

Note: This is an English translation of the Consolidated Financial Statements in the Financial Section of the Annual Securities Report (*Yukashoken Hokokusho*). The English translation of Non-Consolidated Financial Statements in the Financial Section and the other sections of the Annual Securities Report (*Yukashoken Hokokusho*) are not included in this report.

Financial Information

1. Preparation of Consolidated Financial Statements

The consolidated financial statements of Nikon Corporation (hereinafter referred to as the “Company”) and its subsidiaries (together hereinafter referred to as the “Group”) were prepared in accordance with International Financial Reporting Standards (hereinafter referred to as “IFRS Accounting Standards”) pursuant to Article 312 of the “Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements” (Ordinance of the Ministry of Finance No. 28 of 1976).

2. Special Measures to Ensure the Accuracy of Consolidated Financial Statements and a Framework to Ensure Consolidated Financial Statements are Appropriately Prepared in Accordance with IFRS Accounting Standards

The Company has taken special measures to ensure the accuracy of the consolidated financial statements and has established a framework to ensure that the consolidated financial statements are appropriately prepared in accordance with IFRS Accounting Standards. The details of these are as follows:

- (1) In order to establish a framework capable of comprehending accounting standards properly and adapting to changes in accounting standards appropriately, the Company has joined the Financial Accounting Standards Foundation and also participates in seminars and training programs organized by associations providing professional information.
- (2) In order to ensure that the consolidated financial statements are appropriately prepared in accordance with IFRS Accounting Standards, the Company formulated the Group accounting policies in compliance with IFRS Accounting Standards and has been conducting accounting practices accordingly. The Company obtains the press releases and accounting standards published by the International Accounting Standards Board, learns the latest standards, assesses the relevant possible impacts on the Company, and updates the Group accounting policies in a timely manner.

Consolidated Financial Statements

Consolidated Statement of Financial Position

Nikon Corporation and Consolidated Subsidiaries

		Millions of yen	
		As of March 31,	
		2025	2026
ASSETS			
Current assets:			
Cash and cash equivalents (Note 8)	¥	163,590	¥ 158,036
Trade and other receivables (Note 9)		125,441	127,459
Inventories (Note 10)		307,533	332,872
Other current financial assets (Notes 11 and 35)		3,116	2,316
Other current assets (Note 12)		20,540	25,816
Total current assets		620,220	646,499
Non-current assets:			
Property, plant and equipment (Note 13)		146,473	150,758
Right-of-use assets (Note 17)		18,752	17,600
Goodwill and intangible assets (Note 14)		165,462	95,614
Retirement benefit asset (Note 24)		13,998	3,309
Investments accounted for using equity method (Note 16)		10,068	12,417
Other non-current financial assets (Notes 11 and 35)		76,111	73,974
Deferred tax assets (Note 18)		58,614	73,918
Other non-current assets (Note 12)		817	918
Total non-current assets		490,294	428,508
Total assets	¥	1,110,514	¥ 1,075,007

Millions of yen

	As of March 31,	
	2025	2026
LIABILITIES / EQUITY		
LIABILITIES		
Current liabilities:		
Trade and other payables (Note 19)	¥ 82,200	¥ 73,367
Bonds and borrowings (Notes 20 and 35)	71,413	97,717
Income taxes payable (Note 18)	5,474	5,151
Advances received (Note 27)	68,157	67,372
Provisions (Note 21)	5,756	9,548
Other current financial liabilities (Notes 22 and 35)	31,814	30,042
Other current liabilities (Note 23)	40,731	45,101
Total current liabilities	305,545	328,298
Non-current liabilities:		
Bonds and borrowings (Notes 20 and 35)	122,157	122,240
Retirement benefit liability (Note 24)	7,897	8,582
Provisions (Note 21)	6,521	5,298
Deferred tax liabilities (Note 18)	11,347	3,257
Other non-current financial liabilities (Notes 22 and 35)	13,480	13,323
Other non-current liabilities (Note 23)	4,345	5,813
Total non-current liabilities	165,746	158,513
Total liabilities	471,291	486,811
EQUITY		
Share capital (Note 25)	65,476	65,476
Treasury shares (Note 25)	(7,761)	(6,813)
Other components of equity (Note 25)	67,147	108,953
Retained earnings (Note 25)	513,115	419,169
Equity attributable to owners of parent	637,977	586,785
Non-controlling interests	1,246	1,411
Total equity	639,223	588,196
Total liabilities and equity	¥ 1,110,514	¥ 1,075,007

Consolidated Statement of Profit or Loss

Nikon Corporation and Consolidated Subsidiaries

Millions of yen, unless otherwise indicated				
Year ended March 31,				
		2025		2026
Revenue (Note 27)	¥	715,285	¥	677,163
Cost of sales (Note 10)		(403,318)		(399,903)
Gross profit		311,968		277,261
Selling, general and administrative expenses (Note 28)		(295,155)		(289,248)
Other operating income (Note 29)		2,241		10,710
Other operating expenses (Note 29)		(16,631)		(111,170)
Operating profit (loss)		2,422		(112,448)
Finance income (Note 30)		5,960		9,204
Finance costs (Note 30)		(6,994)		(7,518)
Share of profit of investments accounted for using equity method (Note 16)		3,146		4,251
Profit (loss) before tax		4,533		(106,511)
Income tax expense (Note 18)		1,590		20,476
Profit (loss) for year		6,123		(86,035)
Profit (loss) attributable to:				
Owners of parent		6,123		(86,088)
Non-controlling interests		(0)		53
Profit (loss) for year	¥	6,123	¥	(86,035)
Earnings (loss) per share:				
Basic earnings (loss) per share (Yen) (Note 31)	¥	17.86	¥	(261.57)
Diluted earnings (loss) per share (Yen) (Note 31)		17.77		(261.57)

Consolidated Statement of Comprehensive Income

Nikon Corporation and Consolidated Subsidiaries

Millions of yen				
Year ended March 31,				
		2025		2026
Profit (loss) for year	¥	6,123	¥	(86,035)
Other comprehensive income				
Items that will not be reclassified subsequently to profit or loss				
Gain (loss) on financial assets measured at fair value through other comprehensive income (Note 32)		(4,147)		12,146
Remeasurements of net defined benefit plans (Notes 24 and 32)		968		1,900
Share of other comprehensive income of investments accounted for using equity method (Note 32)		7		21
Total of items that will not be reclassified subsequently to profit or loss		(3,172)		14,066
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translation of foreign operations (Note 32)		(2,177)		36,830
Effective portion of cash flow hedges (Note 32)		359		(45)
Share of other comprehensive income of investments accounted for using equity method (Note 32)		131		384
Total of items that may be reclassified subsequently to profit or loss		(1,687)		37,169
Other comprehensive income, net of taxes		(4,859)		51,236
Total comprehensive income (loss) for year	¥	1,264	¥	(34,799)
Comprehensive income (loss) attributable to:				
Owners of parent		1,281		(35,068)
Non-controlling interests		(17)		269
Total comprehensive income (loss) for year	¥	1,264	¥	(34,799)

