President, General Manager of Semiconductor Lithography Business Unit, Officer in charge of Technology Strategy and Precision Components &amp; Modules Business Unit, the Company</p> <p>Apr. 2019: President, Officer in charge of Business Development Division, Research &amp; Development Division and Precision Components &amp; Modules Business Unit, the Company</p> <p>Jun. 2019: President, CEO and Representative Director, Officer in charge of Business Development Division, Research &amp; Development Division and Precision Components &amp; Modules Business Unit, the Company</p> <p>Jul. 2019: President, CEO and Representative Director, Officer in charge of Research &amp; Development Division, Next Generation Project Division and Precision Components &amp; Modules Business Unit, the Company</p> <p>Apr. 2020: Representative Director and President, CEO, Officer in charge of Research &amp; Development Division, Design Center and Digital Solutions Business Unit</p> <p>Apr. 2021: Representative Director and President, CEO, CTO, Officer in charge of Design Center and Research &amp; Development Division</p> <p>Oct. 2021 Representative Director and President, CEO, CTO, Officer in charge of Design Center, Research &amp; Development Division, Digital Solutions Business Unit and Advanced Technology Research &amp; Development Division (to present)</p> <p>[Special interests in the Company] None</p> <p>[Reasons for candidacy] Toshikazu Umatate has been engaged mainly in development of the semiconductor lithography systems since joining the Company and has served as General Manager of Development Headquarters and General Manager of Semiconductor Equipment Division, among other positions. He grasps changes in the global business environment and our core competencies, and leads management as President. As he is sufficiently qualified for directorship, we nominate him as a candidate to continue as Director.</p>

Candidate number 3	Career summary, position and duties at the Company, and important concurrent positions outside the Company
 <p data-bbox="293 651 435 678">Takumi Odajima</p> <p data-bbox="252 703 437 779">Date of birth: December 5, 1958 (Age: 63)</p> <p data-bbox="252 801 464 972">Shares held in the Company Actual number of common stock held: 14,100 shares Number of dilutive stock held: 97,900 shares</p> <p data-bbox="252 996 464 1041">Years of service as Director: 5 years</p>	<p data-bbox="496 383 1382 808"> Apr. 1981: Joined the Company  Jun. 2012: Corporate Vice President, General Manager of Planning Headquarters, Precision Equipment Company, the Company  Jun. 2014: Corporate Vice President, Corporate Strategy Division, the Company  Dec. 2016: Corporate Vice President, Corporate Strategy Division and Deputy General Manager of Human Resources &amp; Administration Division, the Company  Jun. 2017: Senior Vice President and Director, General Manager of Human Resources &amp; Administration Division, the Company  Apr. 2018: Senior Vice President and Director, General Manager of Human Resources &amp; Administration Division, Officer in charge of Risk Management, the Company  Apr. 2020: Representative Director and Executive Vice President, General Manager of Human Resources &amp; Administration Division, Officer in charge of Risk Management, Internal Audit Department, Information Security Department and Intellectual Property Division, the Company  Apr. 2021: Representative Director and Executive Vice President, CAO, CRO, General Manager of Group Governance &amp; Administration Division, Officer in charge of Information Security Department and Legal &amp; Intellectual Property Division, the Company (to present) </p> <p data-bbox="496 808 783 853">[Special interests in the Company] None</p> <p data-bbox="496 864 1382 1032">[Reasons for candidacy] Takumi Odajima, after having been engaged primarily in the sales and business planning sections of the Instruments Business, has served as General Manager of Corporate Planning Department, General Manager of Planning Headquarters, Precision Equipment Company, and General Manager of Human Resources &amp; Administration Division. As he possesses a wealth of experience as the person responsible for promoting important policies, he is sufficiently qualified for directorship. Therefore, we nominate him as a candidate to continue as Director.</p>

Candidate number 4	Career summary, position and duties at the Company, and important concurrent positions outside the Company
 <p data-bbox="284 741 437 768">Muneaki Tokunari</p> <p data-bbox="252 797 405 875">Date of birth: March 6, 1960 (Age: 62)</p> <p data-bbox="252 898 464 994">Shares held in the Company Actual number of common stock held: 6,700 shares</p> <p data-bbox="252 994 440 1072">Number of dilutive stock held: 56,600 shares</p> <p data-bbox="252 1093 461 1144">Years of service as Director: 2 years</p>	<p data-bbox="497 331 1386 1133"> Apr. 1982: Joined The Mitsubishi Trust and Banking Corporation (current Mitsubishi UFJ Trust and Banking Corporation)  Oct. 2005: General Manager, Frontier Strategy Planning and Support Division of the said Company  Apr. 2007: Assistant to the Executive Officer of the said Company and General Manager, Financial Planning Division of Mitsubishi UFJ Financial Group, Inc.  Jun. 2009: Executive Officer of the said Company and General Manager, Financial Planning Division of Mitsubishi UFJ Financial Group, Inc.  Jun. 2010: Executive Officer and General Manager, Corporate Planning Division of the said Company  Jun. 2011: Managing Executive Officer and General Manager, Corporate Planning Division of the said Company  Jun. 2012: Managing Director in charge of Corporate Planning Division, Frontier Strategy Planning and Support Division, Human Resources Division and Employee Counselling Office of the said Company  Jun. 2013: Senior Managing Director in charge of Corporate Planning Division, Frontier Strategy Planning and Support Division, Human Resources Division and Employee Counselling Office of the said Company  Jun. 2014: Senior Managing Director in charge of Corporate Planning Division and Frontier Strategy Planning and Support Division of the said Company  Jun. 2015: Director, Managing Executive Officer and Group CFO of Mitsubishi UFJ Financial Group, Inc. and Managing Director and CFO of The Bank of Tokyo-Mitsubishi UFJ, Ltd. (current MUFG Bank, Ltd.)  May 2016: Director, Senior Managing Executive Officer and Group CFO of the said Company and Senior Managing Director and CFO of The Bank of Tokyo-Mitsubishi UFJ, Ltd.  Jun. 2018: Senior Managing Executive Officer and Group CFO of the said Company and Senior Managing Director and CFO of MUFG Bank, Ltd.  Apr. 2020: Executive Vice President, CFO, Officer in charge of Finance &amp; Accounting Division, the Company  June 2020: Director and Executive Vice President, CFO, Officer in charge of Finance &amp; Accounting Division, the Company  Apr. 2021: Director and Executive Vice President, CFO, Officer in charge of Internal Audit Department, Corporate Sustainability Department, Finance &amp; Accounting Division and IT Solutions Division, the Company (to present) </p> <p data-bbox="497 1133 783 1184">[Special interests in the Company] None</p> <p data-bbox="497 1184 1390 1303">[Reasons for candidacy] Muneaki Tokunari served as the manager of planning divisions and CFO at Mitsubishi Trust and Banking Corporation and Mitsubishi UFJ Financial Group, Inc., and as the CFO of MUFG Bank, Ltd. He possesses extensive business experience and broad-ranging knowledge cultivated in a trust bank and a commercial bank. As he is sufficiently qualified for directorship, we nominate him as a candidate for Director.</p>

Candidate number 5	Career summary, position and duties at the Company, and important concurrent positions outside the Company
	<p>Apr. 1974: Joined Kawasaki Heavy Industries, Ltd.  Apr. 2005: Executive Officer of the said Company  Apr. 2008: Managing Executive Officer of the said Company  Jun. 2010: Representative Director and Senior Vice President of the said Company  Jun. 2013: Representative Director and President of the said Company  Jun. 2016: Representative Director and Chairman of the said Company  Jun. 2017: Chairman of the Board of the said Company  Jun. 2020: Senior Strategic Advisor of the said Company (to present)  Jun. 2020: External Director, the Company (to present)</p>
External/Independent	[Important concurrent positions outside the Company] Senior Advisor of Kawasaki Heavy Industries, Ltd.
Shigeru Murayama	[Special interests in the Company]
Date of birth: February 27, 1950 (Age: 72)	The Company has had an outsourcing transaction relationship with Kawasaki Heavy Industries, Ltd., for which Shigeru Murayama serves as Senior Strategic Advisor, for the past three years. The amounts of transactions with the company for the past three years account for less than 1% of consolidated net sales of each of the company and the Company for each year, which meets the independence criteria set by the Company (see page 20).
Shares held in the Company Actual number of common stock held: 500 shares Number of dilutive stock held: 0 shares	[Reasons for candidacy and overview of expected roles]
Years of service as External Director: 2 years	Shigeru Murayama served as Representative Director of Kawasaki Heavy Industries, Inc. and other important positions, and possesses long years of management experience and outstanding insight, and we believe that he will be able to contribute to the Company's overall management from a big-picture perspective. He also meets the independence criteria set by the Company, and we expect that he will be able to serve in a management supervisory function from an independent, fair and objective position as External Director.

Candidate number 6	Career summary, position and duties at the Company, and important concurrent positions outside the Company
	<p>Apr. 1980: Joined the Ministry of International Trade and Industry (present Ministry of Economy, Trade and Industry (METI))</p> <p>Jan. 2010: Counsellor, Cabinet Secretariat (Office of Assistant Chief Cabinet Secretary) of the said Ministry</p> <p>Aug. 2011: Deputy Vice-Minister of METI</p> <p>Jun. 2013: Vice Minister of the said Ministry</p> <p>Jul. 2015: Retired from the said Ministry</p>
<p>External/Independent</p>	<p>[Important concurrent positions outside the Company]</p> <p>Outside Director of Asahi Kasei Corporation</p> <p>Outside Director of Mitsubishi Corporation</p>
<p>Tsuneyoshi Tatsuoka</p>	<p>[Special interests in the Company]</p> <p>None</p>
<p>Date of birth:</p> <p>January 29, 1958</p> <p>(Age: 64)</p>	<p>[Reasons for candidacy and overview of expected roles]</p> <p>Although Tsuneyoshi Tatsuoka has never been directly involved in corporate management in the past other than through acting as an External Director or an External Audit and Supervisory Board Member, he has held important positions at the Ministry of Economy, Trade and Industry, and possesses exceptional knowledge regarding industrial and economic policies, and we believe that he will be able to contribute to the Company's overall management from a big-picture perspective. He also meets the independence criteria set by the Company (see page 20), and we expect that he will be able to serve in a management supervisory function from an independent, fair and objective position as External Director.</p>
<p>Shares held in the Company</p> <p>Actual number of common stock held:</p> <p>2,000 shares</p> <p>Number of dilutive stock held:</p> <p>0 shares</p>	
<p>Years of service as External Director:</p> <p>0 years</p>	

Notes:

1. Shigeru Murayama is a candidate for the position of External Director as provided for under the Companies Act. The Company has reported him to Tokyo Stock Exchange, Inc. as an independent director. He will have served as External Director for the Company for two years at the conclusion of this General Shareholders' Meeting.
2. Tsuneyoshi Tatsuoka is a candidate for the position of External Director as provided for under the Companies Act. The Company intends to report him to Tokyo Stock Exchange, Inc. as an independent director.
3. If this proposal is approved, the Company intends to continue an agreement with Shigeru Murayama that limits his liability for damages under Article 423, Paragraph 1 of the Companies Act pursuant to the provisions of Article 427, Paragraph 1 of the said act. The limit on the liability for damages in this agreement is the lowest amount prescribed in Article 425, Paragraph 1 of the Companies Act.
4. If this proposal is approved, the Company intends to conclude an agreement with Kazuo Ushida and Tsuneyoshi Tatsuoka that limits his liability for damages under Article 423, Paragraph 1 of the Companies Act pursuant to the provisions of Article 427, Paragraph 1 of the said act. The limit on the liability for damages in this agreement is the lowest amount prescribed in Article 425, Paragraph 1 of the Companies Act.
5. Kazuo Ushida, Toshikazu Umatate, Takumi Odajima, Muneaki Tokunari and Shigeru Murayama are currently Directors of the Company, and the Company has concluded a Directors and Officers Liability Insurance Contract with an insurance company as stipulated in Article 430-3, Paragraph 1 of the Companies Act under which they are each included as insured persons. If each of their reappointment is approved, they will continue to be included as insured persons in this insurance contract. The Company intends to renew this insurance contract with the same terms and conditions during their terms of office. In addition, if this proposal is approved, Tsuneyoshi Tatsuoka will be included as an insured person in this insurance contract. This contract covers damages, etc. to be borne by the insured person as a result of claims for damages received in the course of business execution by the insured person as an officer of the company, and the insured person bears approximately 10% of the insurance premium. The Company intends to renew this insurance contract with the same terms and conditions during his term of office.
6. Number of dilutive stock held are shown as reference for the number of shares to be delivered in the future, corresponding to the subscription rights to shares granted as stock-related compensation system.

**Item 4: Election of Four Directors Who Are Audit and Supervisory Committee Members**


The terms of office for Atsushi Tsurumi, Kunio Ishihara, Shiro Hiruta and Asako Yamagami, Directors who are Audit and Supervisory Committee Members will expire at the conclusion of this General Shareholders' Meeting. Accordingly, it is proposed that four Directors who are Audit and Supervisory Committee Members be elected.


The consent of the Audit and Supervisory Committee has been obtained for this item.


