

This is a translation of the original Japanese “Other Matters Subject to the Electronic Provision Measures (Matters for which Document Delivery is Omitted) for the 160th 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.

(Translation)

Date of commencement of electronic provision measures: May 27, 2024

**Other Matters Subject to the Electronic Provision Measures  
(Matters for which Document Delivery is Omitted)  
for the 160th Annual General Shareholders’ Meeting**

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NIKON CORPORATION

## Financial Highlights for Three Previous Fiscal Years

Financial highlights related to the Group are as follows.

Item	157th term (Year ended March 31, 2021)	158th term (Year ended March 31, 2022)	159th term (Year ended March 31, 2023)	160th term (Year ended March 31, 2024)
Revenue (million yen)	451,223	539,612	628,105	717,245
Operating profit (million yen)	(56,241)	49,934	54,908	39,776
Profit attributable to owners of parent (million yen)	(34,497)	42,679	44,944	32,570
Basic earnings per share (yen)	(93.96)	116.23	125.46	94.03
Total assets (million yen)	989,737	1,039,566	1,050,267	1,147,110
Total equity (million yen)	538,726	599,967	618,351	685,091

Note: The figures for the above table are stated based on IFRS.

## Major Offices and Plants (as of March 31, 2024)

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

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

## Employees (as of March 31, 2024)

### (i) Employees of the Group

Number of employees	Change from the end of the previous fiscal year
19,444	up 654

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
4,388	up 204	42.5	14.5

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

Major Lender (as of March 31, 2024)

Lender	Amount borrowed (million yen)
MUFG Bank, Ltd.	58,842

Matters Relating to Shares of the Company (as of March 31, 2024)

- (i) Total number of shares authorized to be issued: 1,000,000,000 shares
- (ii) Total number of shares issued: 351,476,686 shares
- (iii) Total number of shareholders: 49,951
- (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)	66,147	19.09
Custody Bank of Japan, Ltd. (Trust Account)	19,158	5.53
Meiji Yasuda Life Insurance Company	17,584	5.08
STATE STREET LONDON CARE OF STATE STREET BANK AND TRUST, BOSTON SSBTC A/C UK LONDON BRANCH CLIENTS - UNITED KINGDOM	8,556	2.47
MUFG Bank, Ltd.	7,009	2.02
The Joyo Bank, Ltd.	6,121	1.77
NORTHERN TRUST CO. (AVFC) RE SILCHESTER INTERNATIONAL INVESTORS INTERNATIONAL VALUE EQUITY TRUST	5,497	1.59
The Shizuoka Bank, Ltd.	4,996	1.44
JPMorgan Securities Japan Co., Ltd.	4,770	1.38
JPMorgan Chase Bank 380684	4,749	1.37

Note: 5,019 thousand 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

In accordance with the performance-based stock remuneration system approved at the 158th Annual General Shareholders’ Meeting held on June 29, 2022, the Company delivered 17,140 Company shares to three Directors other than those who are Audit and Supervisory Committee Members of the Company (excluding External Directors) in June 2023, as performance-based stock remuneration for the 159th term (the previous fiscal year).

In addition, in accordance with the restricted stock remuneration system approved at the said Annual General Shareholders’ Meeting, the Company delivered 39,330 Company shares to three Directors other than those who are Audit and Supervisory Committee Members of the Company (excluding External Directors) in June 2023, as restricted stock remuneration for the 160th term (the current fiscal year).

Furthermore, in accordance with the performance-based stock remuneration system approved at the said Annual General Shareholders’ Meeting, the Company plans to deliver 6,907 Company shares to two Directors other than those who are Audit and Supervisory Committee Members of the Company (excluding External Directors) in June 2024, as performance-based stock remuneration for the 160th fiscal year (the current fiscal year).

Please refer to the Notice of the 160th Annual General Shareholders’ Meeting “Business Report, 2. Current state of the Company, (1) Matters relating to Directors, (viii) Matters relating to performance-based compensation, etc.” and the said notice “Business Report, 2. Current state of the Company, (1) Matters relating to Directors, (ix) Content of non-monetary compensation, etc.” for information regarding the restricted stock remuneration system and performance-based stock remuneration system approved at the 158th Annual General Shareholders’ Meeting held on June 29, 2022.

## Subscription Rights to Shares

- (i) Subscription rights to shares held by the Company's Directors that were granted as remuneration for duties performed (as of March 31, 2024)

Issue number (date of issue)	Number of subscription rights to shares	Type and number of shares to be issued	Issue price per right (yen)	Exercise price per right (yen)	Exercise period	Status of holding [number of subscription rights to shares (number of holders)]	
						Directors (excluding Audit and Supervisory Committee Members)	Directors (Audit and Supervisory Committee Members)
5th issue (August 27, 2007)	21	2,100 shares of the Company's common stock	325,900	100	From August 28, 2007 to August 27, 2037	21 (2)	–
6th issue (November 25, 2008)	101	10,100 shares of the Company's common stock	73,400	100	From November 26, 2008 to November 25, 2038	101 (2)	–
7th issue (August 10, 2009)	54	5,400 shares of the Company's common stock	140,800	100	From August 11, 2009 to August 10, 2039	54 (2)	–
8th issue (July 14, 2010)	51	5,100 shares of the Company's common stock	152,700	100	From July 15, 2010 to July 14, 2040	51 (2)	–
9th issue (March 19, 2012)	71	7,100 shares of the Company's common stock	203,700	100	From March 20, 2012 to March 19, 2042	71 (2)	–
10th issue (August 23, 2012)	134	13,400 shares of the Company's common stock	172,600	100	From August 24, 2012 to August 23, 2042	134 (3)	–
11th issue (August 1, 2013)	189	18,900 shares of the Company's common stock	163,200	100	From August 2, 2013 to August 1, 2043	189 (3)	–
12th issue (August 1, 2014)	346	34,600 shares of the Company's common stock	118,300	100	From August 2, 2014 to August 1, 2044	346 (3)	–
13th issue (July 28, 2015)	450	45,000 shares of the Company's common stock	104,000	100	From July 29, 2015 to July 28, 2045	393 (3)	57 (1)
14th issue (July 29, 2016)	399	39,900 shares of the Company's common stock	121,300	100	From July 30, 2016 to July 29, 2046	350 (3)	49 (1)
15th issue (July 27, 2017)	276	27,600 shares of the Company's common stock	168,100	100	From July 28, 2017 to July 27, 2047	226 (3)	50 (1)
16th issue (April 23, 2018)	371	37,100 shares of the Company's common stock	164,400	100	From April 24, 2018 to April 23, 2048	304 (3)	67 (1)
17th issue (April 22, 2019)	894	89,400 shares of the Company's common stock	95,300	100	From April 23, 2019 to April 22, 2049	778 (3)	116 (1)
18th issue (April 17, 2020)	1,915	191,500 shares of the Company's common stock	37,400	100	From April 18, 2020 to April 17, 2050	1,618 (3)	297 (1)
19th issue (August 20, 2021)	749	74,900 shares of the Company's common stock	80,700	100	From August 21, 2021 to August 20, 2051	749 (3)	–

Notes: 1. No subscription rights to shares have been granted to External Directors.

2. Subscription rights to shares held by Directors who are Audit and Supervisory Committee Members were granted when these individuals were Directors other than those who are Audit and Supervisory Committee Members or Officers.

- (ii) Subscription rights to shares granted to employees, etc. as remuneration for duties performed during the fiscal year

None

- (iii) Other subscription rights to shares actually issued

None

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	170 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	251 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 and other services on non-financial information presentation at overseas subsidiaries 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.

## Framework to Ensure Fair Business Activity

### [Details of the Resolution]

We believe that the reinforcement of our company's corporate governance plays a pivotal role in achieving "a fair and transparent management deserving of stakeholders' confidence," and we intend to increase its effectiveness by improving the quality of our internal controls. We acknowledge that the achievement of effective and efficient business processes, the credibility of financial reports, the compliance with relevant laws and regulations, and the preservation of company's assets at our company and its subsidiaries (hereinafter the "Group") are the management's responsibility. Accordingly, we will prepare and refine a framework, including our internal regulations as well as our organization, to ensure fair business activity in compliance with the Japanese Companies Act and implementing regulations of the said Act.

- (i) A framework to ensure that performance of duties of directors, etc. and employees of the Group is in compliance with relevant laws and regulations as well as the articles of incorporation
  - In order to permeate and establish awareness of corporate ethics, we have established the Nikon Code of Conduct, which shows the Group's basic stance on corporate social responsibility and the standards of behavior to ensure sensible conduct by directors, officers and employees of the Group, based on a high level of morality, pursuant to relevant laws and regulations as well as internal regulations.
  - The Compliance Committee regularly performs its function in order to ensure legitimate, fair, and sound corporate behavior. In addition, the Sustainability Committee conducts activities for improving, fostering and educating on issues surrounding sustainability, including social responsibility.
  - Regarding elimination of anti-social forces and groups, we have defined our basic approach in the Nikon Code of Conduct. Additionally, we are establishing a system to liaison with attorneys and police forces, to take steadfast action as an organization.
  - The Basic Policy on internal control over financial reporting has been established to ensure credibility of financial reporting by the Group. Frameworks to enable the foregoing are being prepared and improved.
  - Internal Audit Department has been established as an independent organization. This Department examines whether operations within the Group are conducted in compliance with relevant laws and regulations as well as internal regulations, and when necessary, makes recommendations as to how such operations can be improved.
  - Structures are established and administered in order to fully implement compliance by the Group and prevent or correct behaviors that violate social regulations or corporate ethics. The Code of Conduct Hotline is being created as the report/consultation system in this respect.
  