Consolidated Statement of Changes in Equity

Nikon Corporation and Consolidated Subsidiaries

For the years ended March 31, 2025 and 2026

	Equity attributable to owners of parent													Millions of yen	
	Share capital	Capital surplus	Treasury shares	Other components of equity					Total	Retained earnings	Total	Non-controlling interests	Total 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	Exchange differences on translation of foreign operations	Effective portion of cash flow hedges							
As of April 1, 2024	¥ 65,476	¥ 897	¥ (7,297)	¥ 18,965	¥ –	¥ (1,057)	¥ 58,127	¥ (159)	¥ 75,876	¥ 548,843	¥ 683,795	¥ 1,297	¥ 685,091		
Profit (loss) for year	–	–	–	–	–	–	–	–	–	6,123	6,123	(0)	6,123		
Other comprehensive income (loss) (Note 32)	–	–	–	(4,147)	968	138	(2,160)	359	(4,842)	–	(4,842)	(17)	(4,859)		
Total comprehensive income (loss) for year	–	–	–	(4,147)	968	138	(2,160)	359	(4,842)	6,123	1,281	(17)	1,264		
Dividends (Note 26)	–	–	–	–	–	–	–	–	–	(17,328)	(17,328)	(42)	(17,370)		
Purchase and disposal of treasury shares (Note 25)	–	(31)	(30,003)	–	–	–	–	–	–	–	(30,034)	–	(30,034)		
Cancellation of treasury shares (Note 25)	–	(29,144)	29,144	–	–	–	–	–	–	–	–	–	–		
Share-based payment transactions (Note 34)	–	(132)	395	–	–	–	–	–	–	–	263	–	263		
Incorporation of new subsidiaries	–	–	–	–	–	–	–	–	–	–	–	4	4		
Changes in ownership interest in subsidiaries	–	–	–	–	–	–	–	–	–	–	–	4	4		
Transfer from retained earnings to capital surplus	–	28,410	–	–	–	–	–	–	–	(28,410)	–	–	–		
Transfer from other components of equity to retained earnings	–	–	–	(2,909)	(968)	(10)	–	–	(3,887)	3,887	–	–	–		
Total transactions with owners	–	(897)	(464)	(2,909)	(968)	(10)	–	–	(3,887)	(41,851)	(47,098)	(33)	(47,132)		
As of March 31, 2025	¥ 65,476	¥ –	¥ (7,761)	¥ 11,909	¥ –	¥ (929)	¥ 55,966	¥ 201	¥ 67,147	¥ 513,115	¥ 637,977	¥ 1,246	¥ 639,223		
Profit (loss) for year	–	–	–	–	–	–	–	–	–	(86,088)	(86,088)	53	(86,035)		
Other comprehensive income (loss) (Note 32)	–	–	–	12,048	1,900	405	36,713	(45)	51,020	–	51,020	215	51,236		
Total comprehensive income (loss) for year	–	–	–	12,048	1,900	405	36,713	(45)	51,020	(86,088)	(35,068)	269	(34,799)		
Dividends (Note 26)	–	–	–	–	–	–	–	–	–	(16,450)	(16,450)	(26)	(16,475)		
Purchase and disposal of treasury shares (Note 25)	–	(0)	(2)	–	–	–	–	–	–	–	(3)	–	(3)		
Cancellation of treasury shares (Note 25)	–	–	–	–	–	–	–	–	–	–	–	–	–		
Share-based payment transactions (Note 34)	–	(728)	950	–	–	–	–	–	–	–	222	–	222		
Incorporation of new subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	–		
Changes in ownership interest in subsidiaries	–	–	–	–	–	–	–	–	–	–	–	28	28		
Transfer from retained earnings to capital surplus	–	728	–	–	–	–	–	–	–	(728)	–	–	–		
Transfer from other components of equity to retained earnings	–	–	–	(7,297)	(1,900)	(17)	–	–	(9,214)	9,319	105	(105)	–		
Total transactions with owners	–	–	947	(7,297)	(1,900)	(17)	–	–	(9,214)	(7,858)	(16,124)	(103)	(16,228)		
As of March 31, 2026	¥ 65,476	¥ –	¥ (6,813)	¥ 16,660	¥ –	¥ (541)	¥ 92,679	¥ 155	¥ 108,953	¥ 419,169	¥ 586,785	¥ 1,411	¥ 588,196		

Consolidated Statement of Cash Flows

Nikon Corporation and Consolidated Subsidiaries

Millions of yen

	Year ended March 31,	
	2025	2026
Cash flows from operating activities:		
Profit (loss) before tax	¥ 4,533	¥ (106,511)
Depreciation and amortization	44,189	43,087
Impairment losses	10,816	99,141
Interest and dividend income	(5,471)	(5,632)
Share of (profit) loss of investments accounted for using equity method	(3,146)	(4,251)
Losses (gains) on sale of property, plant and equipment	(34)	(4,820)
Interest expenses	2,681	3,541
Decrease (increase) in trade and other receivables	15,298	4,301
Decrease (increase) in inventories	(20,042)	(12,788)
Increase (decrease) in trade and other payables	(1,652)	(10,794)
Increase (decrease) in advances received	(3,493)	(2,716)
Increase (decrease) in provisions	(2,421)	1,984
Others, net	9,430	(1,552)
Subtotal	50,689	2,990
Interest and dividend income received	8,395	7,917
Interest expenses paid	(2,631)	(3,354)
Income taxes refund (paid)	(8,195)	(11,991)
Net cash provided by (used in) operating activities	48,258	(4,439)
Cash flows from investing activities:		
Purchase of property, plant and equipment	(52,163)	(36,537)
Proceeds from sale of property, plant and equipment	405	5,329
Purchase of intangible assets	(17,497)	(19,201)
Purchase of investment securities	(865)	(1,532)
Proceeds from sale of investment securities	7,649	35,702
Proceeds from redemption of investment securities	4,000	–
Acquisition of subsidiaries or other businesses (Note 7)	(12,014)	–
Proceeds from sale of businesses	–	3,000
Others, net	498	637
Net cash provided by (used in) investing activities	(69,988)	(12,603)
Cash flows from financing activities:		
Net increase (decrease) in short-term borrowings (Note 33)	(9,231)	35,111
Proceeds from long-term borrowings (Note 33)	69,489	16,000
Repayments of long-term borrowings (Note 33)	(34,011)	(15,618)
Redemption of bonds (Note 33)	–	(10,000)
Repayments of lease liabilities (Note 33)	(9,147)	(8,047)
Cash dividends paid (Note 26)	(17,321)	(16,447)
Cash dividends paid to non-controlling interests	(42)	(26)
Purchase of treasury shares (Note 25)	(30,003)	(2)
Proceeds from settlement of derivatives (Note 33)	10,648	–
Others, net	(189)	(114)
Net cash provided by (used in) financing activities	(19,808)	858
Effect of exchange rate changes on cash and cash equivalents	(1,516)	10,629
Net increase (decrease) in cash and cash equivalents	(43,054)	(5,554)
Cash and cash equivalents at the beginning of the year	206,644	163,590
Cash and cash equivalents at the end of the year (Note 8)	¥ 163,590	¥ 158,036

Notes to Consolidated Financial Statements

Nikon Corporation and Consolidated Subsidiaries
Year ended March 31, 2026

1. Reporting Entity

Nikon Corporation (hereinafter referred to as the “Company”) is located in Japan and listed on the Prime Market of the Tokyo Stock Exchange. The address of the registered headquarters is 1-5-20, Nishioi, Shinagawa-ku, Tokyo, Japan.

The Company, its subsidiaries (hereinafter collectively referred to as the “Group”), as well as associates and joint ventures accounted for using the equity method, operate the Imaging Products Business, Precision Equipment Business, Healthcare Business, Components Business, Digital Manufacturing Business, and other businesses. The Group’s main businesses are disclosed in Note 6. Segment Information.

The consolidated financial statements comprise the financial statements of the Group and the Group’s interests in associates and joint ventures accounted for using the equity method.

The Group’s major subsidiaries, and associates and joint ventures accounted for using the equity method as of the end of the current fiscal year are described in the Appendix.

2. Basis of Preparation

(1) Compliance with IFRS Accounting Standards

Since the Company is classified as a “Specified Company under Designated International Financial Reporting Standards” as provided in Article 1-2, Item 1 of the Ordinance on Consolidated Financial Statements, the consolidated financial statements have been prepared in accordance with IFRS Accounting Standards pursuant to Article 312 of the Ordinance.