The candidates are as follows:


Candidate number	Name	Status of committees attended	Attendance at meetings of the Board of Directors*	Attendance at meetings of the Audit and Supervisory Committee
1	[Reappointment] Atsushi Tsurumi		100% (18 of 18)	100% (10 of 10)
2	[External/Independent/Reappointment] Shiro Hiruta	Compensation Committee	100% (18 of 18)	100% (10 of 10)
3	[External/Independent/Reappointment] Asako Yamagami		100% (18 of 18)	100% (10 of 10)
4	[External/Independent/New candidate] Makoto Sumita		-	-



Candidate number 1	Career summary, position and duties at the Company, and important concurrent positions outside the Company
 <p data-bbox="295 629 432 651">Atsushi Tsurumi</p> <p data-bbox="252 678 448 752">Date of birth: September 29, 1959 (Age: 62)</p> <p data-bbox="252 777 464 873">Shares held in the Company Actual number of common stock held: 9,700 shares</p> <p data-bbox="252 898 459 947">Years of service as Director: 4 years</p>	<p data-bbox="497 338 1350 490">Apr. 1982: Joined the Company Apr. 2012: General Manager of Finance Department, Finance &amp; Accounting Division, the Company Jun. 2014: Department Manager of Internal Audit Department, the Company Jun. 2018: Director who is an Audit and Supervisory Committee Member, the Company (to present) [Special interests in the Company] None</p> <p data-bbox="497 497 1378 667">[Reasons for candidacy] Atsushi Tsurumi, after having been engaged in finance and accounting-related operations since joining the Company, has served as Vice Chairman of an overseas subsidiary of the Industrial Metrology Business and the overseer of the internal audit sections. As he possesses a high degree of expertise in finance and accounting, we believe that he is qualified to fulfill the responsibilities of an Audit and Supervisory Committee Member from a general supervisory perspective on management, and therefore nominate him as a candidate for the position of Director who is an Audit and Supervisory Committee Member.</p>

Candidate number 2	Career summary, position and duties at the Company, and important concurrent positions outside the Company
 <p data-bbox="276 629 453 651">External/Independent</p> <p data-bbox="312 678 416 701">Shiro Hiruta</p> <p data-bbox="252 725 443 801">Date of birth: December 20, 1941 (Age: 80)</p> <p data-bbox="252 826 464 920">Shares held in the Company Actual number of common stock held: 3,000 shares</p> <p data-bbox="252 945 459 1021">Years of service as External Director: 3 years</p>	<p data-bbox="497 331 1246 360">Apr. 1964: Joined Asahi Chemical Industry Co., Ltd. (current Asahi Kasei Corporation)</p> <p data-bbox="497 360 868 389">Jun. 1997: Director of the said Company</p> <p data-bbox="497 389 956 418">Jun. 1999: Managing Director of the said Company</p> <p data-bbox="497 418 1011 448">Jun. 2001: Senior Managing Director of the said Company</p> <p data-bbox="497 448 1002 477">Jun. 2002: Executive Vice President of the said Company</p> <p data-bbox="497 477 1106 506">Apr. 2003: President and Representative Director of the said Company</p> <p data-bbox="497 506 1027 535">Apr. 2010: Director and Senior Advisor of the said Company</p> <p data-bbox="497 535 922 564">Jun. 2010: Senior Advisor of the said Company</p> <p data-bbox="497 564 967 593">Jun. 2013: Standing Counsellor of the said Company</p> <p data-bbox="497 593 890 622">Jun. 2016: Counsellor of the said Company</p> <p data-bbox="497 622 884 651">Jun. 2019: External Director, the Company</p> <p data-bbox="497 651 1358 680">Jun. 2020: External Director (Audit and Supervisory Committee Member), the Company (to present)</p> <p data-bbox="497 680 783 710">[Special interests in the Company]</p> <p data-bbox="528 710 576 716">None</p> <p data-bbox="497 716 919 745">[Reasons for candidacy and expected roles to fulfill]</p> <p data-bbox="497 745 1385 913">Shiro Hiruta served as Representative Director of Asahi Kasei Corporation and other important positions, and possesses long years of management experience and outstanding insight, and we believe that he will be able to contribute to the Company's overall management from a big-picture perspective and that he can also contribute to securing the soundness and appropriateness of the Company's management as well as to the enhancement of its transparency. He also meets the independence criteria set by the Company (see page 20), and we believe that he will be able to serve in a management supervisory function from an independent, fair and objective position as External Director.</p>

Candidate number 3	Career summary, position and duties at the Company, and important concurrent positions outside the Company
 <p>External/Independent</p>	<p>Apr. 1999: Registered as attorney-at-law Joined Taiyo Law Office (current Paul Hastings LLP)</p> <p>Oct. 2005: Seconded to The Walt Disney Company (Japan) Ltd.</p> <p>May 2006: Joined IBM Japan, Ltd.</p> <p>Jul. 2012: Joined Natori Law Office (current ITN Partners) as Partner (to present)</p> <p>Jan. 2016: Director, Office of International Affairs, Japan Federation of Bar Associations</p> <p>Jun. 2020: External Director (Audit and Supervisory Committee Member), the Company (to present)</p> <p>[Important concurrent positions outside the Company] External Director of Kagome Co., Ltd. (Audit and Supervisory Committee Member) Outside Director of NEC Capital Solutions Limited</p> <p>[Special interests in the Company] None</p>
<p>Asako Yamagami</p> <p>Date of birth: January 1, 1970 (Age: 52)</p> <p>Shares held in the Company Actual number of common stock held: 0 shares</p> <p>Years of service as External Director: 2 years</p>	<p>[Reasons for candidacy and expected roles to fulfil]</p> <p>Although Asako Yamagami has never been directly involved in corporate management in the past other than through acting as an External Director or an External Audit and Supervisory Board Member, she has work experience as an in-house lawyer and possesses expertise and experience as a lawyer regarding governance, compliance and other matters. We believe that she will be able to contribute to securing the soundness and appropriateness of the Company's management as well as to the enhancement of its transparency. She also meets the independence criteria set by the Company (see page 20), and we believe that she will be able to serve in a management supervisory function from an independent, fair and objective position as External Director.</p>

Candidate number 4	Career summary, position and duties at the Company, and important concurrent positions outside the Company
 <p data-bbox="272 624 453 651">External/Independent</p> <p data-bbox="300 674 429 701">Makoto Sumita</p> <p data-bbox="252 723 416 797">Date of birth: January 6, 1954 (Age: 68)</p> <p data-bbox="252 819 464 920">Shares held in the Company Actual number of common stock held: 0 shares</p> <p data-bbox="252 943 459 1016">Years of service as External Director: 0 years</p>	<p data-bbox="497 331 1222 633">Apr. 1980: Joined Nomura Research Institute, Ltd. Jun. 1996: Director of INNOTECH CORPORATION Apr. 2005: Executive Vice President &amp; Representative Director of the said Company Apr. 2007: President and Representative Director of the said Company Jun. 2011: Outside Audit &amp; Supervisory Board Member of TDK Corporation Apr. 2013: Chairman &amp; CEO of INNOTECH CORPORATION Jun. 2013: Outside Director of TDK Corporation Jun. 2018: Chairman &amp; Director of INNOTECH CORPORATION Jun. 2018: Chairman &amp; Director of TDK Corporation Apr. 2021: Director of INNOTECH CORPORATION Apr. 2022: Director of TDK Corporation (scheduled to retire in June 2022)</p> <p data-bbox="497 633 1382 707">[Important concurrent positions outside the Company] Director and Chairman of the board, MINKABU THE INFONOID, Inc. (scheduled to assume office in June 2022)</p> <p data-bbox="497 707 783 759">[Special interests in the Company] None</p> <p data-bbox="497 759 1374 958">[Reasons for candidacy and expected roles to fulfill] Makoto Sumita served as President &amp; CEO of INNOTECH CORPORATION, Chairman &amp; Director of TDK Corporation and other important positions, and possesses long years of management experience and outstanding insight, and we believe that he will be able to contribute to the Company's overall management from a big-picture perspective and that he can also contribute to securing the soundness and appropriateness of the Company's management as well as to the enhancement of its transparency. He also meets the independence criteria set by the Company (see page 20), and we believe that he will be able to serve in a management supervisory function from an independent, fair and objective position as External Director.</p>

Notes:

1. Shiro Hiruta and Asako Yamagami are candidates for the position of External Director as provided for under the Companies Act. The Company has reported them to Tokyo Stock Exchange, Inc. as independent directors. Shiro Hiruta and Asako Yamagami are External Directors of the Company, and will have served as External Directors who are Audit and Supervisory Board Members of the Company for three years and two years, respectively, at the conclusion of this General Shareholders' Meeting.
2. Makoto Sumita is a candidate for the position of External Director as provided for under the Companies Act. The Company intends to report him to Tokyo Stock Exchange, Inc. as an independent director.
3. If this proposal is approved, the Company intends to continue an agreement with Atsushi Tsurumi, Shiro Hiruta and Asako Yamagami that limits their liability for damages under Article 423, Paragraph 1 of the Companies Act pursuant to the provisions of Article 427, Paragraph 1 of the said act. The limit on the liability for damages in this agreement is the lowest amount prescribed in Article 425, Paragraph 1 of the Companies Act.
4. If this proposal is approved, the Company intends to conclude an agreement with Makoto Sumita that limits his liability for damages under Article 423, Paragraph 1 of the Companies Act pursuant to the provisions of Article 427, Paragraph 1 of the said act. The limit on the liability for damages in this agreement is the lowest amount prescribed in Article 425, Paragraph 1 of the Companies Act.
5. Atsushi Tsurumi, Shiro Hiruta and Asako Yamagami are currently Directors of the Company, and the Company has concluded a Directors and Officers Liability Insurance Contract with an insurance company as stipulated in Article 430-3, Paragraph 1 of the Companies Act under which they are each included as insured persons. If each of their reappointment is approved, they will continue to be included as insured persons in this insurance contract. The Company intends to renew this insurance contract with the same terms and conditions during their terms of office. In addition, if this proposal is approved, Makoto Sumita will be included as an insured person in this insurance contract. This contract covers damages, etc. to be borne by the insured person as a result of claims for damages received in the course of business execution by the insured person as an officer of the company, and the insured person bears approximately 10% of the insurance premium. The Company intends to renew this insurance contract with the same terms and conditions during his term of office.

(Reference)

### **Criteria for determining independence of external directors**

In addition to the requirement for external directors under the Companies Act, the Company judges that an external director candidate is independent if he/she does not fall into any of the following requirements.

- a) The candidate serves or had served the Group in the past.
- b) The candidate is a “major client or supplier\*” of the Company or an executive thereof.
- c) The candidate is a major shareholder of the Company or an executive of the said major shareholder.
- d) The candidate had served in the past at a company whose directors are concurrently serving as the Company’s external director and vice versa.
- e) The candidate is a person who belongs to a company or organization that receives a donation from the Company or a person who had served in the past at said company or organization.
- f) The candidate’s relative within the second degree of kinship serves as an important executive of a “major client or supplier” of the Group or the Company.

\* “Major client or supplier” refers to a client or supplier that fall into either of the following.

- (1) A client or supplier with whom the Company has transaction that falls into the following, in any of the past three years
  - a party which receives payment from the Company equivalent to 2% of the party’s consolidated net sales or 100.0 million yen, whichever the greater
  - a party which makes payments to the Company equivalent to 2% of the Company’s consolidated net sales or 100.0 million yen, whichever the greater
- (2) A consultant, an accounting professional, or a legal professional who receives compensation from the Company in excess of 10.0 million yen per year (average over the past three fiscal years)

(Reference) Directors' Skill Matrix after the 158th Annual General Shareholders' Meeting

To accomplish its management strategy, the Company has selected the specific skills expected from its directors as shown in the table below, and authorized them following the deliberation by the Nominating Committee. The skills include knowledge on and experience in corporate management, management strategy, internal control, and governance as well as the Company's business characteristics and issues. The composition of the Board of Directors is designed to ensure that each director possesses these skills in a well-balanced manner and the Board as a whole can demonstrate its effectiveness, taking into account the need to maintain diversity and an appropriate number of directors.

The Directors' skill matrix after the 158th Annual General Shareholders' Meeting when Items 3 and 4 are approved as originally proposed is as follows.

		Knowledge and experience expected from directors					
		Corporate management and management strategy	Internal control and governance	Legal and risk management	Finance and accounting / M&A	Global business	Technology
Chairman of the Board	Kazuo Ushida	○	○				○
Representative Director	Toshikazu Umatate	○				○	○
Representative Director	Takumi Odajima	○	○	○			
Director	Muneaki Tokunari	○	○		○		
Director*	Shigeru Murayama	○				○	○
Director*	Tsuneyoshi Tatsuoka		○	○		○	
Director Full-time Audit and Supervisory Committee Member	Satoshi Hagiwara	○	○		○		
Director Full-time Audit and Supervisory Committee Member	Atsushi Tsurumi		○		○	○	
Director* Audit and Supervisory Committee Member	Shiro Hiruta	○	○				○
Director* Audit and Supervisory Committee Member	Asako Yamagami		○	○		○	
Director* Audit and Supervisory Committee Member	Makoto Sumita	○	○				○

(Of skills each director possesses, up to three items of knowledge and experience are listed on which the Board particularly relies.)

\*Indicates the External Director

In addition, if Items 3 and 4 are approved as originally proposed, the composition of the Nominating Committee and the Compensation Committee will be resolved as follows at the Board of Directors' meeting to be held after the 158th Annual General Shareholders' Meeting.

	Chairperson	Committee Members
Nominating Committee	Makoto Sumita	Shigeru Murayama, Tsuneyoshi Tatsuoka, Kazuo Ushida
Compensation Committee	Shigeru Murayama	Shiro Hiruta, Kazuo Ushida, Toshikazu Umatate

(Reference) Policy on cross-shareholdings and status of cross-shareholdings

The Company's policy on cross-shareholdings is as follows.

If the Company holds shares in other listed companies for strategic purposes, the Board of Directors regularly examines and verifies the rationale for holding such shares for each of the listed companies in terms of strategic significance and rationality, benefits and risks that accompany the cross-shareholding, including total shareholder return and related earnings on transactions, and capital costs that the Company bears. If the Board of Directors finds the necessity or rationality for holding such shares insignificant, the Company gives due consideration to options, including the possibility of selling them.

When exercising voting rights associated with cross-shareholdings, the Company makes decisions based on perspectives such as whether each proposal will improve the corporate value of the Company and the issuing company over the medium-to-long term. In particular, if there is a high chance that the proposal will damage the issuing company's corporate value, or if the issuing company is facing a major corporate scandal, the Company makes a decision with extra caution to exercise its voting rights.

The latest trends are as follows.

As of March 31, 2021		As of March 31, 2022	
Number of issues of cross-shareholdings	Total balance sheet amount (million yen)	Number of issues of cross-shareholdings	Total balance sheet amount (million yen)
63	67,208	62	60,744



## Reference Matters Common to Item 5 and Item 6

Under the current compensation system of the Company, compensation for Directors other than those who are Audit and Supervisory Committee Members comprises fixed monthly compensation, monetary compensation paid as bonuses, performance-based stock remuneration using a BIP trust, and subscription rights to shares granted as stock-related compensation.

For these compensation components, it was approved, at the 157th Annual General Shareholders' Meeting held on June 29, 2021, that the aggregate maximum amount of monetary compensation and subscription rights to shares granted as stock-related compensation for Directors other than those who are Audit and Supervisory Committee Members shall be 650 million yen or less per year (of which 50 million yen or less is for External Directors per year and 170 million yen or less per year is for subscription rights to shares granted as stock-related compensation) (this amount does not include the portion of employees' salaries for Directors who also serve as employees). Separately, it was approved, at the 155th Annual General Shareholders' Meeting held on June 27, 2019, that performance-based stock remuneration using the BIP trust with the upper limit of 1,200 million yen in total shall be paid to Directors (excluding Audit and Supervisory Committee Members, External Directors other Non-Executive Directors and non-residents of Japan) and Officers (excluding non-residents of Japan) for every three fiscal years.

In conjunction with the formulation of the new medium-term management plan, the Company has reviewed the stock compensation system with the aim of further promoting medium- to long-term enhancement of corporate value and value sharing with shareholders, in addition to providing incentives to achieve the targets set forth in the medium-term management plan. The Company decided to separate compensation into monetary compensation and stock compensation systems and seek to gain approval, as described in Item 5: Determination of the Amount and Contents of Compensation for Directors (Excluding Directors Who Are Audit and Supervisory Committee Members) with regard to monetary compensation and Item 6: Determination of the Amount and Contents of Compensation, etc. for Directors (Excluding Directors Who Are Audit and Supervisory Committee Members) Based on the Restricted Stock Remuneration System and the Performance-based Stock Remuneration System with regard to stock compensation, respectively.

The Company has established a Compensation Committee, chaired by an Independent External Director, the majority of members of which are external, as an advisory body to the Board of Directors, and the Compensation Committee deliberated these revisions to the Executive compensation. As a result, the Compensation Committee has determined that the content of these revisions to officer compensation are necessary and reasonable in light of the level of the number of Directors eligible to be granted, and are reasonable from the perspective of improving corporate value.