- (ii) A framework to ensure an efficient performance of duties, etc. by directors of the Group
  - At our company and domestic subsidiaries, the executive officer system provides a clear definition of the authority and responsibility in performance of an officer's duty, resulting in quick decision-making as well as an efficient performance of the officer's duty.
  - Rules of authority clearly define the scope of authority and responsibility for each post as well as each organization within the Group and are administered, to ensure organized and efficient performance of duties.

- Meeting structures such as the Executive Committee, as well as other committees and meeting bodies are established and are administered at our company to enable efficient decision-making and performance of duties for the Group by directors of our company. Among such organizations, the Executive Committee primarily consists of executive directors, deliberates about and resolves major issues regarding management, general internal controls, and guidelines about general operations of the company's business, in accordance with the basic direction of management as determined by the Board of Directors. Major issues are reported to the Executive Committee by each department.
  - In accordance with our corporate philosophy of "Trustworthiness & Creativity," management targets of the Group are defined within annual plans as well as within the Medium-Term Management Plans, and implemented as specific measures. In order to achieve annual targets, management of operations is carried out through divisional organization. A meeting is regularly held to examine business issues and responses to them. The achievement level of annual targets is evaluated and validated based on the Achievement Evaluation System.
- (iii) A framework aimed at preservation and control of information relating to the performance of duties by directors of our company
- Information regarding resolutions, decisions, and reports pertaining to performance duties by directors of our company are preserved in documentary format and until such time as provided in the Regulations of the Board of Directors, the Regulations of the Executive Committee, and the Nikon Group Information Management Rules. The information control system is designed to allow access, when needed, from directors, as well as accounting auditors.
  - As for security of information, Information Security Department controls centralized management for information management within the Group and manages coordination and reinforcement of an information management framework within the Group. Further, the common rules in the Group are being established and these rules intend to make definitions of the access level per category and relevance, password control, measures for preventing leaks, manipulations and destructions of proprietary information and other matters generally and thoroughly known by directors, officers and employees within the Group.
- (iv) A framework including rules concerning risk of the Group loss management
- In accordance with our recognition of identification, assessment, and control of risk factors potentially affecting operations and business continuity as critical issues, the Risk Management Committee ascertains risks from a group-wide perspective and determines a policy for responding to such risks. Furthermore, we strive to develop a framework to appropriately control risks surrounding the Group by ascertaining risks based on expert knowledge in the Quality Committee, the Export Control Committee, and the Compliance Committee under the Risk Management Committee, as well as the Environmental Subcommittee and the Supply Chain Subcommittee under the Sustainability Committee; and by establishing rules to address each risk and ensuring compliance with these rules.
  - Internal Audit Department audits the status of risk control by the above committees and others and evaluates its effectiveness on a regular basis, and reports to the Audit and Supervisory Committee and the Board of Directors. The Board of Directors develops a framework whereby it can implement corrective measures when necessary.



- (v) A framework regarding reporting to our company of matters related to performance of duties by directors of subsidiaries
- A framework is being placed for important matters at subsidiaries to be reported and decided upon by our company in compliance with the Decision and Reporting Rules for Subsidiaries.
- (vi) Matters concerning employees assisting the Audit and Supervisory Committee
- Several employees are appointed as dedicated assistants to the Audit and Supervisory Committee who act in obedience to orders of the Audit and Supervisory Committee of our company in order to ensure an efficient procedure of the Audit and Supervisory Committee as well as to ensure the increased effectiveness of the audit.
  - Orders given by the Audit and Supervisory Committee to the assistants, transfer of the assistants, and evaluation of the assistants' performance are ensured to be independent of officers who assume executive responsibilities.
- (vii) A framework for reporting to the Audit and Supervisory Committee
- An Audit and Supervisory Committee member of our company has the authority to attend major meetings. This ensures that the Audit and Supervisory Committee members have opportunities to constantly understand the status of operations and the decision-making process of the Group.
  - A framework is being developed to ensure appropriate and effective reporting to the Audit and Supervisory Committee of our company regarding facts that can potentially cause damage to our company, information obtained through the reporting/consultation system concerning corporate compliance, or items to be reported at the Audit and Supervisory Committee as previously agreed with directors.
  - Internal Audit Department regularly reports the status of internal audit as well as the results of the audit to the Audit and Supervisory Committee of our company. The Audit and Supervisory Committee of our company maintains close coordination with Internal Audit Department by measures including requesting, if necessary, further investigations by Internal Audit Department.
  - We ensure that parties who make reports to the Audit and Supervisory Committee of our company do not receive negative treatment, including provisions in place within the Confidentiality Rules of the Code of Conduct Hotline to forbid retaliation against parties that make reports to the Code of Conduct Hotline, the report/consultation system.
- (viii) Matters regarding policies related to processing expenses or liabilities arising from performance of duties by Audit and Supervisory Committee members of our company
- Expenses related to the duties of Audit and Supervisory Committee members of our company are budgeted annually to a certain amount by request of Audit and Supervisory Committee, and for necessary expenses, our company makes payments that are in excess of the budget, pursuant to laws and regulations. Additionally, our company also makes payments, as required, for expenses required to appoint outside specialists.

(ix) A framework to ensure effective audit by the Audit and Supervisory Committee of our company

- While ensuring independence of the Audit and Supervisory Committee of our company from management functions, this framework enables the Audit and Supervisory Committee of our company to hold regular meetings with the representative director in order to exchange opinions regarding issues to be dealt with by the company, or important tasks pertaining to audits, and to make necessary requests, consequently deepening the mutual understanding between them.
- The Audit and Supervisory Committee of our company hold regular meetings with accounting auditors, to actively exchange opinions and information.

[Outline of Operational Status]

(i) Status of compliance

- The Group strove to engage in awareness building activities to disseminate the Nikon Code of Conduct, which shows the Group's basic stance on corporate social responsibility and the standards of behavior expected of all directors, officers, executive fellows and employees working in the Group. The Group also worked to revise the Nikon Code of Conduct in response to changes in the internal and external environment. The Group revised the Code of Conduct on April 1, 2024, and disseminated it to all Group companies in Japan and abroad.
- The Group revised the Anti-bribery Guidelines (Japanese version) to reduce the risk of bribery, and conducted awareness-raising activities.
- The Group companies in Japan conducted an awareness survey and gave feedback on the survey results to each workplace as well as providing guidance for improvement as needed.
- The Group provided education on competition laws both in Japan and overseas in efforts to strengthen compliance.
- The Group reported on the status of compliance promotion activities such as various compliance education programs and the awareness survey, etc. to the Compliance Committee and gave feedback to each division to improve and enhance the compliance awareness.
- The Group strove to spread the Code of Conduct Hotline, while appropriately handling matters reported to the Hotline.

(ii) Status of risk management

- The Risk Management Committee was held twice a year within the Group.
- The Group performs risk assessment, and creates a risk map based on the result. The risk map displays the impact scale and event probability of risks. For items assessed as high risk, the Group checks the status with the relevant divisions and makes efforts to reduce the risk, such as considering counter measures.
- In operating its business, the Group has formulated management standards that specify the scope of operations to be monitored as well as standard processes and policies. By operating the management standards and promoting the improvement of its internal controls, the Group strives to establish a risk management system.

(iii) Status of group management

- Regarding management of the Group as a whole, it has established a framework in which subsidiaries report significant matters to the Group, which will be authorized by the Group, in accordance with the Regulations of the Executive Committee, the Decision and Reporting Rules for Subsidiaries, etc. The Group has been conducting operations along with the framework.
- Each Group company develops and operates with decision-making standards in accordance with the Decision and Reporting Rules for Subsidiaries and the laws and regulations of each country.
- Regarding preservation and control of information, the Group carries them out in accordance with the Nikon Group Information Management Rules and other internal regulations.

(iv) Execution of duties of the Audit and Supervisory Committee

- Full-time Audit and Supervisory Committee Members attend important meetings such as those of the Executive Committee, understand the status of management, check the process and content of decision making, and report at the Audit and Supervisory Committee.
- Audit and Supervisory Committee Members audit each division, subsidiary, etc., and check the development and operational status of the internal control system.
- Audit and Supervisory Committee Members regularly exchange opinions with the Representative Directors, share auditing issues, and request corrections as needed.
- Audit and Supervisory Committee Members have the periodical opportunity to exchange opinions and hold a tripartite audit meeting with the Internal Audit Department in charge of internal audits and Accounting Auditors to strengthen cooperation. Audit and Supervisory Committee Members also strive to conduct effective audits by sharing information with each division as needed.