(2) Basis of Measurement

The consolidated financial statements have been prepared on a historical cost basis except for financial instruments that are described in Note 3. Material Accounting Policy Information.

(3) Functional Currency and Presentation Currency

The consolidated financial statements are presented in Japanese yen, which is the functional currency of the Company. All amounts have been rounded to the nearest millions of yen.

(4) Approval of the Consolidated Financial Statements

The consolidated financial statements were approved for issuance by Yasuhiro Ohmura, Representative Director and President, CEO and Takeshi Matsumoto, Corporate Vice President, CFO and General Manager of Finance & Accounting, on June 25, 2026.

(5) Early Adoption of New Standards

The Group has prepared the accompanying consolidated financial statements in accordance with IFRS Accounting Standards that were effective as of March 31, 2026, and has no standards that were early adopted.

(6) Adoption of New Standards and Interpretations

The new standards and interpretations adopted by the Group during the year ended March 31, 2026 had no material impact on the consolidated financial statements.

3. Material Accounting Policy Information

(1) Basis of Consolidation

1) Subsidiaries

Subsidiaries are entities controlled by the Group. When the Group has more than a majority of the voting rights of an investee, it is considered that the Group controls the investee as a subsidiary. Even if the Group has less than a majority of the voting rights of an investee, it is also considered that the Group controls the investee when it is exposed, or has rights, to variable returns from involvement with the investee and has an ability to affect those returns through power over the investee.

The financial statements of subsidiaries are included in the consolidated financial statements from the date the Group obtains control of a subsidiary until the date when it loses control of the subsidiary. If the Group loses control of a subsidiary, the gain or loss resulting from the loss of control is recognized in profit or loss. Changes in the Group's ownership interest in a subsidiary that do not result in the Group losing control of the subsidiary are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributable to owners of parent.

In cases where the accounting policies of subsidiaries are different from those of the Group, the financial statements of subsidiaries are adjusted to bring their accounting policies consistent with the Group's accounting policies. All intragroup transaction amounts, balances, income, and expenses are eliminated in full upon consolidation.

Fiscal year-ends of some subsidiaries are different from that of the Company, as it is impracticable to unify the fiscal year-ends due to those subsidiaries' requirements under local laws and regulations to prepare financial statements with different fiscal year-ends from that of the Company. When the fiscal year-ends of subsidiaries are different from that of the Company, the financial statements that are prepared provisionally as of the consolidated fiscal year-end for such subsidiaries are used for the consolidated financial statements.

2) Investments in Associates and Joint Ventures

An associate is an entity over which the Group has significant influence, which is the power to participate in the financial and operating policy decisions of the investee but does not have control over those policies. If the Group holds 20% or more of the voting rights, but no more than 50% of an investee, in principle, it is determined that the Group has significant influence over the investee.

A joint venture is a joint arrangement, whereby the parties that have joint control over the arrangement have rights to the net assets of the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The results, as well as assets and liabilities of associates or joint ventures are incorporated in the consolidated financial statements of the Group using the equity method. Under the equity method, an investment in an associate or a joint venture is initially recognized at cost and adjusted thereafter for the post-acquisition change in the Group's share of profit or loss and other comprehensive income of the associate or joint venture.

The consolidated financial statements include the financial statements of the associates or joint ventures, which have different fiscal year-ends from that of the Company. Necessary adjustments are made for the effects of significant transactions or events that occur between the fiscal year-ends of such associates or joint ventures and that of the Company.

(2) Business Combinations

Business combinations are accounted for using the acquisition method. The consideration is measured as the sum of the acquisition-date fair values of the assets transferred in exchange for control of the acquiree, the liabilities incurred by the Group to the former owners of the acquiree, and the equity interests issued by the Group.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are measured at their fair value, except for the following:

- deferred tax assets or liabilities are recognized and measured in accordance with International Accounting standard (IAS) 12 *Income Taxes*,
- assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 19 *Employee Benefits*,
- assets (or disposal groups) that are classified as held for sale are measured in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, and
- liabilities related to share-based payment arrangements are measured in accordance with IFRS 2 *Share-based Payment*.

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.

Non-controlling interests are initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. The Group retrospectively adjusts the provisional amounts recognized at acquisition when new information is obtained during the measurement period, within 12 months from the acquisition date, if known, which would have affected the amounts recognized at the acquisition date.

Acquisition-related costs attributable to a business combination are expensed as incurred. Additional acquisition costs of non-controlling interests after the acquisition of control by the Group are accounted for as an equity transaction, and goodwill is not recognized.

(3) Foreign Currencies

1) Functional Currency and Presentation Currency

The financial statements of each group entity are presented in such entity's 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 into the functional currency using 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." On disposal of foreign operations, the

exchange differences that have been accumulated in the other components of equity shall be reclassified from equity to profit or loss when the gain or loss on 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 fiscal year-end.

(4) 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. Interest income from these financial assets measured at amortized cost is included in finance income in the consolidated statement of profit or loss.

(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 relationships 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. Dividends from the financial assets measured at fair value through other comprehensive income are recognized in profit or loss when the Group's right to receive payment of the dividend is established.

(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

- Historical actual credit losses
- Historical overdue information

Provision or reversal of allowance for doubtful accounts is recognized in profit or loss as “Selling, general and administrative expenses” in the consolidated statement of 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 expired.

3) Presentation of Offsetting Financial Assets and Financial Liabilities

Financial assets and financial liabilities are offset and the net amount is presented in the consolidated statement of financial position when, and only when, the Group has a legally enforceable right to offset the recognized amounts and it intends either to settle them on a net basis or to realize the assets and settle the liabilities simultaneously.

4) Fair Value Measurement of Financial Instruments

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.

(5) 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, 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 underlying period.

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:

1) 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.

2) 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 non-financial 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.

(6) Equity

1) Ordinary shares

Proceeds from the issuance of equity instruments by the Company are recognized in share capital and capital surplus. Transaction costs directly attributable to the issuance of ordinary shares are recognized as a deduction from capital surplus on a post-tax basis.

2) Treasury shares

When treasury shares are repurchased, they are measured at cost and presented as a deduction from equity. Transaction costs directly attributable to the repurchase of treasury shares are deducted from equity. When treasury shares are sold, the consideration received is recognized as an increase in equity, and the difference between the carrying amount and the consideration received is included in capital surplus.

(7) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and at banks, demand deposits with banks and other financial institutions, and short-term and highly liquid investments that are readily convertible into known amounts of cash and are not subject to significant risk of changes in value with a maturity of three months or less from the acquisition date.

(8) Inventories

Inventories are measured at the lower of cost or 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.

(9) 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.

Costs of property, plant and equipment include costs directly attributable to the acquisition of property, plant and equipment; the initial estimated costs related to removing the asset and restoring the site; and borrowing costs for qualifying assets. 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.

The gain or loss arising from derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds and the carrying amount of the item, and is recognized in profit or loss.

(10) 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.

1) Intangible Assets Acquired Separately

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

2) Intangible Assets Acquired in a Business Combination

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

3) Internally Generated Intangible Assets

Expenditures on research activities are recognized as expenses in the consolidated statement of profit or loss 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:

- i) the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- ii) the intention to complete the intangible asset and use or sell it;
- iii) the ability to use or sell the intangible asset;
- iv) how the intangible asset will generate probable future economic benefits;
- v) the availability of adequate technical, financial, and other resources to complete the development and to use or sell the intangible asset; and
- vi) 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.

The gain or loss arising from the derecognition of an intangible asset is determined as the difference between the net disposal proceeds and the carrying amount of the asset, and is recognized in profit or loss.