## **Item 5: Determination of the Amount and Contents of Compensation for Directors (Excluding Directors Who Are Audit and Supervisory Committee Members)**

This proposal seeks to gain approval for the monetary compensation included in compensation paid to Directors other than those who are Audit and Supervisory Committee Members as stated above.

### **1. Reasons for the proposal and justifications for such compensation**

With respect to the amount of compensation for the Company's Directors other than those who are Audit and Supervisory Committee Members, it was approved, at the 157th Annual General Shareholders' Meeting held on June 29, 2021, that the amount of monetary remuneration and subscription rights to shares granted as stock-related compensation to Directors other than those who are Audit and Supervisory Committee Members shall be 650 million yen or less per year (of which 50 million yen per year is for External Directors and 170 million yen per year is for subscription rights to shares granted as stock-related compensation) (this amount does not include the portion of salaries for Directors who also serve as employees).

As stated above, the Company has decided to review the stock compensation system and to separate compensation into monetary compensation and stock compensation systems, and this proposal seeks to obtain approval once again on the amount of monetary compensation. If Item 3: Election of Six Directors (excluding Directors Who Are Audit and Supervisory Committee Members) is approved as proposed, the number of Directors other than those who are Audit and Supervisory Committee Members eligible for monetary compensation will be six (including two External Directors).

The details of the Company's basic policies for determining the content of compensation, etc. for individual Directors are outlined on page 47 of the Business Report, and even if this proposal is approved as originally proposed, there will be no substantive change to the details regarding monetary compensation (fixed monthly compensation and bonuses) as a result of such approval. Given that this proposal is necessary and reasonable as a compensation framework in light of the standards for calculating monetary compensation for each individual set forth in the basic policies, the level of the percentage of Director compensation as a whole, and the level of the number of Directors eligible to be granted, etc., and that as stated above, the Compensation Committee has also deemed the revisions to the compensation system to be appropriate from the perspective of improving corporate value, the Board of Directors also deems this proposal to be appropriate.

Furthermore, the Company has received a report from the Audit and Supervisory Committee to the effect that it has not found any matters that should be pointed out with regard to this proposal.

### **2. Amount and content of compensation**

With regard to the amount of monetary compensation for Directors other than those who are Audit and Supervisory Committee Members, it is proposed to pay fixed monthly compensation and other monetary compensation within the same amount as previous 650 million yen or less per year (of which 50 million yen is for External Directors per year) (this amount does not include the portion of salaries for

Directors who also serve as employees), after considering various circumstances such as the compensation paid to Directors in the past and the authorized number of Directors other than those who are Audit and Supervisory Committee Members, which is not more than 15, and to entrust decisions on the amount for each individual, the time of payment, and the method of payment, etc. to the Board of Directors.

**Item 6: Determination of the Amount and Contents of Compensation, etc. for Directors (Excluding Directors Who Are Audit and Supervisory Committee Members) Based on the Restricted Stock Remuneration System and the Performance-based Stock Remuneration System**

This proposal seeks to gain approval for the stock compensation included in compensation paid to Directors other than those who are Audit and Supervisory Committee Members as stated above.

1. Reasons for the proposal and justifications for such compensation

With respect to the stock compensation for Directors other than those who are Audit and Supervisory Committee Members, it was approved, at the 157th Annual General Shareholders' Meeting held on June 29, 2021, that the subscription rights to shares granted as stock-related compensation to Directors other than those who are Audit and Supervisory Committee Members (excluding Non-Executive Directors) shall be a maximum of 170 million yen per year (this amount does not include the portion of salaries for Directors who also serve as employees), and separately, it was approved, at the 155th Annual General Shareholders' Meeting held on June 27, 2019, that a trust with the upper limit of 1,200 million yen in total every three fiscal years shall be contributed as performance-based stock remuneration paid using the BIP trust linked to performance targets stated in the medium-term management plan for Directors other than those who are Audit and Supervisory Committee Members (excluding External Directors, other Non-Executive Directors and non-residents of Japan) and Officers (excluding non-residents of Japan), and the Company's common stock or a monetary amount equivalent to the market value of the Company's common stock (hereinafter, "Shares of the Company, etc.") shall be delivered to Directors other than those who are Audit and Supervisory Committee Members.

As mentioned above, in conjunction with the formulation of the new medium-term management plan, the Company has decided to review its stock compensation system with the aim of further promoting medium- to long-term improvements in corporate value and value sharing with shareholders in addition to providing incentives to achieve the goals of the medium-term management plan.

Specifically, with respect to stock compensation for Directors other than those who are Audit and Supervisory Committee Members (excluding External Directors, other Non-Executive Directors and non-residents of Japan), the Company proposes to establish a restricted stock remuneration system (see 2. below) and a new performance-based stock remuneration system (see 3. below) in place of the current performance-based stock remuneration using a BIP trust and subscription rights to shares granted as stock-related compensation, and deliver Shares of the Company, etc. to Directors other than those who are Audit and Supervisory Committee Members, separately from the monetary compensation proposed in Item 5. If Item 3: Election of Six Directors (excluding Directors Who Are Audit and Supervisory Committee Members) is approved as proposed, the number of Directors eligible for restricted stock remuneration and performance-based stock remuneration (hereinafter, "Eligible Directors") will be three Directors other than that who are Audit and Supervisory Committee Members (excluding External Directors, other Non-Executive Directors and non-residents of Japan).

The details of the Company's basic policies for determining the content of compensation, etc. for

individual Directors are outlined on page 47 of the Business Report and if this proposal is approved as originally proposed, the Company intends to change the content of stock compensation (performance-based stock remuneration and subscription rights to shares granted as stock-related compensation) to the details stated on page 34. The Board of Directors has also determined that this proposal is reasonable given that the proposal is necessary and reasonable in order to grant compensation, etc. to individual Directors in line with the basic policies, the number of shares to be issued or the number of shares of treasury stock to be disposed of in each fiscal year accounts for less than 1% of the total number of shares issued (as of March 31, 2022), the proposal is not different from the previous stock compensation system in that it aims for the “medium- to long-term enhancement of corporate value and value sharing with shareholders” and, as stated above, the Compensation Committee has also determined that the details of the review of Executive compensation are reasonable from the perspective of improving corporate value.

Furthermore, the Company has received a report from the Audit and Supervisory Committee to the effect that it has not found any matters that should be pointed out with regard to this proposal.

If this proposal is approved as originally proposed, the systems relating to performance-based stock remuneration using the BIP trust and subscription rights to shares granted as stock-related compensation (excluding that already granted in both cases) will be abolished.

## 2. Structure of restricted stock remuneration system

### (1) Overview

Restricted stock remuneration system is a compensation system under which shares of the Company’s common stock that are subject to provisions of a certain transfer restriction period and grounds for acquisition by the Company without contribution (hereinafter, “Restricted Shares (I)”), are delivered to Eligible Directors.

### (2) Upper limits of the amount of compensation and the number of shares to be delivered

Upon resolution by the Board of Directors, the Company shall, in principle, grant monetary compensation claims to Eligible Directors every year. Meanwhile, Eligible Directors shall receive Restricted Shares (I) by making an in-kind contribution of the said monetary compensation claims at the time of issuance of Restricted Shares (I) or the disposal of treasury stock by the Company. The amount of monetary compensation claims to be granted by the Company to Eligible Directors shall be determined by the Board of Directors within a range that is not particularly advantageous to Eligible Directors who receive Restricted Shares (I), and its total amount shall be 100 million yen or less per fiscal year, which is deemed reasonable in light of the aforementioned purpose. The number of Restricted Shares (I) to be delivered to Eligible Directors shall be 150,000 shares or less per fiscal year, provided, however, that if the total number of shares issued by the Company increases or decreases as a result of such events as a share consolidation, share split, or allotment of shares without contribution (hereinafter, “Share Split, etc.”), the said upper limit shall be reasonably adjusted according to the ratio of Share Split, etc.

(3) Calculation method of shares of the Company's common stock to be received by Eligible Directors

The Company shall determine the number of Restricted Shares (I) to be delivered to each Eligible Director for each fiscal year in accordance with the calculation formula defined below:  
[Calculation Formula for the number of Restricted Shares (I) to be delivered for each fiscal year]  
Number of shares to be delivered = Base reference amount by title (\*1) ÷ Reference price (\*2)

\*1 Base reference amount by title shall be determined according to factors such as the title of, content of duties performed by, and responsibilities, etc. of each Eligible Director.

\*2 Reference price shall be determined at the Board of Directors' meeting on the issuance of Restricted Shares (I) or the disposal of treasury stock within a range that is not particularly advantageous to Eligible Directors.

(4) Details of transfer restrictions and lifting of transfer restrictions

(i) Details of transfer restrictions

An Eligible Director shall be, in principle, prohibited from transferring, creating a security interest on, or otherwise disposing of Restricted Shares (I) during the period between the date on which he/she receives Restricted Shares (I) and the date on which he/she retires from any of the position as Director (including Executive Officers at a company with three committees) and Officer (including Executive Fellow and other positions equivalent to Officer) (hereinafter, "Restriction Period (I)") under an agreement entered into among the Company, the Eligible Director, and the financial instruments business operator that manages accounts opened for Restricted Shares (I).

(ii) Lifting of transfer restrictions

The Company shall lift the transfer restrictions on all of the Restricted Shares (I) upon the expiry of Restriction Period (I), on condition that an Eligible Director to whom Restricted Shares (I) were delivered has remained in any of the position as Director (including Executive Officers at a company with three committees) and Officer (including Executive Fellow and other positions equivalent to Officer) throughout a period determined by the Board of Directors (hereinafter, "Service Offering Period (I)").

If an Eligible Director retires from any of the positions as Director (including Executive Officers at a company with three committees) and Officer (including Executive Fellow and other positions equivalent to Officer) due to a justifiable reason (including the case where he/she has died) during the Service Offering Period (I), the number of shares on which the transfer restrictions are to be lifted shall be reasonably adjusted based on the period between the start date of the Service Offering Period (I) and the date of retirement.

(iii) Acquisition without contribution

The Company shall acquire without contribution the remaining share of Restricted Shares (I) on which the transfer restrictions have not been lifted in accordance with ii) above.

If an Eligible Director retires from any of the positions as Director (including Executive Officers at a company with three committees) and Officer (including Executive Fellow and other positions

equivalent to Officer) without a justifiable reason or if certain other circumstances arise before the lifting of the transfer restrictions, the Company shall acquire all of the Restricted Shares (I) without contribution immediately after the circumstance arises.

(iv) Treatment during Reorganization, etc.

If, during the Restriction Period (I), matters relating to a merger agreement under which the Company will become a dissolving company, a share exchange agreement or a share transfer plan under which the Company will become a wholly-owned subsidiary of another company, or other certain reorganization, etc., are approved at a General Shareholders' Meeting (or at a Board of Directors meeting in case where approval at a General Shareholders' Meeting is not required in relation to the reorganization, etc.) (hereinafter, "Approval for Reorganization"), the Company shall lift the transfer restrictions on all of the Restricted Shares (I). Provided, however, that if the Approval for Reorganization is given during the Service Offering Period (I), even if it is during the Restriction Period (I), the Company shall lift the transfer restrictions on Restricted Shares (I) in the number determined based on the period between the start date of the Service Offering Period (I) and date of approval and shall acquire without contribution the shares on which the transfer restrictions have not been lifted.

### 3. Structure of performance-based stock remuneration system

(1) Overview

The new performance-based stock remuneration system the Company plans to introduce is a compensation system under which a number of shares of the Company's common stock calculated based on the degree of accomplishment of performance targets, etc. for each evaluation fiscal year or the amount of cash equivalent to the market value of shares of the Company's common stock ("Company's Shares, etc."), shall be delivered to Eligible Directors.

(2) Evaluation fiscal year

An evaluation fiscal year under the performance-based stock remuneration system shall be each fiscal year of the period covered by a medium-term management plan subject to the delivery of Company's Shares, etc. ("Target Period"; initially, four consecutive fiscal years from fiscal 2022 to fiscal 2025, and thereafter, multiple consecutive fiscal years, starting from the fiscal year following the final fiscal year of the previous Target Period, determined separately by the Board of Directors every time a new medium-term management plan is formulated.).

(3) Upper limit of the amount of remuneration, etc.

The Company shall grant monetary compensation claims to Eligible Directors based on the degree of accomplishment of performance targets, etc. for each evaluation fiscal year. Meanwhile, Eligible Directors shall receive shares of the Company's common stock that are subject to provisions of a certain transfer restriction period and grounds for acquisition by the Company without contribution (hereinafter, "Restricted Shares (II)") by making an in-kind contribution of said monetary compensation claims at the time of issuance of Restricted Shares

(II) or disposal of treasury stock. The amount of the said monetary compensation claims shall be the number of Restricted Shares (II) to be delivered determined to Eligible Directors, multiplied by the closing price of the Company's common stock on the Tokyo Stock Exchange on the business day prior to the date of the resolution by the Board of Directors on the issuance of Restricted Shares (II) or the disposal of treasury stock (if there is no closing price on such date, the closing price on the closest preceding trading day).

The upper limit of the total amount of monetary compensation claims and cash to be delivered by the Company to Eligible Directors under the performance-based stock remuneration system shall be upper limit of the number of Restricted Shares (II) to be delivered to Eligible Directors per evaluation fiscal year of 110,000 shares as defined in (5) below, multiplied by the closing price of the Company's common stock on the Tokyo Stock Exchange on the business day prior to the date of the resolution by the Board of Directors on the issuance of Restricted Shares (II) or the disposal of treasury stock (if there is no closing price on such date, the closing price on the closest preceding trading day).

(4) Details of transfer restrictions and lifting thereof

1) to 4) in 2. (4) above will apply mutatis mutandis to the Restricted Shares (II) transfer restrictions and the lifting thereof (however, excluding the explanatory note in 2) in 2. (4) and the proviso in 4) in 2. (4) above). When applying mutatis mutandis, "Restriction Period (I)" shall be read as "Restriction Period (II)," "Restricted Shares (I)" shall be read as "Restricted Shares (II)," and "Service Offering Period (I)" shall be read as "Service Offering Period (II)."

The Service Offering Period (II) is expected to be from the first day to the last day of each fiscal year subject to evaluation. However, if the period in office during Service Offering Period (II) is shorter than the entire Service Offering Period (II) due to reasons such as being appointed as an Eligible Director during Service Offering Period (II), the number of shares of Restricted Shares (II) to be delivered will be reasonably adjusted.

Meanwhile, as described in (6) below, in certain cases such as where an Eligible Director retires before the delivery date of Restricted Shares (II), the amount of cash equivalent to the market value of the Restricted Shares (II) shall be delivered instead of the Restricted Shares (II).