## Consolidated Statement of Changes in Equity

(From April 1, 2023 to March 31, 2024)

(Million yen)

	Equity attributable to owners of parent					
	Share capital	Capital surplus	Treasury shares	Other components of equity		
				Gain (loss) on financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Share of other comprehensive income of investments accounted for using equity method
As of April 1, 2023	65,476	7,053	(7,709)	8,305	–	(1,110)
Profit for year	–	–	–	–	–	–
Other comprehensive income	–	–	–	14,837	2,109	206
Total comprehensive income for year	–	–	–	14,837	2,109	206
Dividends	–	–	–	–	–	–
Purchase and disposal of treasury shares	–	(0)	(3)	–	–	–
Share-based payment transactions	–	(139)	415	–	–	–
Incorporation of new subsidiaries	–	–	–	–	–	–
Changes in ownership interest in subsidiaries	–	(6,017)	–	–	–	–
Transfer from other components of equity to retained earnings	–	–	–	(4,177)	(2,109)	(154)
Total transactions with owners	–	(6,156)	412	(4,177)	(2,109)	(154)
As of March 31, 2024	65,476	897	(7,297)	18,965	–	(1,057)

	Equity attributable to owners of parent					Non-controlling interests	Total equity
	Other components of equity			Retained earnings	Total		
	Exchange differences on translation of foreign operations	Effective portion of cash flow hedges	Total				
As of April 1, 2023	15,928	(125)	22,999	527,148	614,966	3,384	618,351
Profit for year	–	–	–	32,570	32,570	(436)	32,134
Other comprehensive income	42,199	(34)	59,317	–	59,317	274	59,590
Total comprehensive income for year	42,199	(34)	59,317	32,570	91,887	(163)	91,724
Dividends	–	–	–	(17,315)	(17,315)	(64)	(17,380)
Purchase and disposal of treasury shares	–	–	–	–	(3)	–	(3)
Share-based payment transactions	–	–	–	–	277	(60)	216
Incorporation of new subsidiaries	–	–	–	–	–	2	2
Changes in ownership interest in subsidiaries	–	–	–	–	(6,017)	(1,802)	(7,819)
Transfer from other components of equity to retained earnings	–	–	(6,440)	6,440	–	–	–
Total transactions with owners	–	–	(6,440)	(10,876)	(23,059)	(1,924)	(24,983)
As of March 31, 2024	58,127	(159)	75,876	548,843	683,795	1,297	685,091

## Notes to Consolidated Financial Statements

(Significant Basis for Presenting Consolidated Financial Statements)

### 1. Standards for Preparing Consolidated Financial Statements

The consolidated financial statements of the Company and its subsidiaries (hereinafter referred to as the “Group”) are prepared in accordance with the International Financial Reporting Standards (hereinafter referred to as the “IFRS”), pursuant to Article 120, Paragraph 1 of the Rules of Corporate Accounting. In the accompanying consolidated financial statements, certain disclosure items required by IFRS are omitted pursuant to the latter part of the said paragraph.

### 2. Scope of Consolidation

Number of consolidated subsidiaries	:	81 companies
Principal subsidiaries	:	Tochigi Nikon Corporation, Tochigi Nikon Precision Co., Ltd., Sendai Nikon Corporation, Miyagi Nikon Precision Co., Ltd., Nikon Imaging Japan Inc., Nikon Solutions Co., Ltd., Nikon (Thailand) Co., Ltd., Nikon Imaging (China) Sales Co., Ltd., Nikon Inc., Nikon Precision Inc., Nikon Instruments Inc., Nikon Europe B.V., Optos Plc, and others

The increase and decrease of the number of consolidated subsidiaries is as follows.

Increase: 3 companies (due to share acquisition and other reasons)

Decrease: 2 companies (due to merger and other reasons)

### 3. Scope of Equity Method

Number of associates and joint ventures accounted for using equity method	:	11 companies
Principal associates and joint ventures	:	Nikon-Essilor Co., Ltd., Nikon-Trimble Co., Ltd., and others

The increase and decrease of the number of associates and joint ventures accounted for using equity method is as follows.

Decrease: 1 company (due to merger)

#### 4. Matters regarding the Accounting Policies

##### (1) Valuation basis and method for financial instruments

###### 1) Non-derivative financial assets

###### (i) Initial recognition and measurement

Financial assets other than derivative financial instruments are classified as those measured at amortized cost, fair value through other comprehensive income, or fair value through profit or loss. The classification is determined at the initial recognition.

###### a) Financial assets measured at amortized cost

The Group classifies its financial assets as those measured at amortized cost only if both of the following conditions are met:

- the financial asset is held within a business model with an objective of collecting contractual cash flows, and
- the contractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortized cost are initially measured at fair value, including transaction costs that are directly attributable to the acquisition. The carrying amount of financial assets measured at amortized cost is calculated by the effective interest method in subsequent measurement.

###### b) Financial assets measured at fair value through other comprehensive income

For certain equity instruments held primarily for the purpose of maintaining or strengthening the business relationship with investees, the Group designates these instruments mainly as fair value through other comprehensive income at initial recognition.

Financial assets measured at fair value through other comprehensive income are initially measured at fair value, and subsequent changes in fair value are recognized in other comprehensive income. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is transferred to retained earnings.

###### c) Financial assets measured at fair value through profit or loss

Financial instruments that are not designated as those measured at fair value through other comprehensive income and debt instruments that do not meet the criteria for those measured at amortized cost are classified as those measured at fair value through profit or loss.

Financial assets measured at fair value through profit or loss are initially measured at fair value and subsequent changes in fair value are recognized in profit or loss.

(ii) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all risks and rewards of ownership of the asset to another party.

(iii) Impairment of financial assets measured at amortized cost

Allowance for doubtful accounts in respect of financial assets measured at amortized cost is recognized for expected credit losses.

At the end of each reporting period, the Group evaluates whether there has been a significant increase in credit risk of a financial asset since initial recognition. Specifically, if the credit risk of a financial asset has not significantly increased since initial recognition, an allowance for doubtful account is measured at an amount equal to the 12-month expected credit losses. However, if the credit risk has significantly increased since initial recognition, it is measured at an amount equal to the expected credit losses over the remaining term of the financial asset. An allowance for doubtful account for trade receivables without any significant financing components is measured at an amount equal to the lifetime expected credit losses since initial recognition.

Whether the credit risk has significantly increased or not depends on changes in default risk. The following factors are considered to determine if there has been a change in default risk:

- Financial condition of debtors
- Actual credit losses occurred in prior years
- Overdue information in prior years

Provision or reversal of allowance for doubtful accounts is recognized in profit or loss.

2) Non-derivative financial liabilities

(i) Initial recognition and measurement

Financial liabilities other than derivative financial instruments are classified as either those measured at amortized cost or at fair value through profit or loss. The classification is determined at initial recognition.

a) Financial liabilities measured at amortized cost

The Group classifies its financial liabilities other than those measured at fair value through profit or loss as those measured at amortized cost.

Financial liabilities measured at amortized cost are initially measured at fair value less any directly attributable transaction costs. Subsequent to the initial recognition, financial liabilities are measured at amortized cost using the effective interest rate method whereby interest expenses are recognized as “Finance costs” in the consolidated statement of profit or loss.

b) Financial liabilities measured at fair value through profit or loss

Financial liabilities measured at fair value through profit or loss are initially measured at fair value and subsequent changes in fair value are recognized in profit or loss.

(ii) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligation is discharged, canceled, or has expired.

3) Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments, including foreign exchange forward contracts, interest rate swaps, cross currency swaps, and currency options, to manage its exposure to foreign exchange rate and interest rate risks.

The Group does not enter into or trade derivative financial instruments for speculative purposes.

At the inception of a hedge transaction, the Group documents the relationships between hedging instruments and hedged items, along with its risk management objectives and strategies for undertaking various hedge transactions. Furthermore, the Group evaluates whether a hedging instrument is highly effective in offsetting changes in fair values or cash flows of the relevant hedged item on an ongoing basis during the period specified for hedging.

Derivatives are initially recognized at the fair value on the date when the derivative contracts are entered into, and are subsequently remeasured to their fair values at the end of each reporting period.

Changes in fair value of derivatives subsequent to initial recognition are accounted for as follows:

(i) Fair value hedges

Changes in fair value of derivatives as a hedging instrument are recognized in profit or loss. The carrying amount of a hedged item not already measured at fair value is adjusted for the fair value change attributable to the hedged risk with a corresponding entry in profit or loss.

(ii) Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualifying as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the significantly ineffective portion is recognized immediately in profit or loss.

When the hedged forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, or when the hedged forecast transaction for a non-financial asset or a nonfinancial liability becomes a firm commitment for which fair value hedge accounting is applied, the gain or loss previously recognized in other comprehensive income and accumulated in equity is directly transferred from equity and included in the initial costs or other carrying amount of the asset or liability. For other cash flow hedges, amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the



same period or periods when the hedged forecast cash flows affect profit or loss. However, if the amount is a loss that is not expected to be recoverable partially or entirely in the future, the amount that is expected to be unrecoverable is reclassified immediately to profit or loss.

Hedge accounting is discontinued when the Group revokes the hedging relationship; when the hedging instrument expires or is sold, terminated, or exercised; or when it no longer qualifies for hedge accounting. Any gain or loss recognized in other comprehensive income and accumulated in equity at that time remains in equity and is reclassified to profit or loss when the transaction of the hedged item is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is reclassified immediately to profit or loss.

(2) Valuation basis and method for inventories

Inventories are measured at the lower of cost and net realizable value. Costs of inventories are mainly calculated by the average method and comprise all costs of purchasing and processing as well as other costs incurred in bringing the inventories to their present location and condition. Fixed and variable overhead costs are allocated appropriately and included in the processing costs.

Net realizable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(3) Valuation basis, method and depreciation method for property, plant and equipment, intangible assets (excluding goodwill) and leases

1) Property, plant and equipment

The Group applies the cost model for measurement of property, plant and equipment. Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Property, plant and equipment, except for land and construction in progress, are depreciated using the straight-line method over the depreciable amount, which is determined as the costs less their residual values, over the estimated useful lives from the date when they are available for their intended use.

The estimated useful lives of property, plant and equipment are mainly as follows:

Buildings	30 to 40 years
Machinery and equipment	5 to 10 years

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period.

## 2) Intangible assets

The Group applies the cost model for subsequent measurement of intangible assets. Intangible assets are stated at cost less accumulated amortization and accumulated impairment losses.

### (i) Intangible assets acquired separately

Intangible assets acquired separately are measured at cost at initial recognition.

### (ii) Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are measured at their fair value at the acquisition date.

### (iii) Internally-generated intangible assets

Expenditures on research activities are recognized as expenses in the period in which they are incurred. Expenditures on development (or in the development phase of an internal project) are recognized as assets only if all of the following have been demonstrated:

- (a) the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- (b) the intention to complete the intangible asset and use or sell it;
- (c) the ability to use or sell the intangible asset;
- (d) how the intangible asset will generate probable future economic benefits;
- (e) the availability of adequate technical, financial, and other resources to complete the development and to use or sell the intangible asset; and
- (f) the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The other expenditures are recognized as expenses as incurred.