(11) Goodwill

With respect to the initial measurement of goodwill, please see (2) Business Combinations. After initial recognition, goodwill is stated at cost less accumulated impairment losses.

Goodwill has been allocated to cash-generating units or groups of cash-generating units, and it is tested for impairment at least annually or whenever there is an indication that a cash-generating unit to which goodwill has been allocated may be impaired. If the recoverable amount of the cash-generating unit or the group of cash-generating units is less than its carrying amount, an impairment loss for goodwill is recognized in profit or loss. The impairment loss recognized for goodwill is not reversed in subsequent periods.

Regarding impairment of goodwill, please see (13) Impairment of Non-financial Assets and Investments Accounted for Using Equity Method.

(12) Leases

At the 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.

1) 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. 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.

2) As Lessor

The Group classifies each of its leases as either an operating lease or as 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

In finance lease transactions, net investments in the lease are recognized as receivables.

(b) Operating Leases

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

(13) 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.

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

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.

(14) 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.

(15) Employee Benefits

1) Post-employment Benefits

The Group has defined benefit plans and defined contribution 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 and 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 amount of defined 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 for defined benefit plans and net interest expense or income on the net amount of defined benefit liability (or asset) are recognized in profit or loss. Remeasurements of defined 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.

(16) Share-based Payment

1) Equity-settled Share-based Payment Schemes

The Company has adopted equity-settled stock options as compensation granted to its directors (excluding Audit and Supervisory Committee members, external directors, and other non-executive directors) and officers (including executive fellows and others equivalent to officers) (hereinafter referred to as “executive directors and other certain officers”). Stock options are measured at fair value at the grant date and recognized as an expense on a straight-line basis over the vesting period, taking into account the probability that the options may forfeit without satisfying vesting conditions, with a corresponding increase in equity. The fair value at the grant date is measured using the Black–Scholes model.

The Company has adopted an equity-settled restricted stock compensation system for executive directors and other certain officers of the Company. Considerations for the services rendered are measured based on the fair value of the granted shares of the Company and recognized as an expense with a corresponding increase in equity.

The Company has adopted an equity-settled performance share unit compensation system for compensation granted to executive directors and other certain officers of the Company in order to further enhance incentives for realizing the business prospects indicated in the medium-term management plan and for sustainably improving corporate value. Considerations for the services rendered are measured based on the fair value of the granted shares of the Company and recognized as an expense with a corresponding increase in equity.

2) Cash-settled Share-based Payment Scheme

Certain subsidiaries have adopted a cash-settled long-term incentive plan for compensation granted to their directors at the time of their business combinations with the Company. The fair value of services rendered and liabilities incurred is measured and recognized as an expense over the vesting period with a corresponding increase in liabilities. The fair value of such liabilities is remeasured at the fiscal year-end and the settlement date, and changes in the fair value are recognized in profit or loss.

(17) 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 expected economic benefits will occur within one year 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 principal outflows of economic benefits will occur after one year from the end of each fiscal year.

(18) Revenue Recognition

The Group'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 cameras, including interchangeable-lens and fixed-lens types, digital cinema cameras, and interchangeable lenses. 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 and services related to the Industrial Metrology Business such as industrial microscopes, measuring instruments, and X-ray and CT inspection systems; related to the Digital Solutions Business such as optical components, optical parts, and encoders; related to the Customized Products Business such as EUV-related components and space-related solutions; and related to the Glass Business such as photomask substrates for FPDs. The Digital Manufacturing Business provides products and services for metal 3D printers.

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.

(19) Government Grants

Government grants are not recognized until there is a reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received. If property, plant, and equipment are acquired with the government grant, the grant is recognized as deferred revenue and reclassified to profit or loss on a systematic basis over the useful lives of the related assets.

(20) Income Taxes

Income tax expense comprises current and deferred income taxes. Income tax expense is 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 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 expenses are 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.

However, deferred tax assets and liabilities are not recognized for the following temporary differences:

- temporary differences arising from the initial recognition of goodwill;
- temporary differences arising from the initial recognition of an asset or liability in a transaction that is not a business combination and affects neither the accounting profit nor taxable profit (loss) at the time of the transaction;
- deductible temporary differences associated with investments in subsidiaries and associates, and interests in joint arrangements, for which it is probable that the temporary difference will not reverse in the foreseeable future or when it is less probable that taxable profit will be available against which the temporary difference can be utilized; or
- taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint arrangements, for which the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset if the Group has the legally enforceable right to offset current tax assets against current tax liabilities, and if income taxes are levied by the same taxation authority on the same taxable entity.

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

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 Organization for Economic Co-operation and Development.

(21) Earnings per Share

Basic earnings per share are calculated by dividing the profit for the reporting period attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share are calculated by adjusting the effect of all potential dilutive ordinary shares.

4. Use of Estimates and Judgment

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 critical judgments the management has made in the process of the Group's accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements.

- Scope of subsidiaries, associates, and joint ventures (see (1) Basis of Consolidation in Note 3. Material Accounting Policy Information)
- Revenue recognition (see (18) Revenue Recognition in Note 3. Material Accounting Policy Information)

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:

- Fair value estimation of assets acquired and liabilities assumed in business combinations (see Note 3. Material Accounting Policy Information (2) Business Combinations and Note 7. Business Combinations)
- Fair value measurement for financial instruments (see Note 3. Material Accounting Policy Information (4) Financial Instruments and Note 35. Financial Instruments)
- Measurement of inventories (see Note 3. Material Accounting Policy Information (8) Inventories and Note 10. Inventories)
- The useful lives of property, plant and equipment, intangible assets, and right-of-use assets (see Note 3. Material Accounting Policy Information (9) Property, Plant and Equipment, (10) Intangible Assets and (12) Leases)
- Significant assumptions used in the calculation of the expected discounted cash flows for the impairment test of non-financial assets (see Note 3. Material Accounting Policy Information (13) Impairment of Non-financial Assets and Investments Accounted for Using Equity Method and Note 15. Impairment Losses of Non-financial Assets)
- Employee benefits (see Note 3. Material Accounting Policy Information (15) Employee Benefits and Note 24. Employee Benefits)
- Share-based payments (see Note 3. Material Accounting Policy Information (16) Share-based Payment and Note 34. Share-based Payment)
- Accounting treatment and valuation of provisions (see Note 3. Material Accounting Policy Information (17) Provisions and Note 21. Provisions)
- Recoverability of deferred tax assets (see Note 3. Material Accounting Policy Information (20) Income Taxes and Note 18. Income Taxes)
- Possibility of an outflow of economic benefits related to contingent liabilities (see Note 38. Contingent Liabilities)

5. New Standards and Interpretations Not Yet Adopted by the Group

The impacts of the new standards, interpretations, and amendments that have been issued as of the approval date of the consolidated financial statements are immaterial except for the following item. The impact of the following standard is currently under assessment.

IFRS Accounting Standards	Title	Mandatory application date (from the year beginning on or after)	To be adopted by the Group from	Description of new standards and interpretations or amendments
IFRS 18	<i>Presentation and Disclosure in Financial Statements</i>	January 1, 2027	Year ending March 31, 2028	• Improved comparability in the statement of profit or loss (income statement) • Enhanced transparency of management-defined performance measures • More useful grouping of information in the financial statements

6. Segment Information

(1) Outline of Reportable Business Segments

The Group's reportable segments are components for which discrete financial information is available and which are regularly reviewed by the Board of Directors to determine the allocation of management resources and evaluate performance.