(5) Calculation method of Company's Share, etc. to be received by Eligible Directors and upper limit thereof

The Company shall deliver the number of Restricted Shares (II) calculated based on the degree of accomplishment of performance targets and title of each Eligible Director, etc. for each evaluation fiscal year during the Target Period to each individual Eligible Director. The number of Restricted Shares (II) to be delivered to each Eligible Director per evaluation fiscal year shall be determined in accordance with the calculation formula defined below;

[Calculation formula for the number of Restricted Shares (II) to be delivered per evaluation fiscal year]

Number of shares to be delivered = Base number of shares to be delivered by title (\*1) ×



Performance-based coefficient (\*2)

- \*1 The base number of shares to be delivered by title shall be determined by the Board of Directors, after deliberation by the Compensation Committee, taking into account factors such as the title of content of duties performed by, and responsibilities, etc. of each Eligible Director.
- \*2 The degree of accomplishment of each of the evaluation benchmark, namely, financial targets set forth in the Medium-term Management Plan (the degrees of accomplishment of revenues, operating margin, and ROE) as well as strategic targets (amounts of operating profit derived from growth drivers, and services and components, respectively, and initiatives to strengthen the management base) shall be deliberated by the Compensation Committee, which is chaired by an External Director, and more than half of which consists of External Directors, within a range of 0% to 150%. Then, the performance-based coefficients shall be calculated by totaling the values multiplied by the weightings of respective evaluation benchmarks within a range of 0% to 150%. Points may be added to or subtracted from the performance-based coefficients, which are calculated as above, within 25 points, respectively, upon decisions of the Compensation Committee and the Board of Directors in consideration of, among other factors, economic conditions, etc. during each evaluation fiscal year, and subsequent events and other special circumstances of the Company. Even in such case, however, the performance-based coefficients shall be determined within a range of 0 to 150%. Weightings of respective evaluation benchmark and the targets set for FY2025 are as follows.

	Evaluation benchmark	Weighting	FY2025 target
Financial Targets	Revenue	25 - 30%	700.0 billion yen
	Operating profit	25 - 30%	10%
	ROE (FY2025 only)	20%	8%
Strategic Targets	Amount of operating profit derived from growth drivers	10 - 20%	31.0 billion yen
	Amount of operating profit derived from services and components	10 - 20%	46.0 billion yen
	Initiatives to strengthen the management base	10%	Evaluate the degrees of accomplishment of initiatives sustainability strategy human capital management, etc. in a comprehensive manner

Among these evaluation benchmarks, ROE shall only be used for the evaluation for the final fiscal year of a Target Period. Also, the weightings and target of respective evaluation benchmark for the period between fiscal 2022 and fiscal 2024 shall be determined at the beginning of each fiscal year, after deliberations on their appropriate level to achieving the fiscal 2025 target by the Compensation Committee, by the Board of Directors in accordance with the results of the deliberation, taking into account such factors as the state of the Company at the time.

The upper limit of the number of Restricted Shares (II) to be delivered by the Company to Eligible Directors shall be 110,000 shares per evaluation fiscal year; provided, however, that if the total number of shares issued by the Company increases or decreases as a result of share split, etc., the said upper limit shall be reasonably adjusted accordance to the ratio of share split, etc.

(6) Delivery of Company's shares, etc. to Eligible Directors

The Company shall deliver the number of Restricted Shares (II), which is calculated as (5) above, to Eligible Directors who remain in service during each evaluation fiscal year in accordance with prescribed procedures after the end of the fiscal year in a way described in (3) above. Provided, however, that if an Eligible Director retires (including the case where he/she has died) before the delivery date of Restricted Shares (II), the Company shall deliver the amount of cash equivalent to the market value of the number of shares of the Company's common stock, obtained by prorating the number of shares to be delivered, which is calculated as (5) above, based on tenure during each evaluation fiscal year between the start of each evaluation fiscal year and the date of retirement (in case of death, such cash shall be delivered to a successor to the rights to delivery, etc. of shares, etc.).

If an Eligible Director is a non-resident of Japan who does not have Japanese nationality at the time of cash equivalent to the market value of the number of shares of the Company's common stock to be delivered, which is calculated as (5) above, shall be delivered to the Eligible Director.

(Reference)

If this proposal on this Revision is approved as proposed, the Company plans to pay the same restricted stock remuneration and performance-based stock remuneration as proposed in this proposal on this Revision to the Company's Officers (including Executive Fellows and other positions equivalent to Officer).

(Reference) “Basic policies for decisions on compensation, etc. for individual Directors and Officers” to be amended subject to approval of Items 5 and 6

a. Basic policies on Compensation

Executive compensation will be determined to satisfy the following basic criteria.

- Executive compensation should motivate Directors and Officers to sustainably improve corporate and shareholder value, as well as enhance their willingness and morale
- Executive compensation should help keep, cultivate, and reward excellent personnel
- The decision-making process for the compensation system should be objective and transparent

b. Compensation system and performance-based structure

A) As a general rule, the compensation system for Executive Directors and Officers (including Executive Fellows and other positions equivalent to Officer) comprises monetary compensation (fixed monthly compensation and bonuses) and stock compensation (performance-based stock remuneration and restricted stock remuneration). The standard payment of bonuses or each stock compensation to be paid to individual Executive Directors and Officers (including Executive Fellows and other positions equivalent to Officer) is calculated by multiplying the amount of their respective fixed monthly compensation by a ratio, which is determined according to their respective title and duties. The higher and more important their title and duties are, the higher the ratio is. When the ratio of fixed monthly compensation is assumed to be 1, the range of the ratio of each compensation is as shown below. Also, stock compensation is paid to Executive Directors and Officers (including Executive Fellows and other positions equivalent to Officer) every fiscal year within the range not exceeding 1% of the share dilution ratio.

bonuses	performance-based stock remuneration	restricted stock remuneration
0.6 - 0.7	0.1 - 0.225	0.3 - 0.45

Monetary compensation

- fixed monthly compensation

This monetary compensation is not based on performance and is paid every month.

- bonus

This monetary compensation is determined by the Board of Directors based on an evaluation by the Compensation Committee based on the following factors on a single-year basis within the range of 0% to 200% of the standard payment, which is calculated according to title and duties. As a general rule, a bonus is paid in June every year.

- the degree of achievement of the consolidated ROE and operating profit;
- the degree of achievement of capital efficiency, profitability and other targets, as well as qualitative assessment, of each division; and
- the qualitative assessment of responses to issues assigned to individual Executive Directors and officers (including Executive Fellows and other positions equivalent to Officer)

Stock compensation

- performance-based stock remuneration

With the aims of sharing value with shareholders and enhancing willingness and morale for improving medium-to-long-term performance, this stock compensation is determined by the Board of Directors based on an evaluation by the Compensation Committee based on the following factors within the range of 0% to 150% of the standard payment, which is calculated according to title and duties.

- the degree of achievement of the consolidated ROE target set for the final fiscal year of the

medium-term management plan (the “Plan”) to be resolved every multiple fiscal years determined separately by the Board of Directors;

- the degree of achievement of consolidated revenue and operating margin targets for each fiscal year during the Plan period; and
- the degree of achievement of targets for strategic issues

As a general rule, this remuneration is paid by delivering restricted shares or the amount of cash equivalent to the market value of the restricted shares in the first June after the end of each fiscal year included in the Plan period. The restricted shares are, as a rule, prohibited from being disposed of during the period up to the date on which an eligible person retires from any of the positions as Director and Officer (including Executive Fellow and other positions equivalent to Officer).

• restricted stock remuneration

As a general rule, this stock compensation is paid by delivering restricted shares in April every year, with the aims of sharing value with shareholders and enhancing willingness and morale for improving medium-to-long-term performance. The restricted shares are, as a rule, prohibited from being disposed of during the period up to the date on which an eligible person retires from any of the positions as Director and Officer (including Executive Fellow and other positions equivalent to Officer). As a general rule, the number of restricted shares to be delivered is determined by dividing an amount calculated according to title and duties by resolution of the Board of Directors by the market value of the Company’s shares.

- b) B) The compensation system for Non-Executive Directors consists only of fixed monthly compensation to be paid every month.

c. Decisions on compensation amount and calculation method based on deliberations by the Compensation Committee

The Compensation Committee establishes executive compensation policies and discusses and advises on related systems in order to determine the level and system appropriate to the duties, given compensation levels of major Japanese companies that globally develop their businesses, so as to determine the compensation amount consistent with the performance of the Group and its business scale.

The Compensation Committee deliberates on compensation for individual Directors other than those who are Audit and Supervisory Committee Members and Officers. Based on the results of such deliberations, the Board of Directors decides on the compensation.

Compensation for individual Directors who are Audit and Supervisory Committee Members is determined by consultation among Directors who are Audit and Supervisory Committee Members.

From the perspective of conducting appropriate supervision, the Compensation Committee is comprised of Directors, and more than half of which are External Directors. The Committee chairperson is also an External Director.

d. Claim for return

If a Director (other than a Director who is an Audit and Supervisory Committee Member) or Officer of the Company is found to have committed serious breach of his or her duties or serious violation of internal rules, or to be in the employment of a competitor, etc., of the Company without permission from the Company (including appointment as a director or officer of the competitor or an employee of the competitor), the Company shall be able to claim return in all or part of subscription rights to shares granted, right to performance-based stock remuneration granted, and shares of the Company and cash paid to the Director or Officer.

(Attached documents)

## Business Report

(From April 1, 2021 to March 31, 2022)

### **1. Matters relating to the current state of the Group**

#### (1) Results of operations

##### (i) Review of operations

During the fiscal year ended March 31, 2022, the global economy continued suffering from the impact of COVID-19 amid resurgences with the Omicron and other variants and, what was worse, the invasion of Ukraine by Russia that started around the end of the period immediately cast uncertainty over the global situation.

By the business segment, in the Imaging Products Business, constraints on procurement of components due in part to the shortage of semiconductors caused a prolonged supply shortage for the digital camera market. 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, while the life science solutions and eye care solutions markets recovered, a tight supply and demand balance for semiconductors and other electronic components continued to affect the supply of products. In the Components Business, the Digital Solutions Business performed strongly in the markets related to optical parts & components and encoders. In the Customized Products Business, the EUV-related markets remained brisk.

Under the medium-term management plan announced in May 2019, the Group worked to transform business models to achieve sustainable growth in corporate value over the medium to long term.

First, besides a further restructuring of the Imaging Products Business, the Group sought to expand the service businesses and peripheral businesses, let alone equipment sales, in the Precision Equipment Business. In addition, the Group put its efforts into expanding sales of optical and EUV-related components in the Components Business, while cultivating business through alliances and M&As in the Material Processing Business. Furthermore, the Group remained committed to strengthening risk management as well as enhancing corporate governance through such measures as to improve the effectiveness of the Board of Directors.

Under these circumstances, during the fiscal year ended March 31, 2022, revenue increased 88,388 million yen (19.6%) year on year to 539,612 million yen, operating profit amounted to 49,934 million yen (compared to operating loss of 56,241 million yen for the previous fiscal year), and profit attributable to owners of parent amounted to 42,679 million yen (compared to loss attributable to owners of parent of 34,497 million yen for the previous fiscal year).

Performance by business segment is as follows.

From the beginning of the fiscal year ended March 31, 2022, the Company established the Components Business as a new reportable business segment. 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, 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. Accordingly, the figures for the previous fiscal year used in the year-on-year comparisons have been reclassified in line with the revised business segments.

**a. Imaging Products Business**

Main businesses: Digital camera-interchangeable lens type, compact digital cameras, interchangeable lenses

The Group sought to expand sales of mid- to high-end products to professionals and hobbyists by enhancing the lineup of interchangeable lenses for mirrorless cameras, alongside strong sales of the Z 9 full-frame mirrorless camera, a flagship model released in December 2021.

As a result, in the Imaging Products Business segment, the Group recorded revenue of 178,234 million yen (up 18.7% year on year), and operating profit of 19,069 million yen (compared to operating loss of 36,391 million yen for the previous fiscal year), due to higher average unit selling prices from an improved product mix as well as favorable foreign exchange rates.

**b. Precision Equipment Business**

Main businesses: FPD lithography systems, semiconductor lithography systems

The FPD lithography systems field recorded year-on-year increases in both revenue and profit due to a largely smooth progress of installations despite some adverse effects of travel restrictions on the business amid the spread of COVID-19 and significantly increased unit sales of the systems for mid-to-small size panels.

The semiconductor lithography system field recorded increases in both revenue and profit from 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. Meanwhile, unit sales of new systems decreased due to shipment delays caused by logistics disruptions and travel restrictions amid the spread of COVID-19.

As a result, in the Precision Equipment Business segment, the Group recorded revenue of 211,216 million yen (up 14.3% year on year) and operating profit of 27,719 million yen (compared to operating loss of 643 million yen for the previous fiscal year).

**c. Healthcare Business**

Main businesses: Biological microscopes, cell culture observation systems, ultra-wide field retinal imaging devices

While a tight supply and demand balance for semiconductors and other electronic components continued to impact production, the life science solutions and eye care solutions fields posted record sales, a significant increase in revenue compared to the previous fiscal year that was severely affected by COVID-19.

As a result, in the Healthcare Business segment, the Group recorded revenue of 73,243 million yen (up 16.5% year on year) and achieved profitability with operating profit of 4,385 million yen (compared to operating loss of 3,091 million yen for the previous fiscal year).

**d. Components Business**

Main businesses: Optical processing machine, optical components, customized equipment, photomask substrates for FPD

The Digital Solutions Business recorded increases in both revenue and profit as sales of optical parts & components and encoders remained brisk. Likewise, the Customized Products Business, which also belongs to this business segment, recorded increases in both revenue and profit, backed by strong sales growth of EUV-related components.

As a result, in the Components Business segment, the Group recorded revenue of 40,869 million yen (up 58.5% year on year) and operating profit of 12,721 million yen (compared to operating profit of 187 million yen for the previous fiscal year).

**e. Industrial Metrology and Others**

Main businesses: Industrial microscopes, measuring instruments

In the Industrial Metrology Business, the Group recorded increases in both revenue and profit due to favorable sales of video measuring systems, industrial microscopes, and X-ray and CT inspection systems on the back of booming markets related to semiconductors, electronic components, EVs, and others.

As a result, in the Industrial Metrology and Others segment, the Group recorded revenue of 36,050 million yen (up 30.6% year on year) and operating profit of 2,964 million yen (compared to operating loss of 1,205 million yen for the previous fiscal year).

**Business Segment Revenue for 158th term (Year Ended March 31, 2022)**

Business segment	Revenue (million yen)	Percentage of total revenue (%)	Change from previous year (%)
Imaging Products Business	178,234	33.0	18.7
Precision Equipment Business	211,216	39.1	14.3
Healthcare Business	73,243	13.6	16.5
Components Business	40,869	7.6	58.5
Industrial Metrology and Others	36,050	6.7	30.6

(ii) Capital investments

Fiscal year capital investments totaled 42,143 million yen. The amounts of investment by business were 4,564 million yen in the Imaging Products Business, 6,918 million yen in the Precision Equipment Business, 4,556 million yen in the Healthcare Business, 6,641 million yen in the Components Business, and 5,620 million yen in the Industrial Metrology and Others. Major capital investments in the fiscal year included an investment for manufacturing equipment related to mirrorless cameras in the Imaging

Products Business and an investment to maintain and renew various pieces of equipment in the Precision Equipment Business, and expansion of manufacturing equipment in the Components Business.