The amount initially recognized for internally-generated intangible assets is the sum of the expenditures incurred from the date when the intangible asset first meets the recognition criteria listed above.

Intangible assets with finite useful lives are amortized by the straight-line method over their estimated useful lives from the date when they are available for their intended use. Amortization methods, useful lives, and residual values are reviewed at the end of each reporting period.

The estimated useful lives of intangible assets are as follows:

Technology-related assets	10 to 13 years
Software	5 years

Intangible assets with indefinite useful lives and intangible assets not yet available for use are not amortized, and are tested for impairment at least annually, and whenever there is an indication that the intangible asset may be impaired.

### 3) Leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified underlying asset for a period of time in exchange for consideration.

#### (i) Leases (the Group as lessee)

The Group recognizes a right-of-use asset and a lease liability at the commencement date of a lease.

A right-of-use asset is initially measured at cost at the commencement date. After the commencement date, the right-of-use asset is subsequently measured applying a cost model and presented at cost less any accumulated depreciation and any accumulated impairment losses. A right-of-use asset is depreciated from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

A lease liability is initially measured at the present value of the lease payments that are not made at the commencement date. After the commencement date, the lease liability is subsequently measured to reflect interest on the lease liability and the lease payments made. In cases of a contract modification, the lease liability is remeasured, and a corresponding adjustment is made to the right-of-use asset. A lease liability is included in “Other current financial liabilities” and “Other non-current financial liabilities” in the statement of financial position.

Lease payments associated with short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis over the lease term.

#### (ii) Leases (the Group as lessor)

The Group classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise, a lease is classified as an operating lease.

##### a) Finance leases

Assets held under a finance lease are recognized as a receivable at an amount equal to the net investment in the lease.

##### b) Operating leases

Operating lease payments received are recognized as income on a straight-line basis over the lease terms.

### 4) Impairment of non-financial assets and investments accounted for using equity method

At the end of each reporting period, the Group assesses whether there is any indication that non-financial assets may be impaired.

If any impairment indication exists, the recoverable amount of the asset is estimated. However, goodwill, intangible assets with indefinite useful lives, and intangible assets not yet available for

use are tested for impairment at least annually regardless of whether there is any indication of impairment.

In addition, the carrying amount of the entire investments accounted for using equity method is tested for impairment as a single asset when there is objective evidence of impairment.

The recoverable amount of an asset or a cash-generating unit is the higher of fair value less costs of disposal or value in use. When the recoverable amount of an individual asset cannot be estimated, the Group estimates the recoverable amount of the cash-generating unit or the group of cash-generating units to which the asset belongs. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Since corporate assets do not generate separate cash inflows, the recoverable amount of an individual corporate asset cannot be determined. If there is an indication that a corporate asset may be impaired, the recoverable amount is determined for the cash-generating unit or the group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of this cash-generating unit or group of cash-generating units, unless the asset has been determined to be disposed of.

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or the cash-generating unit is reduced to its recoverable amount, and an impairment loss is recognized.

When there are indications that an impairment loss recognized in prior periods may no longer exist or may have decreased since the last recognition of the impairment loss, the impairment loss recognized in prior years for an asset or a cash-generating unit other than goodwill is reversed. The reversal of an impairment loss is recognized to the extent where the carrying amount of the asset or the cash-generating unit is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or the cash-generating unit in prior years.

##### 5) Non-current assets held for sale

A non-current asset (or a disposal group) is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. An asset is classified as held for sale only when the asset (or the disposal group) is available for immediate sale, and when management is committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Non-current assets (or disposal groups) classified as held for sale are measured at the lower of their carrying amount or fair value less costs to sell and are no longer depreciated or amortized.

(4) Accounting criteria for significant provisions

Provisions are recognized when the Group has a present legal or constructive obligation arising as a result of a past event; it is probable that an outflow of economic benefits will be required to settle the obligation; and a reliable estimate can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligations at the end of each reporting period.

When the impact of the time value of money is material, provisions are stated at the present value of the estimated future cash flows which is discounted using a pre-tax rate reflecting the time value of money and the specific risks of the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as "Finance costs."

1) Provision for product warranties

The Group recognizes and measures the provision for future product warranties based on actual sales recorded and warranty costs incurred in prior years, whereby repair expenses can be covered for products sold in the period that the Group guarantees to provide free repair services in the contracts. The Group estimates that the outflows of the expected economic benefits will occur within a one-year period from the end of each fiscal year.

2) Asset retirement obligations

The Group recognizes and measures the provisions for asset retirement obligations based on past experiences, whereby the Group incurred an obligation for the restoration of leased premises, such as office buildings, and for the removal of harmful substances related to property, plant and equipment. The Group expects that the majority of the payments of these obligations will be made after one year from the end of each fiscal year.

(5) Revenue recognition

The Group' revenue is recognized based on the following five-step model:

Step 1: Identify the contract with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

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

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

The Imaging Products Business provides products and services of imaging products and its peripheral domain, such as digital camera-interchangeable lens type, compact DSC and interchangeable lens. The Precision Equipment Business provides products and services related to

the FPD lithography system and semiconductor lithography system. The Healthcare Business provides products and services for the life science solutions field such as biological microscopes, for the eye care solutions field such as ultra-wide field retinal imaging devices, and for the contract cell development and manufacturing field. The Components Business provides products related to the Digital Solutions Business such as optical components, optical parts, encoders, and material processing; products and services related to the Customized Products Business such as EUV-related components and space-related products; and related to the Glass Business such as photomask substrates for FPDs. The Digital Manufacturing Business conducts sales of industrial microscopes, measuring instruments, X-ray and CT inspections systems, surveying instruments, and metal 3D printers. The Group also renders services related to products, such as warranty, repair and maintenance, and relocation services.

For sales of products and rendering of services, the performance obligations are identified based on contracts with customers.

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

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

#### (6) Method for accounting of post-employment benefits

##### 1) Post-employment benefits

The Group has defined benefit pension plans and defined contribution pension plans as post-employment benefit plans.

The primary defined benefit plans adopted by group entities in Japan are contract-type defined benefit corporate pension plans and a retirement lump sum payment plan. Certain group entities in Japan have joined the Smaller Enterprise Retirement Allowance Mutual Aid Scheme. Certain overseas group entities have adopted defined benefit plans and defined contribution plans.

##### (i) Defined benefit plans

The present value of defined benefit obligations, relevant current service cost as well as past service costs of each plan, are determined using the projected unit credit method. The present

value is measured at the discounted expected future payments. The discount rate is determined by reference to market yields at the fiscal year-end on high quality corporate bonds for the corresponding period in which the retirement benefits are to be paid.

The net retirement benefit liability or asset is recognized as a liability or an asset in the consolidated financial statements, and is measured at the present value of defined benefit obligation net of the fair value of plan assets (including the effect of the asset ceiling of defined benefit plans and adjustment for minimum funding requirements, if necessary).

Current service cost and net interest expense or income on the net retirement benefit liability (or asset) are recognized in profit or loss. Remeasurements of the defined retirement benefit plans are recognized in other comprehensive income in the period when they occur and transferred immediately to retained earnings. Past service cost is recognized in profit or loss as incurred.

(ii) Defined contribution plans

Contributions to defined contribution retirement plans are recognized as expenses in the period in which the associated services are rendered by employees.

2) Other long-term employee benefits

Liabilities recognized in respect of other long-term employee benefits, such as long-term paid absences, are measured at the present value of the estimated future benefits that are expected to be paid by the Group in exchange for the services rendered by employees up to the reporting date.

3) Short-term employee benefits

Short-term employee benefits are recognized as expenses when the associated services are rendered by employees at undiscounted amounts.

A liability is recognized for the expected benefit payments when the Group has a present legal or constructive obligation to pay for employee benefits as a result of the services rendered by employees, and when a reliable estimate can be made for the obligation.

(7) Foreign currencies

1) Functional currency and presentation currency

The separate financial statements of each group entity are presented in its functional currency, the currency of the primary economic environment in which the entity operates. The consolidated financial statements of the Group are presented in Japanese yen, which is the functional currency of the Company.

2) Foreign currency transactions

Foreign currency transactions are translated into the functional currency at the spot exchange rate at the date of the transaction or at the foreign exchange rate that approximates the spot exchange rate at the date of the transaction.

Monetary items denominated in foreign currencies are translated into the functional currency at the exchange rate as of the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated to the functional currency at the exchange rate at the date of the transaction. Non-monetary items measured at fair value that are denominated in foreign currencies are translated into the functional currency at the exchange rate at the date when the fair value is measured. Exchange differences arising from the translation or settlement are recognized in “Finance income” and “Finance costs” in the consolidated statement of profit or loss, except for those recognized in other comprehensive income.

### 3) Foreign operations

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Group’s foreign operations including goodwill and fair value adjustments arising from the acquisition of foreign operations are translated into Japanese yen using the exchange rate at the end of each reporting period. Income and expenses are translated into Japanese yen at the average exchange rate for the period unless exchange rates fluctuate significantly during that period. Exchange differences on translation of foreign operations are initially recognized in other comprehensive income and accumulated in “Other components of equity.” If a foreign operation is disposed of, the exchange differences of the foreign operation accumulated in “Other components of equity” are transferred from equity to profit or loss when the gain or loss on the disposal is recognized.

Goodwill and fair value adjustments arising from the acquisition of a foreign operation are accounted for as assets and liabilities of the foreign operation and translated at the exchange rate at the end of each reporting period.