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 Imaging Products Business provides products and services of imaging products and its peripheral domain, such as digital cameras, including interchangeable-lens and fixed-lens types, digital cinema cameras, and interchangeable lenses. The Precision Equipment Business provides products and services with regard to the FPD lithography system and semiconductor lithography system. The Healthcare Business provides products and services for the life science solutions field such as biological microscopes, for the eye care solutions field such as ultra-wide field retinal imaging devices, and for the contract cell development and manufacturing field. The Components Business provides products and services related to the Industrial Metrology Business such as industrial microscopes, measuring instruments, and X-ray and CT inspections systems; related to the Digital Solutions Business such as optical components, optical parts, and encoders; related to the Customized Products Business such as EUV-related components and space-related solutions; and related to the Glass Business such as photomask substrates for FPDs. The Digital Manufacturing Business provides products and services for metal 3D printers.

(2) Information on Reportable Business Segments

The accounting policies for reportable segments are consistent with those described in Note 3. Material Accounting Policy Information. Profit or loss of reportable segments is based on operating profit. The intersegment revenues are based on current market prices.

The information on reportable segments is as follows:

									Millions of yen
For the year ended March 31, 2025	Imaging Products	Precision Equipment	Healthcare	Components	Digital Manufacturing	Others (Note 1)	Total	Reconciliation (Note 2)	Consolidated
Revenue									
External customers	295,363	201,963	116,452	74,136	23,356	4,015	715,285	—	715,285
Intersegment	2,140	185	156	8,319	340	97,006	108,147	(108,147)	—
Total	297,503	202,148	116,608	82,456	23,696	101,021	823,432	(108,147)	715,285
Segment profit (loss) (Note 3)	41,306	1,544	6,735	7,185	(15,225)	2,922	44,468	(42,047)	2,422
Finance income									5,960
Finance costs									(6,994)
Share of profit of investments accounted for using equity method									3,146
Profit (loss) before tax									4,533
Segment assets	166,079	165,754	133,808	77,447	133,003	43,660	719,752	390,762	1,110,514
Other items:									
Impairment losses (Note 4)	850	7,886	—	1,009	—	—	9,746	1,071	10,816
Depreciation and amortization	8,420	5,276	6,608	5,562	6,326	3,583	35,774	8,415	44,189
Increase in property, plant and equipment, right-of-use assets, goodwill and intangible assets	24,056	9,355	7,572	10,212	6,495	4,353	62,044	22,109	84,153

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

2. Regarding segment profit (loss), reconciliation is made between segment profit (loss) and operating profit reported in the consolidated statement of profit or loss. Reconciliation of segment profit (loss) includes elimination of intersegment transactions of ¥1,911 million and corporate profit (loss) of ¥(43,958) million that cannot be attributed to any segments. The main components of corporate profit (loss) include expenses related to investment in growth of ¥(20,457) million, which are related to basic research, creation of new business, and manufacturing innovation, and expenses for administration department of ¥(23,500) million, comprising general and administrative expenses of headquarters functions and other operating income and expenses not allocated to any segment.

Regarding segment assets, reconciliation is made between segment assets and assets reported in the consolidated statement of financial position. In addition, reconciliation of segment assets includes corporate assets of ¥388,054 million that is not attributed to any segments, and elimination of intersegment transactions of ¥2,708 million. Principal components of corporate assets are surplus funds (cash and cash equivalents) held by the Company and its consolidated subsidiaries; long-term investments (shares); deferred tax assets; and some fixed and right-of-use assets used in common.

3. Segment profit (loss) includes restructuring costs recognized in “Other operating expenses” reported in the consolidated statement of profit or loss, consisting of ¥(41) million for the Imaging Products business, ¥(1,265) million for the Precision Equipment business, ¥(1,823) million for the Components business, and ¥(1,794) million for corporate profit (loss) that cannot be attributed to any segments.

4. The main components of impairment losses are described in Note 15. Impairment Losses of Non-financial Assets.

Millions of yen

For the year ended March 31, 2026	Imaging Products	Precision Equipment	Healthcare	Components	Digital Manufacturing	Others (Note 1)	Total	Reconciliation (Note 2)	Consolidated
Revenue									
External customers	290,053	167,258	111,922	76,176	28,090	3,664	677,163	–	677,163
Intersegment	1,464	243	207	8,407	69	89,681	100,072	(100,072)	–
Total	291,517	167,501	112,129	84,583	28,160	93,345	777,235	(100,072)	677,163
Segment profit (loss) (Note 3)	16,715	(4,565)	1,561	9,553	(106,282)	1,401	(81,617)	(30,831)	(112,448)
Finance income									9,204
Finance costs									(7,518)
Share of profit of investments accounted for using equity method									4,251
Profit (loss) before tax									(106,511)
Segment assets	174,333	170,191	144,110	73,844	62,984	61,504	686,967	388,040	1,075,007
Other items:									
Impairment losses (Note 4)	37	5,778	11	1,548	90,627	31	98,032	1,110	99,141
Depreciation and amortization	9,786	3,764	7,062	5,646	6,670	3,669	36,598	6,490	43,087
Increase in property, plant and equipment, right-of-use assets, goodwill and intangible assets	10,914	9,723	11,547	5,587	7,904	6,141	51,815	14,341	66,156

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

2. Regarding segment profit (loss), reconciliation is made between segment profit (loss) and operating loss reported in the consolidated statement of profit or loss. Reconciliation of segment profit (loss) includes elimination of intersegment transactions of ¥284 million and corporate profit (loss) of ¥(31,115) million that cannot be attributed to any segments. The main components of corporate profit (loss) include expenses related to investment in growth of ¥(17,881) million, which are related to basic research, creation of new business, and manufacturing innovation, and expenses for administration department of ¥(13,235) million, which add up general and administrative expenses of headquarters functions and other operating profit or expenses that cannot be attributed to any segments.

Regarding segment assets, reconciliation is made between segment assets and assets reported in the consolidated statement of financial position. In addition, reconciliation of segment assets includes corporate assets of ¥400,285 million that is not attributed to any segments, and elimination of intersegment transactions of ¥(12,245) million. Principal components of corporate assets are surplus funds (cash and cash equivalents) held by the Company and its consolidated subsidiaries; long-term investments (shares); deferred tax assets; and some fixed and right-of-use assets used in common.

3. Segment profit (loss) includes restructuring costs recognized in “Other operating expenses” reported in the consolidated statement of profit or loss, consisting of ¥(3,210) million for the Imaging Products business, ¥(896) million for the Precision Equipment business, ¥(693) million for the Components business, ¥(685) million for the Digital Manufacturing Business, ¥(1,150) million for “Others,” and ¥(751) million for corporate profit (loss) that cannot be attributed to any segments.

4. The main components of impairment losses are described in Note 15. Impairment Losses of Non-financial Assets.

(3) Geographic Information

Revenue from External Customers

	Millions of yen	
	Year ended March 31,	
	2025	2026
Japan	101,893	100,321
United States	185,314	166,330
Europe	115,513	121,335
China	169,590	170,475
Others	142,975	118,703
Total	715,285	677,163

Note: Revenue is based on the geographic locations of customers, which are categorized either by country or region.

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

Non-current Assets

	Millions of yen	
	As of March 31,	
	2025	2026
Japan	140,008	147,336
North America	27,041	24,027
Europe	149,012	75,291
China	4,621	4,826
Thailand	8,138	10,705
Others	2,685	2,706
Total	331,503	264,890

Note: Non-current assets are based on the geographic locations of assets, which are categorized either by country or region.

Except for Japan, China, and Thailand, the countries or regions are primarily categorized as follows:

1) North America: The United States and Canada

2) Europe: The United Kingdom, France, and Germany

3) Others: Asia other than Japan, China and Thailand, Middle East, Oceania and Latin America

Financial instruments, deferred tax assets, and retirement benefit asset are not included above.