(iii) Fund procurement

The balance of interest-bearing liabilities at the end of the fiscal year is 153,098 million yen, an increase of 5,470 million yen from the end of the previous fiscal year. The Company did not procure funds through issuance of new shares or bonds during the fiscal year.



(2) Issues to be addressed

In the new medium-term management plan announced in April 2022, the Group has set forth its Vision 2030 to be “a key technology solutions company in a global society where humans and machines co-create seamlessly.” To make this vision a reality, we have articulated a direction for the entire company until 2025: “Strengthen delivery of integrated solutions to grow the business in a stable manner, expand both revenues and profits, and continually generate social and economic value.” To this end, we will first strive to secure stable revenues from “Main Businesses,” consisting of the Imaging Products Business and the Precision Equipment Business, and to scale earnings in “Strategic Businesses,” consisting primarily of the Healthcare Business and the Components Business. We will then ensure that each of the above Businesses will boost profits driven by “growth drivers” and diversify profits with expansion in “services and components.” The Group also focuses on sustainability strategy, human capital management, and DX for customers and employees to deliver the optimal value to the customer and society. Furthermore, the Group will promote to create synergies across a shared value base that spans technology and manufacturing and ensure highly transparent management with enhanced corporate governance.

For more details of our new medium-term management plan, please visit our website at the following URL.

[https://www.nikon.com/about/ir/management/midtermbusiness/pdf/2022/0407e\\_all.pdf](https://www.nikon.com/about/ir/management/midtermbusiness/pdf/2022/0407e_all.pdf)

(3) Financial highlights for three previous fiscal years

Financial highlights related to the Group are as follows.

Item	155th term (Year ended March 31, 2019)	156th term (Year ended March 31, 2020)	157th term (Year ended March 31, 2021)	158th term (Year ended March 31, 2022)
Revenue (million yen)	708,660	591,012	451,223	539,612
Operating profit (million yen)	82,653	6,751	(56,241)	49,934
Profit attributable to owners of the parent (million yen)	66,513	7,693	(34,497)	42,679
Basic earnings per share (yen)	167.86	19.93	(93.96)	116.23
Total assets (million yen)	1,134,985	1,005,881	989,737	1,039,566
Total equity (million yen)	616,726	541,760	538,726	599,967

Notes:

1. The figures for the above table are stated based on IFRS.
2. Beginning from the 156th term, the Group adopted IFRS 16 “Leases.” Accordingly, right-of-use assets and lease liabilities are recognized for contracts identified as leases.

(4) Major offices and plants (as of March 31, 2022)

The major offices and plants of the Company are as follows.

Those of subsidiaries of the Company are shown in the following “(5) Major subsidiaries.”

Name of offices and plants	Location
Head office	Tokyo, Japan
Oi Plant	Tokyo, Japan
Yokohama Plant	Kanagawa, Japan
Sagamihara Plant	Kanagawa, Japan
Kumagaya Plant	Saitama, Japan
Mito Plant	Ibaraki, Japan
Yokosuka Plant	Kanagawa, Japan

(5) Major subsidiaries (as of March 31, 2022)

Company name	Location	Capital stock	Percentage of equity participation (%)	Main business
Tochigi Nikon Corporation	Tochigi, Japan	363 million yen	100.0	Manufacture of interchangeable lenses and optical lenses
Nikon Europe B.V.	Netherlands	20 thousand euro	100.0	Supervision of Europe, Sales in Europe of Imaging Products Business products, etc.
Nikon Imaging Japan Inc.	Tokyo, Japan	400 million yen	100.0	Sales in Japan of Imaging Products Business products
Nikon (Thailand) Co., Ltd.	Thailand	1,260 million bahts	100.0	Manufacture of Imaging Products Business products
Nikon Inc.	US	1 thousand US dollars	*100.0	Sales in the Americas of Imaging Products Business products
Nikon Singapore Pte. Ltd.	Singapore	33 million SG dollars	100.0	Sales in Asia/Oceania of Imaging Products Business products, etc.
Nikon Imaging (China) Sales Co., Ltd.	China	10 million US dollars	*100.0	Sales in China of Imaging Products Business products
Tochigi Nikon Precision Co., Ltd.	Tochigi, Japan	204 million yen	100.0	Manufacture of Precision Equipment Business products and parts
Nikon Precision Inc.	US	1 thousand US dollars	*100.0	Sales in the US and Europe of Precision Equipment Business products
Optos Plc	UK	1,524 thousand UK pounds	100.0	Manufacture and sales of Healthcare Business products
Sendai Nikon Corporation	Miyagi, Japan	480 million yen	100.0	Manufacture, etc. of Components Business products
Nikon Metrology NV	Belgium	97 million euro	*100.0	Supervision of Industrial Metrology Business products in Europe and the Americas

Note:

\* shows ownership ratios including indirect ownership.

(6) Employees (as of March 31, 2022)

(i) Employees of the Group

Number of employees	Change from the end of the previous consolidated fiscal year
18,437	down 1,011

Note: The number of employees does not include part-time employees, contract workers, etc.

(ii) Employees of the Company

Number of employees	Change from the end of the previous fiscal year	Average age	Average service years
4,174	down 9	43.5	16.6

Note: The number of employees does not include employees of the Company seconded to other companies, part-time employees, contract workers, etc.

(7) Major lenders (as of March 31, 2022)

Lender	Amount borrowed (million yen)
MUFG Bank, Ltd.	18,339
Meiji Yasuda Life Insurance Company	13,000

(8) Major reorganization activities

(i) Business transfers and absorption-type or incorporation-type company split

None

(ii) Businesses acquired from other companies

None

(iii) Succession of rights and obligations associated with operations of other companies, etc. due to absorption-type merger or absorption-type company split

Effective April 1, 2021, an absorption-type merger was conducted with the Company's subsidiary, Nikon Holdings Europe B.V. as the surviving company and the Company's subsidiary, Nikon Europe B.V. as the absorbed company. In addition, Nikon Holdings Europe B.V. changed its corporate name to Nikon Europe B.V. as of the same date.

Moreover, effective July 1, 2021, an absorption-type merger was conducted with the Company's subsidiary, Nikon Singapore Pte. Ltd. as the surviving company and the Company's subsidiary, Nikon Asia Pacific Pte. Ltd. as the absorbed company.

(iv) Acquisition or disposal of stock or other ownership or subscription rights to shares, etc. of other company

None

(9) Other items concerning the status of the Group

None, other than those described in "2. Current State of the Company, (1) Matters relating to shares of the Company (as of March 31, 2022), (vi) Repurchase of shares of common stock and cancellation of treasury stock."

## 2. Current state of the Company

### (1) Matters relating to shares of the Company (as of March 31, 2022)

- |   |                      |
|---|----------------------|
| (i) Total number of shares authorized to be issued: | 1,000,000,000 shares |
| (ii) Total number of shares issued:                 | 378,336,521 shares   |
| (iii) Total number of shareholders:                 | 45,778               |
| (iv) Major shareholders:                            |                      |

Name of shareholder	Number of shares held (thousand shares)	Percentage of shares held (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	74,622	20.3
Meiji Yasuda Life Insurance Company	19,537	5.3
Custody Bank of Japan, Ltd. (Trust Account)	19,356	5.3
SSBTC CLIENT OMNIBUS ACCOUNT	7,154	1.9
MUFG Bank, Ltd.	7,009	1.9
The Joyo Bank, Ltd.	6,121	1.7
STATE STREET BANK AND TRUST COMPANY 505001	5,110	1.4
The Shizuoka Bank, Ltd.	4,996	1.4
Nippon Life Insurance Company	4,697	1.3
JP MORGAN CHASE BANK 385781	4,213	1.1

Note:

10,485,746 shares of treasury stock are excluded from the above major shareholders. The percentage of shares held is calculated after deducting treasury stock.

- (v) Shares granted to the Company's Directors as compensation for duties performed during the fiscal year

None

The Company has introduced a performance-based stock remuneration system linked to the medium-term performance, with the aims of sharing value with shareholders and enhancing willingness and morale for improving medium-to-long-term performance. Under this remuneration system, the Company plans to deliver the Company shares to Directors of the Company in June 2022, as follows.

Category	Number of shares	Number of persons eligible for the delivery
Directors other than those who are Audit and Supervisory Committee Members	65,024	4
Directors who are Audit and Supervisory Committee Members	8,330	1

Notes:

- The numbers of shares in the table include shares to be converted into cash (32,724 shares out of 65,024 shares for Directors other than those who are Audit and Supervisory Committee Members, and 4,230 shares out of 8,330 shares for a Director who is an Audit and Supervisory Committee Member).
- The shares to be delivered to a Director who is an Audit and Supervisory Committee Member will be stock compensation for the period during which such individual served as Director other than the one who is an Audit and Supervisory Committee Member or Officer.

Please refer to "(2) Matters relating to Directors, (viii) Matters relating to performance-based compensation, etc." and "(2) Matters relating to Directors, (ix) Targets and actual

results for the benchmark for performance-based compensation” for this compensation system.

vi) Repurchase of shares of common stock and cancellation of treasury stock

The Company, by the written resolution of its Board of Directors dated April 7, 2022, has decided to repurchase its own shares pursuant to Article 156 of the Companies Act as applicable through Article 165, Paragraph 3 thereof, and to cancel treasury stock pursuant to Article 178 of the Companies Act, as follows:

A. Details of the repurchase of own shares:

- a) Type of stock to be repurchased: common stock
- b) Total number of shares to be repurchased: up to 36 million shares  
(Equivalent to 9.8% of outstanding shares, excluding treasury stock)
- c) Total repurchase amount: up to 30 billion yen
- d) Repurchase period: from May 13, 2022 to March 24, 2023

B. Details of the cancellation of treasury stock:

- a) Type of stock to be cancelled: common stock
- b) Total number of shares to be cancelled: 5 million shares out of 10,485,746 shares of treasury stock held by the Company as of March 31, 2022, and all the shares of common stock to be repurchased in accordance with A above
- c) Scheduled date of cancellation: March 31, 2023

(2) Matters relating to Directors

(i) Directors (as of March 31, 2022)

Position	Name	Business in charge and important concurrent positions outside the Company	
Director (Chairman of the Board)	Kazuo Ushida	Director and Audit & Supervisory Committee Member of Toyo Kanetsu K.K.	
* Director (President)	Toshikazu Umatate	CEO, CTO, Officer in charge of Design Center, Imaging Solution Development Department and Advanced Technology Research & Development Division	
* Director (Executive Vice President)	Takumi Odajima	CAO, CRO, General Manager of Group Governance & Administration Division, Officer in charge of Information Security Department and Legal & Intellectual Property Division	
Director (Executive Vice President)	Muneaki Tokunari	CFO, Officer in charge of Internal Audit Department, Corporate Sustainability Department, Finance & Accounting Division and IT Solutions Division	
Director	Akio Negishi	Chairman of the Board of Meiji Yasuda Life Insurance Company Member of the Board of Directors and Member of the Audit & Supervisory Committee of MUFG Bank, Ltd.	
Director	Shigeru Murayama	Senior Strategic Advisor of Kawasaki Heavy Industries, Ltd.	
Director (Full-time Audit and Supervisory Committee Member)	Satoshi Hagiwara	-	**
Director (Full-time Audit and Supervisory Committee Member)	Atsushi Tsurumi	-	
Director (Audit and Supervisory Committee Member)	Kunio Ishihara	Counsellor of Tokio Marine & Nichido Fire Insurance Co., Ltd. Outside Corporate Auditor of Tokyu Corporation Outside Director of Japan Post Holdings Co., Ltd. Outside Audit & Supervisory Board Member of Mitsubishi Research Institute, Inc.	
Director (Audit and Supervisory Committee Member)	Shiro Hiruta	-	
Director (Audit and Supervisory Committee Member)	Asako Yamagami	External Director, Standing Audit and Supervisory Committee Member of Kagome Co., Ltd. Outside Director of NEC Capital Solutions Limited	

Notes:

- \* indicates Representative Directors.
- \*\* indicates a Director newly elected at the 157th Annual General Shareholders' Meeting held on June 29, 2021.
- Akio Negishi, Shigeru Murayama, Kunio Ishihara, Shiro Hiruta, and Asako Yamagami are External Directors. The Company has submitted Independent Directors/Auditors Notifications to the Tokyo Stock Exchange, Inc. designating these five individuals as independent directors as stipulated in the Tokyo Stock Exchange, Inc. Securities Listing Regulations.
- Satoshi Hagiwara and Atsushi Tsurumi were selected as Directors who are Full-time Audit and Supervisory Committee Members. For the purpose of securing the effectiveness of the activities of the Audit and Supervisory Committee, both of these Directors attend important meetings such as the Executive Committee and various committees in an effort to accurately understand and audit the status of business execution. They also perform the audit and supervisory functions necessary to ensure that the Directors' performance of duties is in compliance with laws and regulations, as well as the Company's Articles of Incorporation, and that corporate operations are properly carried out, through monitoring and verification of the development and operational status of the internal control system, including internal controls over financial reporting.
- Satoshi Hagiwara and Atsushi Tsurumi, Directors who are Audit and Supervisory Committee Members, have long-term experiences in the accounting division at the Company. Accordingly, they have considerable knowledge involving finance and accounting.
- The Company has transaction relationships with the following companies, which are concurrently served by External Directors. Additionally, the amount of payment to each of the companies accounts for less than 2% of consolidated net sales of each of the companies.
  - Loans from Meiji Yasuda Life Insurance Company
  - Insurance transaction with The Tokio Marine & Nichido Fire Insurance Co., Ltd.

7. Takaharu Honda retired as Director who is an Audit and Supervisory Member at the conclusion of the 157th Annual General Shareholders' Meeting held on June 29, 2021 due to expiration of his term.

(Reference)

In June 2001, the Company introduced an Executive Officer System to further accelerate management decision-making and business execution. Furthermore, in April 2021, the Company appointed as Executive Fellows, individuals who possess the outstanding expertise, abundant experience and distinguished achievements in specific field, and who contribute to the management of the Company with accomplishments. The table on page 45 shows Directors who also serve as Officers. Officers who are not Directors, as well as Executive Fellows, were as follows as of March 31, 2022.