### (8) Goodwill

Goodwill is recognized as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the Group’s previously held equity interest in the acquiree; over the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed. After initial recognition, goodwill is stated at cost less accumulated impairment losses. Goodwill is not amortized and has been allocated to cash-generating units or groups of cash-generating units.

Goodwill is tested for impairment at least annually or whenever any indication of impairment is identified. If the recoverable amount of a cash-generating unit or a group of cash-generating units



is estimated to be less than its carrying amount, an impairment loss of goodwill is recognized in profit or loss and is never subsequently reversed.

(9) Income taxes

Income taxes for the year comprise current and deferred income tax expenses. Income tax expenses are recognized in profit or loss except to the extent that they arise from items recognized in other comprehensive income or directly in equity, or from a business combination.

Current tax expense is measured at the expected tax payable or tax receivable on taxable income for the year due to or due from the tax authorities, applying the tax rates and tax laws and regulations that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax expense is determined based on the temporary differences between the carrying amounts of assets and liabilities for accounting purposes and their tax bases at the end of the reporting period. Deferred tax assets are recognized for all deductible temporary differences, unused tax losses, and unused tax credits to the extent it is probable that taxable profits will be available against which those deductible temporary differences, unused tax losses, and unused tax credits can be utilized. Deferred tax liabilities are recognized for taxable temporary differences, in principle.

Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied in the period in which the liability is settled or the asset is realized, based on tax rates and tax laws and regulations that have been enacted or substantively enacted by the end of the reporting period.

The Group applies the exception to recognition and disclosure with respect to deferred tax assets and liabilities for income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development.

(10) Other significant matters for preparing consolidated financial statements

The Company and certain domestic consolidated subsidiaries apply the group tax sharing system. Meanwhile, certain overseas consolidated subsidiaries apply the consolidated declaration system.

(Notes on Accounting Estimates)

In the preparation of consolidated financial statements, the reported amounts of assets, liabilities, income and expenses are affected by the management's selecting the application of accounting policies and estimates. The assumptions on which the estimates are calculated are based on historical experience, available information and other factors that are reasonably assessed at the end of the reporting period according to management's best judgments. Accounting estimates are based on assumptions that take into consideration factors such as the economy, market, and consumption trends, in addition to the changes in demand and supply in the industries each business of the Group belongs

to. However, future results may differ from these estimates and associated assumptions.

The estimates are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively in the period of the revision and future periods.

The following are the key estimates and associated assumptions that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the subsequent reporting period. For details, please refer to the matters regarding each accounting policy and the consolidated statement of financial position.

- Significant assumptions used in the calculation of the expected discounted cash flows for the impairment test of non-financial assets

See 4. Matters regarding the Accounting Policies, (3) Valuation basis, method and depreciation method for property, plant and equipment, intangible assets (excluding goodwill) and leases in Significant Basis for Presenting Consolidated Financial Statements.

See 4. Matters regarding the Accounting Policies, (8) Goodwill in Significant Basis for Presenting Consolidated Financial Statements.

- Recoverability of deferred tax assets

See 4. Matters regarding the Accounting Policies, (9) Income taxes in Significant Basis for Presenting Consolidated Financial Statements.

(Notes to Consolidated Statement of Financial Position)

1. Accumulated Depreciation on Assets (including Accumulated Impairment Loss)

Accumulated depreciation of property, plant and equipment	377,382 million yen
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2. Contingent Liabilities

(1) Litigation

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

The Company's subsidiary in India (hereinafter referred as "Subsidiary in India") was inquired by the Indian Tax Authority regarding the import of the Company's digital cameras, and in October 2016, the imposition was confirmed in relation to the customs duty, interest, and penalty concerning those products. In January 2017, the Subsidiary in India appealed to the Customs, Excise and Service Tax Appellate Tribunal (hereinafter referred to as "CESTAT"); however, the appeal was dismissed in December 2017. To object to this decision, in January 2018, the Subsidiary in India filed an appeal to the Supreme Court of India (hereinafter referred as the "Supreme Court"). In March 2021, the Supreme Court delivered a judgment revoking the decision of CESTAT and consequently the demand notice by the Indian Tax Authority. Subsequently in April 2021, the Indian Tax Authority filed a request for retrial. As it is currently unable to forecast the outcome of the request for retrial, the provision is not recognized in accordance with the aforementioned accounting policy.

(2) Contracts and Legal Compliance

In response to a question raised that our consolidated subsidiary Optos Plc sold refurbished products and new products without distinction, we are conducting an internal investigation with the cooperation of the external organizations, as well as our own internal review. With respect to potential violations and breaches of legal, regulatory and contractual requirements in the U.S., we have set aside a provision of 1,541 million yen for any compensation, penalties or other sanction. As a result of the review up to this point, we have not found any quality, sales or marketing or other issues that have caused us to increase this provision.

Depending on the future progress of the investigation and our review, there is a possibility that our consolidated performance would be affected in case where payment to each regulatory authority and compensation to customers, etc., will occur; however, we think that it difficult to reasonably

estimate the effect at this moment.

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

3. Allowance for Doubtful Accounts Directly Deducted from Assets

Trade and other receivables	1,120 million yen
Other financial assets	6 million yen

(Notes to Consolidated Statement of Profit or Loss)

1. Selling, General and Administrative Expenses

Selling, general and administrative expenses mainly consist of the following items:

	Amount (Million yen)
Depreciation and amortization	19,198
Research and development expenses	71,141
Employee benefit expenses	79,013
Advertising and sales promotion expenses	23,267
Others	75,437
Total	268,056

(Notes to Consolidated Statement of Changes in Equity)

1. Type and Total Number of Shares Issued and Treasury Shares

(Shares)

	As of April 1, 2023	Increase	Decrease	As of March 31, 2024
Shares issued				
Ordinary shares	351,476,686	–	–	351,476,686
Total	351,476,686	–	–	351,476,686
Treasury shares				
Ordinary shares (Note)	5,303,396	1,928	285,847	5,019,477
Total	5,303,396	1,928	285,847	5,019,477

Note: The increase in the number of ordinary treasury shares during the year ended March 31, 2024 of 1,928 shares is due to purchase of shares of less than one unit.

The decrease in the number of ordinary treasury shares during the year ended March 31, 2024 of 285,847 shares is due to a decrease of 131,527 shares arising from grant to the beneficiaries of the restricted stock remuneration system, a decrease of 106,200 shares arising from the exercise of stock options, a decrease of 48,118 shares arising from grant to the beneficiaries of the performance-based stock remuneration system, and a decrease of 2 shares due to sale of shares less than one unit.

## 2. Dividends

### (1) Dividends paid

Resolution	Type of shares	Total dividends paid (Million yen)	Dividend per share (Yen)	Record date	Effective date
Annual General Shareholders' Meeting on June 29, 2023	Ordinary shares	8,654	25.00	March 31, 2023	June 30, 2023
Meeting of the Board of Directors on November 9, 2023	Ordinary shares	8,661	25.00	September 30, 2023	December 1, 2023

### (2) Dividends of which the record date is attributable to the current fiscal year but to be effective in the following fiscal year

The Company plans to resolve the following dividend at the Annual General Shareholders' Meeting which will be held on June 24, 2024.

Resolution	Type of shares	Total dividends paid (Million yen)	Resource of dividends	Dividend per share (Yen)	Record date	Effective date
Annual General Shareholders' Meeting on June 24, 2024	Ordinary shares	8,661	Retained earnings	25.00	March 31, 2024	June 25, 2024

## 3. Share Acquisition Rights and Others

The following are the type and number of shares to be issued upon the exercise of the share acquisition rights as of the consolidated balance sheet date, excluding share acquisition rights for which the first day of the exercise period has not yet arrived.

Ordinary shares

1,815,700 shares

(Financial Instruments)

## 1. Matters Related to Financial Instruments

### (1) Capital management

Under the premise that a certain level of financial stability is maintained, the Group decides its capital management policies to realize the maximization of corporate value by emphasizing operational efficiency of invested capital, aiming for an equity ratio of approximately 55% to 60%, and by utilizing funds for investments (in strategic investments, R&D, and capital expenditures) that provide expected revenue exceeding its capital cost to enable sustainable growth. At the same time, the policies seek to meet the demands of shareholders by providing stable returns to shareholders. In order to maintain or adjust the capital structure, necessary funds will be raised essentially through cash flows from operating activities generated from maintaining and enhancing the Group's earnings power, in addition to borrowings from banks and the issuance of corporate bonds and so on, which will be carried out if needed.

### (2) Financial risk management objectives

Financial instruments held by the Group are exposed to various risks comprising market risks (i.e., foreign currency risk, interest rate risk, and stock price risk), credit risk, and liquidity risk. To mitigate such various risks, the Group has implemented measures according to the nature and size of the transaction and geographical characteristics.

### (3) Market risk management

The Group is exposed to market risk of changes in foreign currency exchange rates and in the price of equity instruments.

The Group uses derivative financial instruments such as forward exchange contracts to hedge these risks. The Group holds or issues derivatives based on its management rules for the exposure to foreign currency translation risk, interest rate risk, price risk, derivatives or other financial instruments. Internal auditors continuously monitor appropriate operation based on the Group's management rules.

#### 1) Foreign currency risk

Trade receivables denominated in foreign currencies arising from the expansion of the Group's business worldwide are exposed to foreign currency fluctuation risk. Some trade payables, such as notes and accounts payable mainly arising from imports of materials, are denominated in foreign currencies and are also exposed to foreign currency fluctuation risk. However, the amounts of such payables are within the range of outstanding accounts receivable denominated in the same foreign currencies. Thus, the Group principally enters into

forward exchange contracts mainly to hedge the position after offsetting foreign currency-denominated trade payables. Hedging transactions that qualify for hedge accounting are accounted for by applying hedge accounting. Depending on the foreign currency market condition, forward exchange contracts within nine-month maximum contract terms are made against the expected amount of foreign currency denominated trade receivables that are deemed certain to arise based on forecast transactions of imports and exports.