(4) Information about Major Customers

No single external customer accounted for 10% or more of consolidated revenue; accordingly, disclosure is omitted.

7. Business Combinations

The details of a business combination that occurred in the year ended March 31, 2025 are as follows:

The Company acquired 100% of the outstanding membership interests of RED.com, LLC (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 (currently, RED Digital Cinema, Inc.)

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 interests 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

Millions of yen

Cash	12,722
Total acquisition cost (Note)	12,722

Note: Price adjustments after acquisition have been finalized, and the acquisition cost was determined.

(3) Details of Major Acquisition-related Costs

With regard to acquisition-related costs for the business combination, the Group recorded ¥575 million as selling, general and administrative expenses in the consolidated statement of profit or loss for the year ended March 31, 2025.

(4) Fair Value of Assets and Liabilities and Goodwill as of the Acquisition Date

Millions of yen

	Provisional fair value	Adjustment	Fair value after adjustment
Current assets	6,402	82	6,483
Non-current assets (Note 1)	8,957	313	9,270
Total assets	15,359	395	15,754
Current liabilities	3,077	342	3,418
Non-current liabilities	2,216	(1,850)	365
Total liabilities	5,292	(1,509)	3,784
Net assets	10,066	1,904	11,970
Goodwill resulting from the acquisition (Note 2)	3,101	(2,349)	752

The accounting treatment of the business combination was provisional since the allocation of the consideration for the acquisition between the assets acquired, the liabilities assumed, and goodwill was not finalized as of the acquisition date. However, the amount of goodwill has been adjusted since the allocation was finalized as of March 31, 2025.

Notes: 1. Non-current assets include ¥7,167 million of identifiable intangible assets, consisting of technology-related assets of ¥7,167 million.

2. Goodwill is the future excess earning power expected from future business development. None of the recognized goodwill is expected to be deductible for tax purposes.

(5) Expenditure to Gain Control of the Subsidiary

The reconciliation of the consideration for acquisition of equity interests of RED with the net expenditure for acquisition is as follows:

Millions of yen

Consideration for acquisition of equity interests of RED	12,722
Less: Cash and cash equivalents of RED	(708)
Net expenditures for acquisition of RED	12,014

Note: Price adjustments after acquisition have been finalized, and the acquisition cost was determined.

(6) Impact on Operating Results of the Group

Revenue and loss attributable to the owners of the parent of the acquired company for the period on and after the acquisition date recorded in the consolidated statement of profit or loss for the year ended March 31, 2025 are ¥5,960 million and ¥7,064 million, respectively.

(7) Consolidated Revenue and Profit (Loss) for the Period based on the Assumption that the Business Combination had been Completed at the Beginning of the Period

The information on consolidated revenue and profit (loss) for the period based on the assumption that the business combination had been completed at the beginning of the period is omitted as their impact on the consolidated statement of profit or loss for the year ended March 31, 2025 is insignificant.

No business combinations occurred in the year ended March 31, 2026.

8. Cash and Cash Equivalents

The breakdown of cash and cash equivalents is as follows:

	Millions of yen	
	As of March 31,	
	2025	2026
Cash and cash equivalents		
Cash and bank deposits	130,428	111,413
Time deposits with maturities within three months at acquisition	33,162	46,623
Total	163,590	158,036

9. Trade and Other Receivables

The breakdown of trade and other receivables is as follows:

	Millions of yen	
	As of March 31,	
	2025	2026
Notes and accounts receivable	93,589	89,386
Lease receivables	25,790	30,014
Other receivables	7,245	9,745
Less: Allowance for doubtful accounts	(1,183)	(1,686)
Total	125,441	127,459

Note: Trade and other receivables are classified as financial assets measured at amortized cost.

As for allowance for doubtful accounts, please see (5) Credit Risk Management in Note 35. Financial Instruments.

10. Inventories

The breakdown of inventories is as follows:

	Millions of yen	
	As of March 31,	
	2025	2026
Finished goods	116,668	132,546
Work in process	126,057	129,915
Raw materials and supplies	64,807	70,411
Total	307,533	332,872

The amount of inventories that were expensed for the year ended March 31, 2025 was cost of sales of ¥403,127 million and other operating expenses of ¥230 million. Cost of sales includes ¥18,220 million of inventories abandoned and written down for assets whose net realizable value falls below the carrying amount. Other operating expenses include ¥230 million of inventories abandoned and written down recognized as “Restructuring costs.”

The amount of inventories that were expensed for the year ended March 31, 2026 was cost of sales of ¥399,690 million. Cost of sales includes ¥12,871 million of inventories abandoned and written down for assets whose net realizable value falls below the carrying amount.

11. Other Financial Assets

(1) Breakdown

The breakdown of other financial assets is as follows:

	Millions of yen	
	As of March 31,	
	2025	2026
Derivative financial assets	511	462
Equity securities	51,954	47,183
Others	26,762	28,645
Total	79,227	76,291
Other current financial assets	3,116	2,316
Other non-current financial assets	76,111	73,974

As for the classification of financial assets, please see (2) Classification of Financial Instruments in Note 35. Financial Instruments.

Derivative financial assets other than those to which hedge accounting is applied are classified as financial assets measured at fair value through profit or loss. Equity securities are mainly classified as financial assets measured at fair value through other comprehensive income.

(2) Financial Assets Measured at Fair Value through Other Comprehensive Income

1) Major Holdings and Their Fair Value

Since the shares held by the Group are primarily for the purpose of maintaining or strengthening business relationships with investees, these instruments are designated at initial recognition as at fair value through other comprehensive income.

Name of Shares	Millions of yen	
	As of March 31,	
	2025	2026
Tokio Marine Holdings, Inc.	8,191	7,834
Mebuki Financial Group, Inc.	4,641	6,782
MITSUBISHI ESTATE CO., LTD.	4,429	5,247
Ushio Inc.	2,710	4,123
Kyoto Financial Group, Inc.	2,070	3,695
The Hyakujushi Bank, Ltd.	1,505	3,618
Shizuoka Financial Group, Inc.	1,365	2,156
MITSUBISHI GAS CHEMICAL COMPANY, INC.	1,578	1,829
SK-Electronics Co., Ltd.	1,334	1,711
Aval Data Corporation	1,451	1,667

2) The Fair Value at the Date of Derecognition and the Accumulated Gain or Loss Recognized as Other Comprehensive Income in Equity

For the year ended March 31, 2025

Millions of yen		
Fair value	Accumulated gain or loss recognized as other comprehensive income in equity	
7,596		2,909

For the year ended March 31, 2026

Millions of yen		
Fair value	Accumulated gain or loss recognized as other comprehensive income in equity	
35,691		7,297

Accumulated gain or loss recognized as other comprehensive income in equity was reclassified to retained earnings upon derecognition.