Position	Name	Duties
Executive Vice President	Tomohide Hamada	Supervisor of BtoB Businesses (FPD Lithography Business, Semiconductor Lithography Business and Industrial Metrology Business), General Manager of FPD Lithography Business Unit, and Officer in charge of Customized Products Business Unit and Glass Business Unit
Senior Vice President	Masato Hamatani	General Manager of Semiconductor Lithography Business Unit, Officer in charge of Healthcare Business Unit
Senior Vice President	Hiroyuki Ikegami	General Manager of Imaging Business Unit
Senior Vice President	Nobuyuki Ishizuka	CMO, General Manager of Production Technology Division
Senior Vice President	Yasuhiro Ohmura	General Manager of Office of the President, Officer in charge of Optical Engineering Division
Corporate Vice President	Tadashi Nakayama	General Manager of Industrial Metrology Business Unit
Corporate Vice President	Juro Kimpara	Deputy General Manager of FPD Lithography Business Unit
Corporate Vice President	Tatsuya Yamaguchi	General Manager of Healthcare Business Unit
Corporate Vice President	Hamid Zarringhalam	Director & Executive Vice President of Nikon Precision Inc., Deputy General Manager of Digital Solutions Business Unit, and CEO of Nikon Ventures Corporation
Corporate Vice President	Manabu Toguchi	Sector Manager of Development Sector, FPD Lithography Business Unit
Corporate Vice President	Yuichi Shibasaki	General Manager of Next Generation Project Division
Corporate Vice President	Masahiro Morita	Deputy General Manager of Semiconductor Lithography Business Unit
Corporate Vice President	Yoshihiro Maki	General Manager of Digital Solutions Business Unit
Corporate Vice President	Bo Kajiwara	Director & President of Nikon Europe B.V.
Executive Fellow	Jun Nagatsuka	Group Governance & Administration Division
Executive Fellow	Naoyuki Murakami	Sector Manager of Development Sector, Imaging Business Unit

- (ii) Outline of contents of liability limitation agreement  
The Company has signed agreements with all Non-Executive Directors that limit their liability for losses under Article 423, Paragraph 1 of the Companies Act pursuant to the provisions of Article 427, Paragraph 1 of the said act. The limit on the liability for losses in these agreements is the lowest amount prescribed in Article 425, Paragraph 1 of the Companies Act.
- (iii) Outline and content of the Directors and Officers Liability Insurance Contract  
The Company has concluded a Directors and Officers Liability Insurance Contract with an insurance company as stipulated in Article 430-3 of the Companies Act. This contract covers damages, etc. to be borne by the insured person as a result of claims for damages received in the course of business execution by the insured person as an officer of the company.  
The insured persons of the Directors and Officers Liability Insurance Contract are Directors and Officers, etc. of the Company, and the insured persons bear approximately 10% of the insurance premium. However, as a measure not to impair the appropriateness of the execution of duties by Directors and Officers, etc. of the Company, the Directors and Officers Liability Insurance Contract has a clause to set a certain deductible and does not cover damages that do not reach the deductible.
- (iv) Basic policies for decisions on compensation, etc. for individual Directors and Officers
- a. Basic policies on Compensation  
Executive compensation will be determined to satisfy the following basic criteria.
- Executive compensation should motivate Directors and Officers to sustainably improve corporate and shareholder value, as well as enhance their willingness and morale
  - Executive compensation should help keep, cultivate, and reward excellent personnel
  - The decision-making process for the compensation system should be objective and transparent
- b. Compensation system and performance-based structure
- A) As a general rule, the compensation system for Executive Directors and Officers (including those equivalent to Officers; the same applies hereinafter) comprises the following components. The standard payment of each of performance-based compensation and stock compensation to be paid to individual Executive Directors and Officers is calculated by multiplying the amount of their respective fixed compensation by a rate, which is pre-determined according to their respective position and duties. The higher and more important their position and duties are, the higher the rate is.

#### Fixed compensation

- Fixed monthly compensation  
This monetary compensation is not based on performance and is paid every month.

#### Performance-based compensation

- Bonus  
This monetary compensation is determined based on the following factors on a single-year basis within the range of 0% to 200% of the standard payment, which is calculated according to position and duties. As a general rule, a bonus is paid in June every year.
  - the consolidated ROE and operating profit;
  - the degree of achievement of capital efficiency, profitability and other targets, as well as qualitative assessment, of each division; and
  - the qualitative assessment of responses to issues assigned to individual Officers
- Performance-based stock remuneration  
With the aims of sharing value with shareholders and enhancing willingness and morale for improving medium-to-long-term performance, stock compensation using a trust is



determined based on the following factors within the range of 0% to 150% of the standard payment, which is calculated according to position and duties.

- the degree of achievement of the consolidated ROE in the final fiscal year of the medium-term management plan (the “Plan”) to be resolved every three fiscal years; and
- the degree of achievement of accumulated operating profit target during the Plan period

As a general rule, this remuneration is paid for every three fiscal years of the Plan period in the first June after the termination of the Plan period.

#### Stock compensation

• Subscription rights to shares granted as stock-related compensation

Subscription rights to shares are granted with the aims of sharing value with shareholders and enhancing willingness and morale for improving long-term performance, with the exercise price of one yen per share granted upon exercise of the subscription rights to shares. As a general rule, subscription rights to shares are granted in April every year, and the holders of which become eligible to exercise their subscription rights to shares, as a rule, after one year has elapsed since the date on which he or she lost any of the positions as Director, Officer and Corporate Advisor of the Company. As a general rule, the number of subscription rights to shares to be granted is determined by dividing an amount calculated according to position and duties by resolution of the Board of Directors by the fair value per subscription right to shares within the limit of the number of subscription rights not exceeding 5% of the share dilution ratio. The fair value per subscription right to shares is calculated based on the Black-Scholes formula, given various conditions such as the share price on the date of allotment of subscription rights to shares, the stock fluctuation rate calculated based on a consistent standard and the length of the exercise period of the subscription right to shares.

B) The compensation system for Non-Executive Directors consists only of fixed compensation (fixed monthly compensation) to be paid every month.

c. Decisions on compensation amount and calculation method based on deliberations by the Compensation Committee

The Compensation Committee establishes executive compensation policies and discusses and advises on related systems in order to determine the level and system appropriate to the duties, given compensation levels of major Japanese companies that globally develop their businesses, so as to determine the compensation amount consistent with the performance of the Group and its business scale.

The Compensation Committee deliberates on compensation for individual Directors other than those who are Audit and Supervisory Committee Members and Officers. Based on the results of such deliberations, the Board of Directors decides on the compensation. (President decides on fixed compensation and bonus, who has been delegated authority by the Board of Directors.)

Compensation for individual Directors who are Audit and Supervisory Committee Members is determined by consultation among Directors who are Audit and Supervisory Committee Members.

From the perspective of conducting appropriate supervision, the Compensation Committee is comprised of Directors and external experts, and the majority of which are External Directors and external experts. The Committee chairperson is also an External Director.

d. Claim for return

If a Director (other than a Director who is an Audit and Supervisory Committee Member) or Officer of the Company is found to have committed serious breach of his or her duties or serious violation of internal rules, or to be in the employment of a competitor, etc., of the Company without permission from the Company (including appointment as a director or officer of the competitor or an employee of the competitor), the Company shall be able to claim return in all or part of subscription rights to shares granted, right to performance-based stock remuneration granted, and shares of the Company and cash paid to the Director or Officer.

## (v) Compensation for Directors

Category			Directors other than those who are Audit and Supervisory Committee Members (of which External Directors)	Directors who are Audit and Supervisory Committee Members (of which External Directors)	Total
Fixed compensation	Fixed monthly compensation	Number of persons	6 (2)	6 (3)	12 (5)
		Amount of compensation (million yen)	243 (30)	104 (45)	348 (75)
Performance-based compensation	Bonuses	Number of persons	3 (-)	-	3 (-)
		Amount of compensation (million yen)	112 (-)	-	112 (-)
	Performance-based stock remuneration	Number of persons	4 (-)	-	4 (-)
		Amount of compensation (million yen)	18 (-)	-	18 (-)
Stock compensation	Subscription rights to shares granted as stock-related compensation	Number of persons	3 (-)	-	3 (-)
		Amount of compensation (million yen)	60 (-)	-	60 (-)
Total		Number of persons	6 (2)	6 (3)	12 (5)
		Amount of compensation (million yen)	434 (30)	104 (45)	539 (75)

## Notes:

1. The number of persons and the amount of compensation pertaining to fixed compensation/ fixed monthly compensation, stock compensation/subscription rights to shares granted as stock-related compensation, and total shown above include one Director who is an Audit and Supervisory Committee Member (who is not an External Director) who retired at the conclusion of the 157th Annual General Shareholders' Meeting held on June 29, 2021, and the amount of compensation pertaining to the said Directors.
2. The amount of bonuses shown above indicates the total amount of bonuses for Directors other than those who are Audit and Supervisory Committee Members (excluding Non-Executive Directors) resolved at the Board of Directors' meeting held on May 20, 2022 after deliberation by the Compensation Committee.
3. The amount of performance-based stock remuneration shown above indicates the difference between the total amount to be paid to Directors other than those who are Audit and Supervisory Committee Members (excluding the portion of the period in scope of the performance-based stock remuneration during which such Directors were not serving as Directors other than those who are Audit and Supervisory Committee Members) during the fiscal year, out of the performance-based stock remuneration to be paid to Directors other than those who are Audit and Supervisory Committee Members (excluding Non-Executive Directors) by resolution of the Board of Directors held on May 20, 2022 after the deliberation by the Compensation Committee, and the amount of provisions related to such Directors recorded up until the fiscal year ended March 31, 2021.
4. The amount of subscription rights to shares granted as stock-related compensation shown above indicates the amount of compensation, etc. concerning subscription rights to shares granted to Directors other than those who are Audit and Supervisory Committee Members (excluding Non-Executive Directors) recorded as expenses during the fiscal year.
5. The Audit and Supervisory Committee has reported that there are no matters to be addressed with regard to compensation, etc. to Directors other than those who are Audit and Supervisory Committee Members.
6. Fixed compensation for individual Directors who are not Audit and Supervisory Committee Members shown above is determined by President Toshikazu Umatate, who is delegated by the Board of Directors, based on the results of deliberation by the Compensation Committee. The reason

for the delegation is that the Company judged that he is the suitable person for determining fixed compensation for individuals while considering the performance of the Group among other factors.

(vi) Method for determining basic policies for compensation for Directors

Basic policies for determining the content of compensation, etc. for individual Directors were considered at the Compensation Committee, reported to the Board of Directors, and determined after deliberation and examination at the meeting of the Board of Directors held on February 4, 2021.

(vii) Reason why the Board of Directors judged that the content of compensation, etc. for individual Directors for the fiscal year under review was pursuant to the basic policies

For the fiscal year under review, as for the compensation for Directors other than those who are Audit and Supervisory Committee Members, the Compensation Committee examined the consistency in individual compensation and the basic policies, and reported to the Board of Directors that it was pursuant to the basic policies. The Board of Directors also judged that it was in conformity with the basic policies.

(viii) Matters relating to performance-based compensation, etc.

In calculating the amount of bonuses, performance of divisions in charge and tasks set for each director and officer were assessed in addition to evaluation of consolidated ROE and consolidated operating profit. Moreover, in calculating the amount of performance-based stock remuneration, consolidated ROE and consolidated operating profit are evaluated. As for these benchmarks, consolidated ROE is used for measuring capital efficiency, and consolidated operating profit is used for measuring profitability.

Performance-based stock remuneration with the target period from the fiscal year ended March 31, 2020 to the fiscal year ended March 31, 2022 is determined as one point to one share, based on the share granting points which are calculated by multiplying the cumulative standard points, which are granted annually according to position and duties, and the performance-based coefficient shown below.

Evaluation benchmarks	Weight	Base value	Degree of linkage with performance	Applicable coefficient by performance
Consolidated ROE for the fiscal year ended March 31, 2022	50%	8.0%	0% - 150%	Variable in the range below: Upper limit (12.0%): Coefficient 150% Base value (8.0%): Coefficient 100% Lower limit (6.0%): Coefficient 50% * If it falls below 6.0%, the coefficient will be 0%, and if it exceeds 12.0%, the coefficient will be 150%.
Total consolidated operating profit for the fiscal year ended March 31, 2020 to the fiscal year ended March 31, 2022	50%	200.0 billion yen	0% - 150%	Variable in the range below: Upper limit (240.0 billion yen): Coefficient 150% Base value (200.0 billion yen): Coefficient 100% Lower limit (180.0 billion yen): Coefficient 50% * If it falls below 180.0 billion yen, the coefficient will be 0%, and if it exceeds 240.0 billion yen, the coefficient will be 150%.

(ix) Targets and actual results for the benchmark for performance-based compensation

● Targets and actual results for the benchmark for bonuses

Evaluation benchmarks	Target	Actual
Consolidated ROE for the fiscal year ended March 31, 2022 (%)	3.0	7.5
Consolidated operating profit for the fiscal year ended March 31, 2022 (billion yen)	20.0	49.9

In addition, the Company conducts qualitative assessments of performance of each responsible division and responses to issues assigned to individual Officers.

● Targets and actual results for the benchmark for performance-based stock remuneration

Evaluation benchmarks	Target	Actual
Consolidated ROE for the fiscal year ended March 31, 2022 (%)	8.0	7.5
Total consolidated operating profit for the fiscal year ended March 31, 2020 to the fiscal year ended March 31, 2022 (billion yen)	200.0	0.4

(x) Content of non-monetary compensation, etc.

The Company provides non-monetary compensation, etc. in the form of performance-based stock remuneration and subscription rights to shares granted as stock-related compensation.

The details of the performance-based stock remuneration are as follows. The Company will contribute up to a total of 1.2 billion yen to a Board Incentive Plan (BIP) trust for Directors (hereinafter, “executive remuneration BIP Trust”) for each target period. The Company’s shares will be acquired from the stock market by the executive remuneration BIP Trust with the contributed funds. The shares will be issued as remuneration to Directors (excluding Audit and Supervisory Committee Members, External Directors, other Non-Executive Directors and non-residents of Japan) and Officers (including those equivalent to Officers; excluding non-residents of Japan) of the Company who meet the requirements, based on the degree of achievement of targets such as consolidated capital efficiency in the final fiscal year of the

medium-term management plan to be resolved every three fiscal years, within the range of 0% to 150%. The current state of issuance is as described in “2. Current State of the Company, (5) Shares granted to the Company’s Directors as remuneration for duties performed during the fiscal year.” The benchmarks for performance are as described in “(2) Matters relating to Directors, (viii) Matters relating to performance-based compensation, etc. and (ix) Targets and actual results for the benchmark for performance-based compensation.”

The details of subscription rights to shares granted as stock-related compensation are as follows:

Date of resolution	August 5, 2021
Category of eligible persons and number of eligible persons (at the timing of grant)	Directors of the Company: 3 Officers of the Company: 12 Executive Fellows of the Company: 2
Number of the subscription rights to shares	2,228 units (Note 1)
Type, content, and number of shares subject to the subscription rights to shares	222,800 shares of common stock
Amount to be paid upon the exercise of the subscription rights to shares	1 yen per share
Period of the exercise of the subscription rights to shares	August 21, 2021 to August 20, 2051
Issue price of the stock and amount credited to equity in case of issuing stocks upon the exercise of the subscription rights to shares	Issue price: 808 yen Amount credited to equity: 404 yen
Conditions for the exercise of the subscription rights to shares	(Note 2)
Matters relating to transfer of the subscription rights to shares	Transfer of the subscription rights to shares is subject to resolution of the Board of Directors of the Company.
Matters relating to acquisition terms of the subscription rights to shares	In a merger, etc. in which the Company will become a dissolving company, the Company may acquire the subscription rights to shares without contribution.
Matters relating to grant of the subscription rights to shares accompanying organizational restructure	(Note 3)
Demand for return	In the event that the Company’s shares are acquired through exercise of rights in a manner that is in violation of laws and regulations, among other similar cases, procedures such as to return without contribution shall be taken by following the Company’s instruction.