## 2) Interest rate risk

The Group is exposed to interest rate risk arising from the borrowings with both fixed and floating interest rates.

Most of the interest-bearing liabilities consist of bonds and borrowings at fixed interest rates. For floating-rate borrowings, the Group has entered into interest rate swap contracts to hedge exposures to achieve an effect of fixed-rate borrowings.

## 3) Other price risks

Investments in securities are exposed to share price risk. The Group regularly obtains information on current market prices or the financial condition of the issuer (counterparty) and reviews the status of the securities held by the Group on an ongoing basis taking into consideration the relationship with the counterparty.

## (4) Credit risk management

The Group is exposed to credit risk (i.e., a risk that counterparty will default on its contractual obligations of a financial asset held by the Group resulting in a financial loss to the Group) arising from trade and other receivables, including notes receivables, accounts receivables, lease receivables, and other receivables.

Trade receivables, including notes, accounts, and lease receivables, are exposed to customers' credit risk. With respect to this risk, the Group manages due dates and account balance by each customer in accordance with the settlement conditions, and it also obtains the information about doubtful accounts that are mainly caused by deterioration in the financial conditions of customers at an early stage. In addition, the Group also mitigates credit risk by utilizing advances and transaction credit insurance according to the nature of transaction contents, trade size, and the creditworthiness of customers.

Other receivables are also exposed to the credit risk of counterparties, but they are generally settled in a short period of time.

Derivatives are exposed to credit risk arising from default by counterparties. With respect to the execution and management of derivatives transactions, the Group operates the transactions



according to internal rules for trade authorization, and enters into derivatives transactions only with highly rated financial institutions to mitigate credit risk.

(5) Liquidity risk management

Trade and other payables, borrowings, and other financial liabilities are exposed to liquidity risk that they cannot be paid for on due dates.

The Group manages its liquidity risk by monitoring the liquidity on hand and by maintaining and ensuring appropriate cash reserves according to conditions using a medium- and long-term cash management system, which is updated on a regular basis.

In addition, the Group has established a global cash management system to work on reducing liquidity risk by managing its group wide cash, including cash reserves held by the domestic and overseas subsidiaries, in a centralized and efficient manner.

## 2. Fair values of financial instruments and breakdown of items by level

The fair values of financial instruments are measured based on quoted prices in an active market at the end of each reporting period. When a market for financial instruments is not regarded as active, or when it does not exist, the Group uses appropriate valuation techniques for fair value measurement. The financial instruments that are measured at fair value are categorized into the three levels of the fair value hierarchy determined with reference to the observability of inputs used in the valuation techniques.

The definition of each level of the fair value hierarchy is as follows:

Level 1 – Fair value measured using a quoted price in an active market for an identical asset or liability;

Level 2 – Fair value measured using inputs that are composed of observable prices, either directly or indirectly; and

Level 3 – Fair value measured using inputs that are unobservable for the assets or liabilities.

### (1) Financial instruments measured at fair value

Fair value hierarchies of financial instruments measured at fair value are as follows.

(Million yen)

As of March 31, 2024	Level 1	Level 2	Level 3	Total
Derivatives	–	10,828	–	10,828
Shares	56,787	–	7,898	64,685
Others	–	1,522	23,540	25,062
Total assets	56,787	12,350	31,438	100,575
Derivatives	–	1,038	–	1,038
Total liabilities	–	1,038	–	1,038

The fair value measurement in respect of major financial instruments measured at fair value is as follows:

#### 1) Derivatives

Certain derivative assets and liabilities with respect to foreign exchange forward contracts, interest rate swaps, currency swaps, and currency options measured at fair value using appropriate valuation techniques with reference to market prices quoted by financial institutions that enter into these contracts and to other available information are categorized as Level 2.

#### 2) Shares

Shares with active markets are measured at fair value using quoted market prices in the stock

exchange and are categorized as Level 1. Regarding the shares that do not have active markets, the items are categorized as Level 2 if the fair value is estimated using observable inputs, and if the fair values are measured using the market approach or the income approach that is determined by discounted future cash flows using other unobservable inputs, such items are categorized as Level 3.

### 3) Others

Other instruments without active markets are categorized as Level 2 if the fair value is estimated using observable inputs. Assets are categorized as Level 3 if the fair value is estimated using the market approach or the income approach that is determined by discounted future cash flows using unobservable inputs.

## (2) Financial instruments measured at amortized cost

The carrying amount and the fair value of those financial instruments are as follows.

(Million yen)

	As of March 31, 2024	
	Carrying amount	Fair value
Financial liabilities		
Bonds	19,945	19,663
Long-term borrowings	91,667	91,228
Total	111,611	110,891

(Note) Current portion of bonds and borrowings is included.

The fair value measurement in respect of major financial instruments measured at amortized cost is as follows:

Fair value of bonds is calculated based on quoted market prices, and the fair value hierarchy is categorized as Level 1. Fair value of long-term borrowings is calculated by discounting future cash flows at an interest rate equal to an appropriate index such as the yield of government bonds plus credit spread, and the fair value hierarchy of long-term borrowings is categorized as Level 3.

Other than bonds and long-term borrowings, the carrying amounts of financial assets and liabilities are measured at amortized cost, which approximate fair value.

(Notes to Revenue Recognition)

1. Information on disaggregation of revenue

In consideration of the similarity of economic characteristics, the Group has integrated its business divisions into five reportable segments consisting of the Imaging Products Business, the Precision Equipment Business, the Healthcare Business, the Components Business, and the Digital Manufacturing Business. The business segments are periodically reviewed by the Board of Directors to determine the distribution of management resources and evaluate business results, and revenue of these business units is presented as sales revenue. The relationship between the disclosure of disaggregated revenue into geographical regions based on customer's location and revenue information that is disclosed for each reportable segment are as follows.

(Million yen)

	Imaging Products	Precision Equipment	Healthcare	Components	Digital Manufacturing	Others (Note 1)	Total
Japan	30,316	50,847	13,279	36,624	11,542	1,559	144,167
United States	68,574	20,869	52,453	5,272	22,467	0	169,635
Europe (Note 2)	59,137	58,376	18,044	1,583	12,219	51	149,411
China	59,215	46,608	10,980	1,424	3,501	1,450	123,177
Others (Note 2)	62,495	42,678	13,133	2,102	10,208	239	130,855
Total	279,737	219,379	107,889	47,005	59,937	3,298	717,245
Revenue recognized from contracts with customers	279,328	219,379	97,887	47,005	59,936	3,298	706,834
Revenue recognized from other sources (Note 3)	409	–	10,002	–	1	–	10,412

- Notes: 1. The "Others" category consists of operations not included in the reportable segments.  
2. Except for Japan, the United States and China, the countries or regions are primarily categorized as follows:  
1. Europe: the United Kingdom, France and Germany  
2. Others: Canada, Asia other than Japan and China, Middle East, Oceania and Latin-America  
3. Revenue recognized from other sources include revenue from leases under IFRS 16 Leases.

2. Information useful in understanding revenue

Please refer to "(Significant Basis for Presenting Consolidated Financial Statements), 4. Matters regarding the Accounting Policies, (5) Revenue recognition."

### 3. Information useful in understanding revenue for the current and following fiscal years

#### (1) Contract balances

The balances of receivables arising from an entity's contracts with customers, contract assets and advances received are as follows:

(Million yen)

	As of April 1, 2023	As of March 31, 2024
Receivables from contracts with customers	92,800	109,889
Contract assets	2,081	3,059
Advances received	99,836	71,875

For significant changes in advances received during the year ended March 31, 2024, the amount increased 156,432 million yen by receipt of cash based on contracts, and decreased 189,403 million yen by revenue recognition. The amount of revenue recognized from advances received which existed at the beginning of the period was 69,673 million yen.

The amount of revenue recognized in the reporting period from performance obligations satisfied in previous periods is not material.

#### (2) Transaction price allocated to remaining performance obligations

The transaction price allocated to performance obligations that were unsatisfied (or partially unsatisfied) was 165,018 million yen for the year ended March 31, 2024. These performance obligations will be recognized as revenue from the Precision Equipment Business mainly within two years.

As a practical expedient, the amount does not include transactions for which the original expected term of the contract is one year or less. There are also no significant amounts that are not included in transaction prices in the consideration from contracts with customers.

#### (Notes to Per-Share Information)

1. Equity per Share attributable to Owners of Parent	1,973.68 yen
2. Basic Earnings per Share	94.03 yen

#### (Notes to Significant Subsequent Event)

##### (Business combination by acquisition)

The Company acquired 100% of the outstanding membership interests of RED.com, LLC (hereinafter referred to as "RED") on April 8, 2024, making it a wholly-owned subsidiary.

#### 1. Summary of Business Combination

(1) Name of Acquired Company and its Business Outline

Name of acquired company: RED.com, LLC

Business outline: Design, development, manufacture, sales, and provision of services of professional digital cinema cameras

(2) Primary Reasons for Business Combination

Since its establishment in 2005, RED has been at the forefront of digital cinema cameras, introducing industry-defining products such as the original RED ONE 4K to the cutting-edge V-RAPTOR [X] with its proprietary RAW compression technology. RED's contributions to the film industry have not only earned it an Academy Award but have also made it the camera of choice for numerous Hollywood productions, celebrated by directors and cinematographers worldwide for its commitment to innovation and image quality optimized for the highest levels of filmmaking and video production.