12. Other Assets

The breakdown of other assets is as follows:

	Millions of yen	
	As of March 31,	
	2025	2026
Consumption taxes receivable	7,165	8,317
Prepaid expenses	5,340	5,503
Refundable income taxes	2,568	6,567
Others	6,284	6,347
Total	21,357	26,734
Other current assets	20,540	25,816
Other non-current assets	817	918

13. Property, Plant and Equipment

(1) Consolidated Statement of Changes in Property, Plant and Equipment

Details of changes in acquisition costs, accumulated depreciation, and accumulated impairment losses of property, plant and equipment are as follows:

Acquisition Costs

Millions of yen

	Buildings and structures	Machinery, equipment and vehicles	Land	Construction in progress	Others	Total
As of April 1, 2024	154,873	207,454	15,251	36,658	96,361	510,597
Acquisition	202	2,168	–	47,466	1,675	51,511
Acquisition through business combinations	27	161	–	6	615	808
Disposals	(4,847)	(6,705)	–	(10)	(7,380)	(18,942)
Reclassification	39,199	10,606	–	(72,277)	9,986	(12,486)
Effect of foreign currency exchange differences	884	1,920	(6)	5	685	3,488
As of March 31, 2025	190,337	215,603	15,245	11,848	101,943	534,976
Acquisition	783	2,454	–	35,490	1,055	39,782
Disposals	(8,811)	(9,911)	(97)	(53)	(4,888)	(23,761)
Reclassification	7,045	8,531	–	(29,946)	6,361	(8,009)
Effect of foreign currency exchange differences	4,328	6,148	399	233	4,777	15,885
As of March 31, 2026	193,683	222,824	15,547	17,572	109,248	558,874

Accumulated Depreciation and Impairment Losses

Millions of yen

	Buildings and structures	Machinery, equipment and vehicles	Land	Construction in progress	Others	Total
As of April 1, 2024	113,538	185,105	172	370	77,985	377,170
Depreciation (Note 1)	6,974	8,101	–	–	6,629	21,703
Impairment losses (Note 2)	985	2,561	–	2,300	2,013	7,859
Disposals	(4,847)	(6,539)	–	–	(7,329)	(18,715)
Reclassification	60	(2,266)	–	(138)	(416)	(2,761)
Effect of foreign currency exchange differences	769	1,902	–	1	575	3,247
As of March 31, 2025	117,480	188,863	172	2,533	79,455	388,503
Depreciation (Note 1)	6,397	8,413	–	–	6,969	21,779
Impairment losses (Note 2)	3,224	2,613	–	3,568	550	9,955
Disposals	(8,542)	(7,175)	–	(52)	(4,311)	(20,080)
Reclassification	(43)	(2,619)	–	(790)	(603)	(4,055)
Effect of foreign currency exchange differences	3,101	5,171	–	6	3,736	12,014
As of March 31, 2026	121,617	195,267	172	5,264	85,795	408,116

Notes: 1. Depreciation of property, plant and equipment is recognized in “Cost of sales” and “Selling, general and administrative expenses” in the consolidated statement of profit or loss.

2. With respect to impairment losses, please see Note 15. Impairment Losses of Non-financial Assets.

Carrying Amount

Millions of yen

	Buildings and structures	Machinery, equipment and vehicles	Land	Construction in progress	Others	Total
As of March 31, 2025	72,857	26,740	15,073	9,315	22,488	146,473
As of March 31, 2026	72,066	27,557	15,375	12,308	23,452	150,758

(2) Assets Pledged as Collateral

The amount of property, plant and equipment pledged as collateral was immaterial; accordingly, disclosure is omitted.

(3) Commitments

The commitments to acquire property, plant and equipment as of March 31, 2025 and 2026 were ¥10,084 million and ¥27,153 million, respectively.

14. Goodwill and Intangible Assets

(1) Consolidated Statement of Changes in Goodwill and Intangible Assets

Details of changes in acquisition costs, accumulated amortization, and accumulated impairment losses of goodwill and intangible assets are as follows:

Acquisition Costs

	Millions of yen								
	Goodwill	Technology-related assets	Customer-related assets	Trademarks	Software	Industrial property rights	Development costs	Others	Total
As of April 1, 2024	89,702	65,771	1,958	801	83,857	26,417	27,898	1,753	298,157
Additions through acquisition	–	–	–	–	11,504	686	–	51	12,240
Acquisition through business combinations	752	7,167	–	–	579	239	–	–	8,737
Additions through internal development	–	–	–	–	–	–	5,587	–	5,587
Disposals	–	–	–	–	(2,235)	(232)	(3,390)	(66)	(5,923)
Reclassification	–	–	–	–	(2,305)	(303)	–	17	(2,592)
Effect of foreign currency exchange differences	(658)	(716)	(22)	5	(131)	3	(315)	(55)	(1,890)
As of March 31, 2025	89,796	72,222	1,937	806	91,269	26,809	29,780	1,699	314,317
Additions through acquisition	–	–	–	–	13,403	472	–	2	13,877
Additions through internal development	–	–	–	–	–	–	6,352	–	6,352
Disposals	(982)	(309)	–	(390)	(8,550)	(464)	(842)	(658)	(12,195)
Reclassification	–	–	–	–	(2,329)	(44)	–	1	(2,371)
Effect of foreign currency exchange differences	9,398	7,377	167	33	1,361	69	3,604	65	22,073
As of March 31, 2026	98,211	79,291	2,103	449	95,154	26,843	38,893	1,109	342,053

Accumulated Amortization and Accumulated Impairment Losses

	Millions of yen								
	Goodwill	Technology-related assets	Customer-related assets	Trademarks	Software	Industrial property rights	Development costs	Others	Total
As of April 1, 2024	6,022	23,379	1,509	439	68,304	25,013	13,547	1,371	139,583
Amortization expenses (Note 1)	–	6,651	88	9	3,984	350	2,045	82	13,210
Impairment losses (Note 2)	329	122	–	355	1,400	–	480	57	2,743
Disposals	–	–	–	–	(2,235)	(232)	(2,921)	(63)	(5,451)
Reclassification	–	–	–	–	(122)	(86)	(336)	(28)	(573)
Effect of foreign currency exchange Differences	(15)	(317)	(58)	1	(91)	4	(135)	(46)	(658)
As of March 31, 2025	6,336	29,835	1,538	804	71,240	25,049	12,679	1,373	148,854
Amortization expenses (Note 1)	–	5,938	46	2	4,434	334	2,438	65	13,258
Impairment losses (Note 2)	61,268	26,338	177	–	589	10	11	–	88,392
Disposals	(982)	(309)	–	(390)	(8,518)	–	(842)	(624)	(11,665)
Reclassification	–	–	–	–	(17)	(31)	–	–	(48)
Effect of foreign currency exchange Differences	1,592	3,568	145	33	740	17	1,505	49	7,648
As of March 31, 2026	68,214	65,370	1,906	449	68,468	25,379	15,790	864	246,439

Notes: 1. Amortization of intangible assets is recognized in “Cost of sales” and “Selling, general and administrative expenses” in the consolidated statement of profit or loss.

2. With respect to impairment losses, please see Note 15. Impairment Losses of Non-financial Assets.

Carrying Amount

	Millions of yen								
	Goodwill	Technology-related assets	Customer-related assets	Trademarks	Software	Industrial property rights	Development costs	Others	Total
As of March 31, 2025	83,459	42,387	398	2	20,029	1,760	17,101	326	165,462
As of March 31, 2026	29,997	13,921	197	–	26,686	1,464	23,103	246	95,614

(2) Assets Pledged as Collateral

There were no goodwill and intangible assets pledged as collateral as of March 31, 2025 and 2026.

(3) Commitments

The commitments to acquire intangible assets as of March 31, 2025 and 2026 were ¥655 million and ¥1,682 million, respectively.

(4) Significant Intangible Assets

As of March 31, 2026, the Group's major intangible assets were those related to technology.

	Millions of yen		
	As of March 31,		Remaining useful life
	2025	2026	
Nikon SLM Solutions AG	29,446	3,147	7 years
Optos Plc	6,472	4,735	2 years

15. Impairment Losses of Non-financial Assets

(1) Impairment Losses

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 losses. 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.

(2) Impairment Losses Recognized and the Underlying Events that Led to the Recognition of Impairment Losses

As a result of an impairment assessment, the Group recognized impairment losses of ¥10,816 million and ¥99,141 million for the years ended March 31, 2025 and 2026, respectively. Impairment losses by asset are as follows.