Notes:

1. The number of shares subject to the subscription rights to shares shall be 100 shares per subscription right to shares.
2. Each subscription rights to shares may not be exercised in part.  
In such events that the right holder has lost any of the positions as director, officer or Corporate Advisor within the exercise period of the rights, or that the Company engages in a merger, etc. in which the Company becomes a dissolving company, the right holder becomes eligible to exercise his/her rights in accordance with the allotment agreement on the subscription rights to shares. In the event of loss of such position, the rights may be exercised after one year has elapsed since the date of loss as a commencement date, up to the elapse of ten years.  
In the event that the right holder deceases during the exercise period of the rights, the heir may exercise the rights in accordance with the allotment agreement on the subscription rights to shares.  
Other conditions shall be set forth in the “Grant Agreement on the Subscription Rights to Shares” executed between the Company and each person who received the allotment of the subscription rights to shares.

3. Treatments in case of organizational restructuring transactions  
 If the Company is to engage in a share exchange or share transfer with the Company becoming a wholly owned subsidiary, the obligations relating to the subscription rights to shares that have not been exercised or canceled at such timing may be succeeded to the company that becomes the wholly owning parent company through such share exchange or share transfer under certain conditions.
- (xi) Resolution at the General Shareholders' Meeting concerning Directors' and Officers' compensation, etc.
- a. It was approved, at the 152nd Annual General Shareholders' Meeting held on June 29, 2016, that the amount of compensation for Directors who are Audit and Supervisory Committee Members shall be 150 million yen or less per year. The number of Directors who are Audit and Supervisory Committee Members was five at the time of resolution.
- b. It was approved at the 155th Annual General Shareholders' Meeting held on June 27, 2019 as follows:
- Performance-based stock remuneration shall be a system linked to the medium-term performance for Directors other than those who are Audit and Supervisory Committee Members and Officers. Trust money whose upper limit is 1,200 million yen in total shall be contributed to a trust with three consecutive fiscal years as a target period of the compensation, etc. The total amount of the Company's shares, etc. to be delivered, etc. to the Directors (excluding Audit and Supervisory Committee Members, External Directors, other Non-Executive Directors and non-residents of Japan) and Officers (excluding non-residents of Japan; hereinafter collectively referred to as "Director, etc.," together with Directors subject to this system) over the target period of three fiscal years shall be up to a total of 730 thousand shares (the number of eligible Directors and Officers was five and 13, respectively, at the time of resolution).
  - The system is a performance-based stock remuneration system under which the Company shares are acquired through the trust funded by the compensation for Directors, etc., and the delivery and payment (the "Delivery, etc.") of the Company shares and cash equivalent of the conversion value of said shares (the "Company Shares, etc.") to the Directors, etc. will be made.

(i) Persons eligible for the Delivery, etc. of the Company Shares, etc. under the system	- Directors of the Company (excluding Audit and Supervisory Committee Members, External Directors, Non-Executive Directors and non-residents of Japan) - Executive Officers of the Company (excluding non-residents of Japan)
(ii) Number of the Company Shares, etc. to be acquired and the method of acquisition, etc. under the system	
The maximum amount to be contributed by the Company	- Total of 1,200 million yen over three fiscal years
Method of acquisition of the Company's shares	- The trust shall acquire the Company's shares from the stock market, and thus there will be no dilution.
The maximum number of the Company Shares, etc. for Delivery, etc. to Directors, etc.	- Total of 730 thousand shares over three fiscal years
(iii) Details of the conditions for the accomplishment of business performance	- Variable within a range of 0% to 150% in accordance with the degree of accomplishment of the consolidated ROE target set in the final fiscal year of the medium-term management plan and the target for total consolidated operating profit over three fiscal years
(iv) Timing of Delivery, etc. of the Company Shares, etc. to the Directors, etc.	- At the end of the target period (three fiscal years)

- c. With respect to compensation for Directors other than those who are Audit and Supervisory Committee Members, it was approved at the 157th Annual General Shareholders' Meeting held on June 29, 2021 as follows:
- The aggregate amount of monthly compensation and other monetary compensation and subscription rights to shares granted as stock-related compensation for Directors other than those who are Audit and Supervisory Committee Members shall be 650 million yen or less per year (of which 50 million yen or less is for External Directors per year) (this amount does not include the portion of employees' salaries for Directors who also serve as employees). For the subscription rights to shares to be allotted to the Company's Directors other than those who are Audit and Supervisory Committee Members (excluding Non-Executive Directors) for each year as subscription rights to shares granted as stock-related compensation within the aforementioned amount of compensation per year, compensation will be provided with an upper limit of 170 million yen per year (the amount does not include the portion of employees' salaries for Directors who also serve as employees), on the condition that they be granted compensation in the amount equal to the amount to be paid in and offset the right to claim for this compensation with the amount to be paid in for these subscription rights to shares (the number of Directors other than those who are Audit and Supervisory Committee Members was six (of which three were Non-Executive Directors, including two External Directors) at the time of resolution).
  - The contents of the subscription rights to shares to be allotted to Directors other than those who are Audit and Supervisory Committee Members shall be as described below.
    - (i) Total number of subscription rights to shares  
The upper limit shall be a number (fractions omitted) calculated by dividing an amount less than the amount per year set as above by the fair price per subscription right to shares, which is calculated based on the Black-Scholes formula using various conditions such as the share price on the date of allotment of subscription rights to shares (hereinafter "date of allotment"), the stock fluctuation rate calculated based on a consistent standard and the length of the exercise period of the subscription right to shares, and shall be not more than 3,200, subject to resolution of the Board of Directors.
    - (ii) Amount to be paid in for the subscription rights to shares  
The amount to be paid in per subscription right to shares shall be the aforementioned fair price.
    - (iii) Class and number of shares to be issued against the subscription rights to shares (hereinafter "number of shares allotted")  
Issued shares shall be common stock, with 100 shares per subscription right to shares.  
In the event that it becomes appropriate for the Company to adjust the number of shares after the date of allotment as a result of the Company's common stock split (including allotment of shares of its common stock without contribution) or reverse common stock split, the Company shall make adjustments as it deems necessary.
    - (iv) Value of assets to be contributed upon exercise of each subscription right to shares  
The price of a share granted upon exercise of the subscription rights to shares shall be 1 yen per share, and the amount shall be this price multiplied by the number of shares allotted.
    - (v) Period during which the subscription rights to shares may be exercised  
The period shall be within 30 years commencing on the date following the date of allotment, and shall be determined by the Board of Directors.
    - (vi) Restrictions on acquisition of the subscription rights to shares by transfer  
Acquisition of the subscription rights to shares by transfer shall require approval by resolution of the Board of Directors.
    - (vii) Other conditions of exercise of the subscription rights to shares  
Holders of the subscription rights to shares become eligible to exercise their subscription rights to shares, as a rule, after one year has elapsed since the date he has lost

any of the positions as Director, Officer and Corporate Advisor of the Company within the period aforementioned in (v). Other conditions regarding the exercise of the subscription rights to shares shall be determined by the Board of Directors.

(xii) Matters relating to External Directors

a. Relationships between organizations where important concurrent positions are held and the Company Information is shown in “(i) Directors” on page 45.

b. Major activities during the fiscal year

Name	Category	Attendance at meetings of the Board of Directors	Attendance at meetings of the Audit and Supervisory Committee
Akio Negishi	Director	18 of 18	-
Shigeru Murayama	Director	18 of 18	-
Kunio Ishihara	Director (Audit and Supervisory Committee Member)	18 of 18	10 of 10
Shiro Hiruta	Director (Audit and Supervisory Committee Member)	18 of 18	10 of 10
Asako Yamagami	Director (Audit and Supervisory Committee Member)	18 of 18	10 of 10

- Akio Negishi proactively made remarks for securing the soundness and appropriateness of the management, as well as for increasing transparency, from his perspective based on long years of management experience at other companies, concerning matters under deliberation and the contents of reports by the Board of Directors. In addition, as a member of the Nominating Committee where the formulation of election and removal criteria of the Company’s President and Directors and the nomination of candidates are mainly deliberated, he attended all six meetings of the Nominating Committee held during the fiscal year under review. As chairperson of the Compensation Committee where the compensation system for the Company’s Directors other than those who are Audit and Supervisory Committee Members and Officers and the appropriateness of the amount of compensation are mainly deliberated, he attended all six meetings of the Compensation Committee during the fiscal year under review. He strives to supervise the management from an independent and objective position.
- Shigeru Murayama proactively made remarks for the Company’s business strategy, among other issues, from his perspective based on long years of management experience at a manufacturer, concerning matters under deliberation and the contents of reports by the Board of Directors. In addition, up until the 157th Annual General Shareholders’ Meeting held on June 29, 2021, as a member of the Compensation Committee where the compensation system for the Company’s Directors other than those who are Audit and Supervisory Committee Members and Officers and the appropriateness of the amount of compensation are mainly deliberated, he attended a meeting of the Compensation Committee, which is the total number of meetings held up until the said Annual General Shareholders’ Meeting. After the said Annual General Shareholders’ Meeting, as a member of the Nominating Committee where the formulation of election and removal criteria of the Company’s President and Directors and the nomination of candidates are mainly deliberated, he attended all five meetings of the Nominating Committee held after the said Annual General Shareholders’ Meeting. He strives to supervise the management from an independent and objective position.



- Kunio Ishihara proactively made remarks for securing the soundness and appropriateness of the management, as well as for increasing transparency, from his perspective based on long years of management experience at other companies, concerning matters under deliberation and the contents of reports by the Board of Directors and the Audit and Supervisory Committee. In addition, as the chairperson of the Nominating Committee where the formulation of election and removal criteria of the Company's President and Directors and the nomination of candidates are mainly deliberated, he attended all six meetings of the Nominating Committee held during the fiscal year under review. He strives to supervise the management from an independent and objective position.
- Shiro Hiruta proactively made remarks for the Company's business strategy, among other issues, from the perspective based on his long years of management experience at a manufacturer, concerning matters under deliberation and the contents of reports by the Board of Directors and the Audit and Supervisory Committee. In addition, he served as chairperson of the Audit and Supervisory Committee. Up until the 157th Annual General Shareholders' Meeting held on June 29, 2021, as a member of the Nominating Committee where the formulation of election and removal criteria of the Company's President and Directors and the nomination of candidates are mainly deliberated, he attended a meeting of the Compensation Committee which is the total number of meetings held up until the said Annual General Shareholders' Meeting. After the said Annual General Shareholders' Meeting, as a member of the Compensation Committee where the compensation system for the Company's Directors other than those who are Audit and Supervisory Committee Members and Officers and the appropriateness of the amount of compensation are mainly deliberated, he attended all five meetings of the Compensation Committee held after the said Annual General Shareholders' Meeting. He strives to supervise the management from an independent and objective position.
- Asako Yamagami proactively made remarks based on her knowledge and experience as a lawyer concerning matters under deliberation and the contents of reports by the Board of Directors and the Audit and Supervisory Committee. She strives to supervise the management from an independent and objective position mainly for matters relating to governance and compliance.

(4) Matters relating to Accounting Auditor

(i) Name: Deloitte Touche Tohmatsu LLC

(ii) Amount of compensation, etc.

	Amount
Total amount of compensation, etc. of Accounting Auditor during the fiscal year under review	117 million yen
Total amount of money and other properties which the Company and its subsidiaries should pay in remuneration of Accounting Auditor for their services to the Company and its subsidiaries during the fiscal year under review	195 million yen

Notes:

1. The Audit and Supervisory Committee determined, after carrying out necessary verifications of whether the content of the Accounting Auditors' audit plans, execution of duties of audits up until the previous fiscal year, and the calculation basis for the compensation estimate for the fiscal year are appropriate, that the compensation for Accounting Auditors is reasonable, and has given its consent pursuant to Article 399, Paragraph 1 of the Companies Act.
2. Major overseas subsidiaries of the Company are audited (only auditing subject to the provisions of overseas laws and regulations similar to Japanese Companies Act or Japanese Financial Instruments and Exchange Act) by parties other than Deloitte Touche Tohmatsu LLC (overseas certified public accountants or individuals with qualifications equivalent to those of an auditing company).
3. In the audit contract with the Accounting Auditor, auditing compensation amounts for auditing based on the Companies Act and auditing based on the Financial Instruments and Exchange Act are not separated. Because they essentially cannot be separated, the amount stated in the upper line of the above table is found from adding them together.
4. The Company has commissioned Deloitte Touche Tohmatsu LLC to provide advisory services on standardization of accounting operations at overseas subsidiaries and branches as part of services other than those stipulated in Article 2, Paragraph 1 of the Certified Public Accountants Act (non-audit services) and has paid for such service. The amount stated in the lower line of the above table includes the amount of the payment.

(iii) Policy for decisions to terminate or not extend contracts with an Accounting Auditor

The Audit and Supervisory Committee can terminate the Accounting Auditor with the unanimous consent of the Audit and Supervisory Committee Members in cases where it has been determined that actions by the Accounting Auditor apply to any item of Article 340, Paragraph 1 of the Companies Act.

In addition, even if the actions of the Accounting Auditor do not apply to any item of Article 340, Paragraph 1 of the Companies Act, in the event that it has been determined that the Accounting Auditor is unable to perform proper audits due to a lack of accuracy and independence, the Board of Directors can submit a proposal to terminate the Accounting Auditor or not renew the contract at the General Shareholders' Meeting, in accordance with the decision of the Audit and Supervisory Committee.

The amount stated and number of shares in this business report are presented by rounding numbers down to the specified units.