This agreement will merge the strengths of both companies. The Company's expertise in product development, exceptional reliability, and know-how in image processing, as well as optical technology and user interface along with RED's knowledge in cinema cameras, including unique image compression technology and color science, will enable the development of distinctive products in the professional digital cinema camera market.

The Company and RED will merge the strengths of both companies to expand the fast-growing professional digital cinema camera market while leveraging the business foundations and networks of both companies.

(3) Legal Form of Business Combination

Acquisition of equity interest for cash consideration

(4) Date of Business Combination

April 8, 2024

(5) Percentage of Voting Equity Interests Acquired

100%

2. Acquisition Cost of the Acquired Company and Breakdown by Type of Consideration

(Million yen)

Item	Amount
Cash	13,167
Total acquisition cost (Note)	13,167

Note: Pursuant to the Membership Interest Purchase Agreement for the transaction, price adjustments will be made based on the amount to reflect any increase or decrease in working capital and other items up to the closing date.

As the initial accounting for the business combination has not been completed at this moment, detailed information on the accounting is not disclosed.

(Other Notes)

1. Impairment Losses of Non-financial Assets

The Group determines the impairment of assets by cash-generating units based on the business segments, in which the assets are grouped by the minimum unit that generate largely independent cash inflows. In regard to idle assets, the future prospects or sales expectations are considered when determining impairment by cash-generating units, in which the assets are grouped by individual asset or multiple assets. As a result of impairment assessment, if the recoverable amount is determined to be lower than the carrying amount, the carrying amount is reduced to the recoverable amount and the reduction is recognized as impairment loss. The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs of disposal and its value in use. The impairment losses are recognized in “Other operating expenses” in the consolidated statement of profit or loss.

For the year ended March 31, 2024 (from April 1, 2023 to March 31, 2024)

As a result of an impairment assessment, the Group recognized impairment losses of 2,716 million yen. Impairment losses by asset are as follows.

	Amount (Million yen)
Property, plant and equipment	220
Right-of-use assets	909
Intangible assets	1,237
Goodwill	349
Total	2,716

For the Digital Manufacturing Business, impairment losses of 2,352 million yen were recognized. Future cash flows in a manufacturing and sales subsidiary in Europe, Nikon Metrology NV, were no longer expected from assets for which development was decided to be discontinued, assets for which commercialization development was postponed, and other assets. Accordingly, the Group reduced the carrying amount of these assets to their recoverable amount and recognized impairment losses of 1,283 million yen. The recoverable amount was measured at value in use, and the value was set at zero. The Group also reduced the carrying amount of assets to be sold by a manufacturing and sales subsidiary in

the United States, Morf3D Inc., to their recoverable amount, which was measured at fair value less costs of disposal based on their estimated sale value, and recognized impairment losses of 1,069 million yen. As the initially anticipated earnings was no longer expected in a subsidiary in Japan, Exvision Corporation, under the Components Business, the Group assessed impairment of assets based on the revised future cash flow forecasts. As a result, impairment losses of 349 million yen were recognized, as the recoverable amount of the cash-generating unit was determined to be lower than the carrying amount of goodwill. The recoverable amount was measured at value in use.

For businesses other than the Digital Manufacturing Business and the Components Business, as a result of investigating the future use of non-current assets, the Company and certain foreign subsidiaries reduced the carrying amount of their idle assets with no prospect of specific use to their recoverable amount and recognized impairment losses of 14 million yen.

All amounts have been rounded to the nearest million yen.



## Non-Consolidated Statement of Changes in Net Assets

(From April 1, 2023 to March 31, 2024)

(Million yen)

	Shareholders' equity								
	Share capital	Capital surplus		Retained earnings					
		Legal capital surplus	Legal retained earnings	Other retained earnings					
				Reserve for research and development	Reserve for tax purpose reduction entry of replacement assets	Reserve for tax purpose reduction entry	Reserve for promoting open innovation	General reserve	Retained earnings brought forward
Balance as of April 1, 2023	65,476	80,712	5,565	2,056	5,033	2,996	321	111,211	83,795
Changes of items during period									
Reversal of reserve for tax purpose reduction entry of replacement assets					(525)				525
Reversal of reserve for tax purpose reduction entry						(181)			181
Dividends from surplus									(8,654)
Dividends from surplus (Interim dividends)									(8,661)
Profit for year									43,285
Purchase of treasury shares									
Disposal of treasury shares									(27)
Net changes of items other than shareholders' equity									
Total changes of items during period	-	-	-	-	(525)	(181)	-	-	26,648
Balance as of March 31, 2024	65,476	80,712	5,565	2,056	4,508	2,815	321	111,211	110,443

	Shareholders' equity		Valuation and translation adjustments			Share acquisition rights	Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments		
Balance as of April 1, 2023	(7,709)	349,455	24,259	(173)	24,086	1,977	375,518
Changes of items during period							
Reversal of reserve for tax purpose reduction entry of replacement assets		–					–
Reversal of reserve for tax purpose reduction entry		–					–
Dividends from surplus		(8,654)					(8,654)
Dividends from surplus (Interim dividends)		(8,661)					(8,661)
Profit for year		43,285					43,285
Purchase of treasury shares	(3)	(3)					(3)
Disposal of treasury shares	415	388					388
Net changes of items other than shareholders' equity			10,774	3	10,778	(111)	10,666
Total changes of items during period	412	26,354	10,774	3	10,778	(111)	37,021
Balance as of March 31, 2024	(7,297)	375,809	35,033	(169)	34,864	1,866	412,539

## Notes to Non-Consolidated Financial Statements

### 1. Matters related to Significant Accounting Policies

#### (1) Valuation basis and method for securities

- |  |   |
|--|---|
| - Held-to-maturity debt securities                     | Stated at amortized cost.   |
| - Investments in subsidiaries and associated companies | Stated at cost determined by the moving-average method.   |
| - Available-for-sale securities (with market price)    | Stated at fair value based on quoted market prices at the balance sheet date. Unrealized gains and losses, net of applicable taxes, are reported in a separate component of equity, and the cost of the securities sold is calculated by the moving-average method. |
| - Available-for-sale securities (without market price) | Stated at cost determined by the moving-average method.   |

The Company records investments in limited liability investment partnerships and in other similar partnerships (deemed “securities” under the provisions set forth in Article 2, Paragraph 2 of the Financial Instruments and Exchange Act) using the amount of interest in such partnerships calculated based on ownership percentage and the most recent financial statements on the report date stipulated in the partnership agreement.

#### (2) Valuation basis and method for derivatives

Stated at fair value.

#### (3) Valuation basis and method for inventories

Generally, work in process is stated at cost determined by the specific identification method, and other inventories are stated at cost determined by the average method. Inventories with lower profitability are written down.

(4) Depreciation method for non-current assets	
- Property, plant and equipment (excluding leased assets)	The straight-line method is applied.
- Intangible assets (excluding leased assets)	The straight-line method is applied.
- Leased assets	Leases that do not transfer ownership of the leased property to the lessee are depreciated using the straight-line method over the lease terms without residual value.
(5) Accounting for deferred assets	Bond issuance expenses are expensed as paid.
(6) Accounting criteria for allowances and provisions	
- Allowance for doubtful accounts	To cover probable losses on uncollectible receivables, the allowance for doubtful receivables is computed based on historical bad debt experience for general accounts and based on the analysis of individual collectability for specific accounts.
- Provision for product warranties	The Company mainly provides for the cost of product warranties at the time revenue is recognized in order to cover repair costs for the product with an obligation that the Company shall provide free repairs for a certain period. The provision is measured at estimated cost based on the past experience ratio or measured separately when the product warranty expense can be separately estimated.
- Provision for retirement benefits	The Company accounts for the provision for employees' retirement benefit based on the projected retirement benefit obligations and pension assets at the balance sheet date. Prior service cost is amortized on a straight-line basis over 10 years (a certain period within the average remaining service period of employees) from the period in which the prior service cost accrues, and actuarial gains and

losses are amortized on a straight-line basis over 10 years (a certain period within the average remaining service period of employees) from the period immediately following the period in which the actuarial gains and losses arise.

When calculating retirement benefit obligations, the benefit formula basis is used to allocate estimated retirement benefits in the period up to the end of the current fiscal year. When the amount of projected pension assets falls below the amount of projected retirement benefit obligations after adjusting for any unrecognized actuarial difference and unrecognized prior service cost, the difference is posted as provision for retirement benefits. When it is in excess, the excess amount is posted as prepaid pension cost.

- Provision for loss on business of subsidiaries and associates

To cover probable losses on business of subsidiaries and associates, the Company provides for an estimated excess amount of loss over investments in capital of, and loans receivable from, subsidiaries and associates to be incurred by the Company.

(7) Revenue recognition

The Company's revenue is recognized based on the following five-step model:

Step 1: Identify the contract with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

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

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

The Imaging Products Business provides products and services of imaging products and its peripheral domain, such as digital camera-interchangeable lens type, compact DSC and interchangeable lens. The Precision Equipment Business provides products and services related to the FPD lithography system and semiconductor lithography system. The Healthcare Business provides products and services for the life science solutions field such as biological microscopes and cell culture observation systems. The Components Business provides products related to the Digital Solutions Business such as optical components, optical parts, encoders, and material processing; products and services related to the Customized Products Business such as EUV-related components and space-related products; and related to the Glass Business such as photomask substrates for FPDs. The Digital Manufacturing Business conducts sales of industrial microscopes, measuring instruments, and X-ray and CT inspections systems.

The Company also renders services related to products, such as warranty, repair and maintenance, and relocation services.

For sales of products and rendering of services, the performance obligations are identified based on contracts with customers. Regarding the sales of products that require installation by the Company, revenue is recognized at the point when the installation is completed. For products that do not require installation by the Company, revenue is

recognized at the point when the product is delivered to a customer, as the customer obtains control over the products upon completion of installation or delivery and the performance obligation is deemed to be satisfied. Revenue is measured at the consideration promised in a contract with a customer, less discounts, rebates, and other items.

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

- (8) Translation basis of assets and liabilities denominated in foreign currencies into Japanese yen

Monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the spot exchange rate prevailing at the balance sheet date, and the translation adjustment is recognized in the non-consolidated statement of income.

- (9) Hedge accounting  
a. Method for hedge accounting  
b. Hedging instruments and hedged items

Deferral hedge accounting is applied.

Hedging instruments are foreign exchange forward contracts, currency options, cross currency swaps, and interest rate swaps.

Hedged items are receivables and payables denominated in foreign currencies, forecasted foreign currency transactions, bonds payable, and loans payable.

- c. Hedging policy

Foreign exchange risk and interest rate risk of hedged items are hedged within a certain scope in accordance with internal rules that regulate the authorization, transaction limit,

d. Method for assessment of hedge effectiveness	and others related to derivative transactions. The Company compares the cumulative changes in cash flows from, or the changes in fair value of, hedged items with the corresponding changes in the hedging instruments and evaluates hedging effectiveness based on the changes and others.
(10) Application of group tax sharing system	The Company applies the group tax sharing system.

## 2. Notes on Accounting Estimates

In the preparation of non-consolidated financial statements, the reported amounts of assets, liabilities, income and expenses are affected by the management's selecting the application of accounting policies and estimates. The assumptions on which the estimates are calculated are based on historical experience, available information and other factors that are reasonably assessed at the end of the reporting period according to management's best judgments. Accounting estimates are based on assumptions that take into consideration factors such as the economy, market, and consumption trends, in addition to the changes in demand and supply in the industries each business of the Group belongs to. However, future results may differ from these estimates and associated assumptions.

The estimates are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively in the period of the revision and future periods.

The following are the key estimates that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the subsequent reporting period.

- Valuation of shares of subsidiaries and associates (shares of subsidiaries and associates of 179,143 million yen including shares of Nikon SLM Solutions AG of 92,447 million yen)

The Company determines whether or not to recognize impairment losses on shares of subsidiaries and associates that do not have market prices by comparing the acquisition cost of shares with their substantive value. If the substantive value has declined by 50% or more compared to the acquisition cost, it is to be written down the shares to the substantive value unless the recoverability of the shares is supported by sufficient evidence based on the business plan of the relevant entity. The substantive value of shares acquired reflecting excess earning power is estimated based on the business plan and other information of the relevant entity, as is the case with goodwill recorded in the consolidated statement of financial position. However, if it becomes necessary to revise the business plan and other information due to future changes in uncertain economic conditions and other factors, the amount of shares of subsidiaries and associates may be materially affected in the



non-consolidated financial statements for the subsequent reporting period.

- Recoverability of deferred tax assets

For details of the estimates and underlying assumptions, please refer to Notes on Accounting Estimates as part of the consolidated financial statements. For the amount of deferred tax assets recorded as of March 31, 2024, please refer to the non-consolidated balance sheet.

- Impairment of non-current assets

For details of the estimates and underlying assumptions, please refer to Notes on Accounting Estimates as part of the consolidated financial statements. For the amount of impairment loss on non-current assets recorded for the year ended March 31, 2024, please refer to the non-consolidated balance sheet and statement of income.

### 3. Notes to Non-Consolidated Balance Sheet

(1) Accumulated depreciation of property, plant and equipment 182,930 million yen

(2) Guarantees of indebtedness

(Million yen)

Guarantee	Guaranteed amount	Content of guarantee of indebtedness
62 employees	19	Mortgage and others
Subsidiaries	1,052	Loans payable and others
Total	1,071	

(3) Monetary receivables and payables to affiliated companies

Short-term monetary receivables 57,636 million yen

Long-term monetary receivables 8,211 million yen

Short-term monetary payables 73,251 million yen

(4) Monetary payables to Directors

Long-term monetary payables 33 million yen

### 4. Notes to Non-Consolidated Statement of Income

(1) Transactions with affiliated companies

Operational transactions

Sales to affiliated companies 269,876 million yen

Purchase from affiliated companies 183,702 million yen

Other transactions 37,946 million yen

(2) Gain on sale of investment securities

The Company recorded gain on sale of investment securities of 9,744 million yen in extraordinary income as a result of selling shares for cross-shareholdings.

5. Notes to Non-Consolidated Statement of Changes in Net Assets

Type and number of treasury shares at the end of the period

Ordinary shares

5,019,477 shares

## 6. Notes to Tax Effect Accounting

### (1) Deferred tax assets and deferred tax liabilities

#### Deferred tax assets:

Inventories	15,462 million yen
Accrued bonuses	1,711 million yen
Depreciation	25,028 million yen
Provision for product warranties	482 million yen
Impairment loss	1,851 million yen
Percentage of completion method	1,856 million yen
Others	17,792 million yen
Subtotal of deferred tax assets	<u>64,183 million yen</u>
Valuation allowance	<u>(17,227) million yen</u>
Total deferred tax assets	46,957 million yen

#### Deferred tax Liabilities:

Reserve for advanced depreciation of non-current assets	(3,232) million yen
Valuation difference on available-for-sale securities	(15,045) million yen
Others	(4) million yen
Total deferred tax liabilities	<u>(18,281) million yen</u>
Net deferred tax assets	<u>28,676 million yen</u>

## 7. Notes to Transactions with Related Parties

(Million yen)

Category	Company name	Percentage of voting rights (%)	Relationship	Transaction	Transaction amount (Note 4)	Account	Balance at end of period (Note 4) (Note 5)
Subsidiaries	Nikon Imaging (China) Sales Co., Ltd.	100.0	Sale and after-sales service of the Company's products	Sale of Imaging Products Business products in China (Note 1)	50,470	Accounts receivable - trade	8,942
	Nikon Inc.	100.0	Sale and after-sales service of the Company's products	Sale of Imaging Products Business products in the Americas (Note 1)	54,459	Accounts receivable - trade	3,276
	Nikon Europe B.V.	100.0	Sale and after-sales service of the Company's products	Supervision in Europe, sale of Imaging Products Business products in Europe (Note 1)	46,542	Accounts receivable - trade	2,389
	Nikon (Thailand) Co., Ltd.	100.0	Manufacture of the Company's products	Manufacture of Imaging Products Business products (Note 2)	112,445	Accounts payable - trade	7,079
	Nikon Vision Co., Ltd.	100.0	Sale of sport optics	Receipt of deposits for consumption (Note 3)	–	Deposits received	15,212
	Nikon Tec Corporation	100.0	Maintenance services for FPD and semiconductor-related equipment	Receipt of deposits for consumption (Note 3)	–	Deposits received	8,215

Condition of transaction, policy to determine such condition and others

(Note 1) The condition of transaction of product sales is determined in consideration of market prices.

(Note 2) The condition of transaction of product manufacturing is determined after negotiation in each case in consideration of prices calculated based on market quotations and estimates from customers.

(Note 3) The Group has adopted a cash management system (hereinafter referred to as "CMS"), but it is difficult in practice to tally the amounts of cash transactions using the CMS by detail of such transactions. Accordingly, only the balances at the end of the period are presented. Interest rates for loans to subsidiaries and borrowings from subsidiaries are reasonably determined in consideration of market interest rates.

(Note 4) The transaction amount and balance of overseas subsidiaries at the end of the period do not include consumption taxes and others.

(Note 5) The balances of monetary receivables and payables denominated in foreign currencies at the end of the period are presented in the amounts translated into Japanese yen at the spot exchange rate prevailing at the balance sheet date.

## 8. Notes to Revenue Recognition

Please refer to "1. Matters related to Significant Accounting Policies, (7) Revenue recognition."

## 9. Notes to Retirement Benefits

### (1) Outline of retirement benefit plans

The Company has a defined benefit corporate pension plan (cash balance plan) under the Defined-Benefit Corporate Pension Act. The Company also has a defined contribution pension plan for a portion of future retirement benefit.

### (2) Retirement benefit obligation

Retirement benefit obligation	(70,925)	million yen
Fair value of pension assets	104,508	million yen
Unfunded retirement benefit obligation	33,583	million yen
Unrecognized actuarial gain	(24,471)	million yen
Unrecognized prior service cost	25	million yen
Prepaid pension cost	9,137	million yen

Fair value of pension assets includes the retirement benefit trust of 10,151 million yen.

### (3) Retirement benefit expenses

Service cost	1,314	million yen
Interest cost	853	million yen
Expected return on pension assets	(1,081)	million yen
Recognized actuarial loss	(2,232)	million yen
Recognized prior service cost	5	million yen
Subtotal	(1,141)	million yen
Others	19	million yen
Retirement benefit expenses	(1,122)	million yen

In addition to the above retirement benefit expenses, contributions to the defined contribution pension plan amounting to 994 million yen were recorded in “Cost of sales” and retirement benefit expenses included in “Selling, general and administrative expenses.”

(4) Others

Discount rate	1.3%
Long-term expected rate of return on pension assets	1.1%

10. Notes to Per-Share Information

Net assets per share	1,185.35 yen
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Earnings per share	124.96 yen
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11. Notes to Significant Subsequent Event

Business combination by acquisition

The Company acquired 100% of the outstanding membership interests of RED on April 8, 2024, making it a wholly-owned subsidiary.

For details, please refer to the “Notes to Consolidated Financial Statements (Notes to Significant Subsequent Event). ”

All amounts have been rounded to the nearest million yen.