**Consolidated Financial Statements**  
**Consolidated Statement of Financial Position**  
**(As of March 31, 2022)**

(Million yen)

Item	Amount	Item	Amount
<b>ASSETS</b>		<b>LIABILITIES</b>	
<b>Current assets</b>		<b>Current liabilities</b>	
Cash and cash equivalents	370,277	Trade and other payables	65,161
Trade and other receivables	90,571	Bonds and borrowings	37,347
Inventories	238,950	Income taxes payables	4,770
Other current financial assets	948	Advances received	139,300
Other current assets	13,467	Provisions	5,403
<b>Total current assets</b>	<b>714,214</b>	Other current financial liabilities	27,424
<b>Non-current assets</b>		Other current liabilities	34,516
Property, plant and equipment	88,956	<b>Total current liabilities</b>	<b>313,921</b>
Right-of-use assets	22,310	<b>Non-current liabilities</b>	
Goodwill and intangible assets	49,379	Bonds and borrowings	92,715
Retirement benefit asset	8,685	Retirement benefit liability	5,543
Investments accounted for using equity method	10,702	Provisions	5,186
Other non-current financial assets	93,308	Deferred tax liabilities	3,360
Deferred tax assets	51,610	Other non-current financial liabilities	16,188
Other non-current assets	403	Other non-current liabilities	2,687
<b>Total non-current assets</b>	<b>325,353</b>	<b>Total non-current liabilities</b>	<b>125,679</b>
		<b>Total liabilities</b>	<b>439,600</b>
		<b>EQUITY</b>	
		Share capital	65,476
		Capital surplus	46,483
		Treasury shares	(17,395)
		Other components of equity	2,206
		Retained earnings	500,912
		Equity attributable to owners of parent	597,681
		Non-controlling interests	2,285
		<b>Total equity</b>	<b>599,967</b>
<b>Total assets</b>	<b>1,039,566</b>	<b>Total liabilities and equity</b>	<b>1,039,566</b>

## Consolidated Statement of Profit or Loss

(From April 1, 2021 to March 31, 2022)

(Million yen)

Item	Amount
<b>Revenue</b>	<b>539,612</b>
<b>Cost of sales</b>	<b>(303,541)</b>
<b>Gross profit</b>	<b>236,070</b>
Selling, general and administrative expenses	(189,465)
Other operating income	5,322
Other operating expenses	(1,994)
<b>Operating profit</b>	<b>49,934</b>
Finance income	9,592
Finance costs	(3,643)
Share of profit of investments accounted for using equity method	1,213
<b>Profit before tax</b>	<b>57,096</b>
<b>Income tax expense</b>	<b>(14,843)</b>
<b>Profit for year</b>	<b>42,253</b>
<b>Profit attributable to:</b>	
Owners of parent	42,679
Non-controlling interests	(426)
<b>Profit for year</b>	<b>42,253</b>

**Non-Consolidated Financial Statements**

**Non-Consolidated Balance Sheet**  
**(As of March 31, 2022)**

(Million yen)

Item	Amount	Item	Amount
<b>(Assets)</b>		<b>(Liabilities)</b>	
<b>Current assets</b>	<b>433,470</b>	<b>Current liabilities</b>	<b>255,972</b>
Cash and deposits	209,592	Electronically recorded obligations - operating	7,614
Notes receivable - trade	5,436	Accounts payable - trade	41,082
Accounts receivable - trade	47,712	Short-term loans payable	19,950
Finished goods	45,667	Current portion of long-term loans payable	14,000
Semi-finished goods	2,690	Lease obligations	304
Raw materials	72	Accounts payable - facilities	3,210
Work in process	86,514	Accrued expenses	18,447
Supplies	10,561	Income taxes payable	1,400
Short-term loans receivable from subsidiaries and associates	14,937	Advances received	106,537
Accounts receivable - other	9,554	Deposits received	39,860
Other	736	Provision for product warranties	1,176
Allowance for doubtful accounts	(1)	Other	2,392
<b>Non-current assets</b>	<b>287,852</b>	<b>Non-current liabilities</b>	<b>103,068</b>
<b>Property, plant and equipment</b>	<b>46,900</b>	Bonds payable	30,000
Buildings	17,741	Long-term loans payable	62,881
Structures	694	Lease obligations	460
Machinery and equipment	10,199	Asset retirement obligations	2,339
Vehicles	47	Provision for loss on business of subsidiaries and associates	6,850
Tools, furniture and fixtures	4,916	Other	540
Land	8,297	<b>Total liabilities</b>	<b>359,040</b>
Leased assets	565		
Construction in progress	4,441	<b>(Net assets)</b>	
<b>Intangible assets</b>	<b>5,833</b>	<b>Shareholders' equity</b>	334,943
Software	4,752	Share capital	65,476
Other	1,081	Capital surplus	80,712
<b>Investments and other assets</b>	<b>235,119</b>	Legal capital surplus	80,712
Investment securities	79,619	Retained earnings	206,151
Shares of subsidiaries and associates	91,163	Legal retained earnings	5,565
Investments in capital	3	Other retained earnings	200,586
Investments in capital of subsidiaries and associates	16,954	Reserve for research and development	2,056
Long-term loans receivable from subsidiaries and associates	4,974	Reserve for tax purpose reduction entry of replacement assets	6,134
Prepaid pension cost	3,481	Reserve for tax purpose reduction entry	3,208
Deferred tax assets	36,926	General reserve	111,211
Other	6,245	Retained earnings brought forward	77,977
Allowance for doubtful accounts	(4,247)	Treasury shares	(17,395)
		<b>Valuation and translation adjustments</b>	25,259
		Valuation difference on available-for-sale securities	25,603
		Deferred gains or losses on hedges	(345)
		<b>Share acquisition rights</b>	2,079
		<b>Total net assets</b>	362,281
<b>Total assets</b>	<b>721,322</b>	<b>Total liabilities and net assets</b>	<b>721,322</b>

**Non-Consolidated Statement of Income**

**(From April 1, 2021 to March 31, 2022)**

(Million yen)

Item	Amount	
<b>Net sales</b>		<b>348,643</b>
<b>Cost of sales</b>		<b>238,420</b>
<b>Gross profit</b>		<b>110,224</b>
Selling, general and administrative expenses		102,622
<b>Operating profit</b>		<b>7,602</b>
<b>Non-operating income</b>		
Interest and dividend income	11,903	
Other	7,735	19,637
<b>Non-operating expenses</b>		
Interest expenses	794	
Other	5,406	6,199
<b>Ordinary profit</b>		<b>21,040</b>
<b>Extraordinary income</b>		
Gain on sale of non-current assets	2,835	
Gain on sale of investment securities	16,422	
Gain on sale of shares of subsidiaries and associates	103	19,360
<b>Extraordinary losses</b>		
Loss on sale of non-current assets	8	
Impairment loss on non-current assets	424	
Loss on sale of investment securities	343	
Loss on valuation of investment securities	2,989	3,764
<b>Profit before income taxes</b>		<b>36,636</b>
Income taxes - current	515	
Income taxes - deferred	6,789	7,304
<b>Profit for year</b>		<b>29,332</b>

(TRANSLATION) Copy of Auditor's Report on the Consolidated Financial Statements

**INDEPENDENT AUDITOR'S REPORT**

May 18, 2022

To the Board of Directors of  
NIKON CORPORATION:

Deloitte Touche Tohmatsu LLC  
Tokyo office

Designated Engagement Partner,  
Certified Public Accountant:

Tokio Suzuki

Designated Engagement Partner,  
Certified Public Accountant:

Yuji Ujigawa

Designated Engagement Partner,  
Certified Public Accountant:

Hajime Yoshizaki

**Opinion**

Pursuant to the fourth paragraph of Article 444 of the Companies Act, we have audited the consolidated financial statements of NIKON CORPORATION and its consolidated subsidiaries (the "Group"), namely, the consolidated statement of financial position as of March 31, 2022, and the consolidated statement of income and consolidated statement of changes in equity for the fiscal year from April 1, 2021 to March 31, 2022, and the related notes.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2022, and its consolidated financial performance for the year then ended in accordance with accounting standards prescribed pursuant to the provisions of the second sentence of the first paragraph of Article 120 of the Ordinance on Company Accounting that omit a part of the disclosures required under Designated International Financial Reporting Standards.

**Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Other Information**

Other information is the Business Report and the accompanying supplemental schedules. Management is responsible for the other information. The Audit and Supervisory Committee is responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the other information. The other information comprises the information included in the Business Report and the accompanying supplemental schedules.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## **Responsibilities of Management and the Audit and Supervisory Committee for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting standards prescribed pursuant to the provisions of the second sentence of the first paragraph of Article 120 of the Ordinance on Company Accounting that omit a part of the disclosures required under Designated International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting standards prescribed pursuant to the provisions of the second sentence of the first paragraph of Article 120 of the Ordinance on Company Accounting that omit a part of the disclosures required under Designated International Financial Reporting Standards.

The Audit and Supervisory Committee is responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with accounting standards prescribed pursuant to the provisions of the second sentence of the first paragraph of Article 120 of the Ordinance on Company Accounting that omit a part of the disclosures required under Designated International Financial Reporting Standards, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit and Supervisory Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit and Supervisory Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with it all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

#### **Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan**

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

#### Notes to the Readers of Independent Auditor's Report

This is an English translation of the independent auditor's report as required by the Companies Act of Japan for the conveniences of the reader.

(TRANSLATION) Copy of Auditor's Report on the Financial Statements

## INDEPENDENT AUDITOR'S REPORT

May 18, 2022

To the Board of Directors of  
NIKON CORPORATION:

Deloitte Touche Tohmatsu LLC  
Tokyo office

Designated Engagement Partner,  
Certified Public Accountant:

Tokio Suzuki

Designated Engagement Partner,  
Certified Public Accountant:

Yuji Ujigawa

Designated Engagement Partner,  
Certified Public Accountant:

Hajime Yoshizaki

### Opinion

Pursuant to the first item, second paragraph of Article 436 of the Companies Act, we have audited the nonconsolidated financial statements of NIKON CORPORATION (the "Company"), namely, the nonconsolidated balance sheet as of March 31, 2022, and the nonconsolidated statement of income and nonconsolidated statement of changes in equity for the 158th fiscal year from April 1, 2021 to March 31, 2022, and the related notes and the accompanying supplemental schedules.

In our opinion, the accompanying nonconsolidated financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2022, and its financial performance for the year then ended in accordance with accounting principles generally accepted in Japan.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Nonconsolidated Financial Statements section of our report. We are independent of the Company in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other Information

Other information is the Business Report and the accompanying supplemental schedules. Management is responsible for the other information. The Audit and Supervisory Committee is responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the other information. The other information comprises the information included in the Business Report and the accompanying supplemental schedules.

Our opinion on the nonconsolidated financial statements does not cover the other information and we do

not express any form of assurance conclusion thereon.

In connection with our audit of the nonconsolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the nonconsolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of Management and the Audit and Supervisory Committee for the Nonconsolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the nonconsolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of nonconsolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the nonconsolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

The Audit and Supervisory Committee is responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Company's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Nonconsolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the nonconsolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these nonconsolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the nonconsolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the nonconsolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate whether the overall presentation and disclosures of the nonconsolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the nonconsolidated financial statements, including the disclosures, and whether the nonconsolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Audit and Supervisory Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit and Supervisory Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with it all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

#### **Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan**

Our firm and its designated engagement partners do not have any interest in the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

#### Notes to the Readers of Independent Auditor's Report

This is an English translation of the independent auditor's report as required by the Companies Act of Japan for the conveniences of the reader. "The accompanying supplemental schedules" referred to in this report are not included in the attached financial documents.

## Audit Report

The Audit and Supervisory Committee has audited the performance of the Directors' duties for the 158th term (April 1, 2021 to March 31, 2022). This Report was prepared from the unanimous opinions of all the Audit and Supervisory Committee Members, and the methods and results are as follows.

### 1. Method and Contents of Audit

- (1) The Audit and Supervisory Committee has received reports on a regular basis from the Directors and employees, etc. with respect to the content of the resolutions at the Board of Directors' meeting relating to the matters set out in Article 399-13, Paragraph 1, items (1) (b) and (c) of the Companies Act and the systems (internal control systems) established based on such resolutions, the status of their development and operation, requested explanations as necessary, and has expressed its opinions. Regarding internal controls over financial reporting under the Financial Instruments and Exchange Act, reports have been received from the Directors and Deloitte Touche Tohmatsu LLC with respect to the state of assessments and audits of those internal controls, and explanations were requested as necessary.
- (2) The Audit and Supervisory Committee has conducted audit activities with a focus on whether the Group's internal control system is appropriately maintained and operated. In conformity with the Audit and Supervisory Committee auditing standards established by the Audit and Supervisory Committee, and in accordance with audit policies, audit plans and assignment of duties, etc., in cooperation with the Internal Audit Department and other related departments, each Audit and Supervisory Committee Member has attended important meetings, received reports on the status of performance of duties from the Directors and other employees, etc. and requested explanations as necessary, examined important documents, etc. and inspected the status of the corporate affairs and assets at the head office and other principal business locations. With respect to the subsidiaries, each Audit and Supervisory Committee Member conducted an audit of subsidiaries selected based on audit plans, endeavored to facilitate a mutual understanding and exchange of information with the Directors and Corporate Auditors, etc. of each subsidiary and received from subsidiaries reports on their respective business as necessary. Taking into account the situation of the spread of COVID-19, the Audit and Supervisory Committee has conducted audit activities for the fiscal year while utilizing online conference systems.
- (3) Each Audit and Supervisory Committee Member monitored and verified whether the Accounting Auditor maintained its independence and properly conducted its audit, received a report from the Accounting Auditor on the status of its performance of duties, and requested explanations as necessary. Each Audit and Supervisory Committee Member was notified by the Accounting Auditor that it had established a "system to ensure that the performance of the duties of the Accounting Auditor was properly conducted" (the matters set forth in the items of Article 131 of the Rules of Corporate Accounting) in accordance with the "Quality Control Standards for Audits" (Business Accounting Council, October 28, 2005) and requested explanations as necessary.

Based on the above-described methods, each Audit and Supervisory Committee Member examined the Business Report and its annexed detailed statements thereto, the consolidated financial statements (consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of changes in equity and notes to consolidated financial statements, which were prepared omitting certain disclosure items required by the International Financial Reporting Standards as allowed by the provision set forth in the latter part of Article 120, Paragraph 1 of the Rules of Corporate Accounting) as well as the non-consolidated financial statements (non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of changes in net assets and notes to financial statements) and their annexed detailed statements thereto for the fiscal year.

## 2. Results of Audit

### (1) Results of Audit of Business Report, etc.

- (i) We acknowledge that the business report and the annexed detailed statements thereto fairly present the status of the Company in conformity with the applicable laws and regulations and the Articles of Incorporation of the Company.
- (ii) We acknowledge that no misconduct or material fact constituting a violation of any law or regulation or the Articles of Incorporation of the Company was found with respect to the Directors' performance of their duties.
- (iii) We acknowledge that the Board of Directors' resolutions with respect to the internal control systems are appropriate. We did not find any matter to be mentioned with respect to the description of the Business Report and the Directors' performance of their duties concerning the internal control systems, including the internal controls over financial reporting.

### (2) Results of Audit of Consolidated Financial Statements

We acknowledge that the methods and results of the audit performed by the Accounting Auditor, Deloitte Touche Tohmatsu LLC, are appropriate.

### (3) Results of Audit of Non-Consolidated Financial Statements and their Annexed Detailed Statements

We acknowledge that the methods and results of the audit performed by the Accounting Auditor, Deloitte Touche Tohmatsu LLC, are appropriate.

May 19, 2022

Audit and Supervisory Committee of NIKON CORPORATION

Audit and Supervisory Committee Member:	Shiro Hiruta	(seal)
Audit and Supervisory Committee Member:	Kunio Ishihara	(seal)
Audit and Supervisory Committee Member:	Asako Yamagami	(seal)
Full-time Audit and Supervisory Committee Member:	Satoshi Hagiwara	(seal)
Full-time Audit and Supervisory Committee Member:	Atsushi Tsurumi	(seal)

(Note) Audit and Supervisory Committee Members Shiro Hiruta, Kunio Ishihara and Asako Yamagami are External Directors pursuant to Article 2, Item 15 and Article 331, Paragraph 6 of the Companies Act.