	Millions of yen	
	Year ended March 31,	
	2025	2026
Property, plant and equipment	7,859	9,955
Right-of-use assets	215	783
Intangible assets	2,413	27,124
Goodwill	329	61,268
Others	—	11
Total	10,816	99,141

With regard to the breakdown of impairment losses by segment, please see Note 6. Segment Information.

[For the year ended March 31, 2025 (From April 1, 2024 to March 31, 2025)]

In the Imaging Products Business, the Group has recognized impairment losses of ¥850 million, primarily at Mark Roberts Motion Control Limited, a UK subsidiary engaged in manufacturing and sales. This is because Mark Roberts Motion Control Limited was found not to earn some of its initially anticipated revenue due to deteriorated market conditions, and therefore, the Group reduced the carrying amount of its non-current assets to their recoverable amount and recognized the reduction as impairment losses. The recoverable amount was measured at value in use, and the pre-tax discount rate used to measure the recoverable amount was 18.0% based on the weighted average cost of capital of the cash-generating unit. The impairment losses include goodwill and identifiable assets of ¥329 million and ¥477 million, respectively.

In the Precision Equipment Business, the Group has recognized impairment losses of ¥7,886 million. This is because the Company was found not to earn some of its initially anticipated revenue due to revisions to investment plans by major customers and a delayed recovery in semiconductor market conditions, and therefore, the Group reduced the carrying amount of its non-current assets to their recoverable amount and recognized the reduction as impairment losses. The recoverable amount was measured at the fair value less costs of disposal, and the fair value was measured using the market approach and the cost approach. The fair value was categorized within Level 3 of the fair value hierarchy.

In the Components Business, the Group has recognized impairment losses of ¥1,009 million, primarily in connection with the restructuring of subsidiaries engaged in manufacturing and sales in Europe and other regions. This is because the Group reduced the carrying amount of non-current assets with no prospect of specific use to their recoverable amount and recognized the reduction as impairment losses. The recoverable amount was measured at value in use, and the value was recognized as the memorandum value, etc.

In addition to the above, in corporate profit (loss) that cannot be attributed to any segments, the Group has recognized impairment losses of ¥1,071 million in connection with the restructuring of the Company's bases. This is because the Group reduced the carrying amount of non-current assets with no prospect of specific use to their recoverable amount and recognized the reduction as impairment losses. The recoverable amount was measured at value in use, and the value was recognized as the memorandum value, etc.

Of the total impairment losses of ¥10,816 million, impairment losses for the Components Business of ¥1,003 million and for corporate

profit (loss) that cannot be attributed to any segments of ¥1,071 million are recognized as restructuring costs. For more details, please see Note 29. Other Operating Income and Expenses.

[For the year ended March 31, 2026 (From April 1, 2025 to March 31, 2026)]

In the Precision Equipment Business, the Group has recognized impairment losses of ¥5,778 million. This is because the business was found not to earn some of its initially anticipated revenue due to the downturn in the semiconductor lithography system business, and therefore, the Group reduced the carrying amount of its non-current assets to their recoverable amount and recognized the reduction as impairment losses. The recoverable amount was measured primarily at fair value less costs of disposal, and the fair value was measured using the market approach and the cost approach. The fair value was categorized within Level 3 of the fair value hierarchy.

In the Components Business, the Group has recognized impairment losses of ¥1,467 million, primarily at Avonix Imaging, Inc., a development and manufacturing site in the United States. This is because Avonix Imaging, Inc. was found not to earn some of its initially anticipated revenue due to changes in the assumptions for the earnings structure expected at the time of acquisition, and therefore, the Group reduced the carrying amount of its non-current assets to their recoverable amount and recognized the reduction as impairment losses. The recoverable amount was measured primarily at value in use, and the post-tax discount rate used to measure the recoverable amount was 10.7% (10.6% for the year ended March 31, 2025) based on the weighted average cost of capital of the cash-generating unit. The impairment losses include goodwill and identifiable intangible assets related to Avonix Imaging, Inc. of ¥701 million and ¥270 million, respectively.

In the Digital Manufacturing Business, the Group has recognized impairment losses of ¥90,627 million. This is because the Group was found not to earn some of its initially anticipated revenue due to a decline in the future growth rate of the metal 3D printer market, intensifying competitive environment, and other factors, and therefore, the Group reduced the carrying amount of its non-current assets to their recoverable amount and recognized the reduction as impairment losses. The recoverable amount was measured primarily at value in use, and the post-tax discount rate used to measure the recoverable amount was 10.3% based on the weighted average cost of capital of the cash-generating unit. The impairment losses include goodwill and identifiable intangible assets related to Nikon SLM Solutions AG of ¥60,568 million and ¥26,244 million, respectively.

In the Other Businesses, in connection with a review of the business, the Group reduced the carrying amount of non-current assets with no prospect of specific use to their recoverable amount and recognized the reduction as impairment losses of ¥608 million. The recoverable amount was measured at fair value less costs of disposal, and the value was recognized as the memorandum value, etc. The fair value was categorized within Level 3 of the fair value hierarchy.

In addition to the above, for each business division, the Group reduced the carrying amount of non-current assets with no prospect of specific use to their recoverable amount and recognized the reduction as impairment losses of ¥662 million. The recoverable amount was measured primarily at fair value less costs of disposal, and the value was recognized as the memorandum value, etc. The fair value was categorized within Level 3 of the fair value hierarchy.

Of the total impairment losses of ¥99,141 million, impairment losses of ¥608 million in the Other Businesses are recorded as restructuring costs. For more details, please see Note 29. Other Operating Income and Expenses.

(3) Impairment Test of Goodwill

The carrying amount of goodwill allocated to a cash-generating unit or a group of cash-generating units is as follows.

	Millions of yen	
	As of March 31,	
	2025	2026
Imaging Products Business	741	792
Healthcare Business	26,840	28,683
Components Business	1,156	522
Digital Manufacturing Business	54,723	—
Total	83,459	29,997

The carrying amount of the principal goodwill of those allocated to each cash-generating unit or group of cash-generating units is ¥28,440 million (¥26,597 million for the year ended March 31, 2025) for Optos Plc, whose cash-generating unit is included in the Healthcare Business.

(Nikon SLM Solutions AG)

The Group found that the recoverable amount of goodwill of Nikon SLM Solutions AG in the Digital Manufacturing Business was less than the carrying amount of the cash-generating unit. Accordingly, the Group recognized impairment losses of ¥60,568 million. The recoverable amount was measured at value in use. The value in use is based on the 5-year business plan approved by management reflecting past experience and external inputs and is calculated by discounting the estimated future cash flows (post-tax) to present value, applying a growth rate that gradually declines to 2.2%, based on the inflation rate, through the eighth year and a terminal value from the ninth year onward. The post-tax discount rate is 10.3% based on the weighted average cost of capital of the cash-generating unit.

(Optos Plc)

The recoverable amount is measured at the fair value less costs of disposal. The fair value less costs of disposal is calculated by discounting the future cash flows (post-tax) to present value. The future cash flows are estimated based on the 10-year business plan approved by management reflecting past experience and external inputs, as well as the terminal value based on the growth rate after the period covered by the business plan.

The growth rate used to extend cash flow projections is 2.1% (2.3% for the year ended March 31, 2025), and the post-tax discount rate is 10.7% (10.6% for the year ended March 31, 2025) based on the weighted average cost of capital of the cash-generating unit.

While the recoverable amount was ¥11,981 million higher than the carrying amount of the cash-generating unit or group of cash generating units, the fair value may fall below the carrying amount and impairment losses may be recognized if the discount rate increases by 1.6%.

16. Investments Accounted for Using Equity Method

(1) Investments in Associates

The carrying amount of investments in associates that are not individually material is as follows:

	Millions of yen	
	As of March 31,	
	2025	2026
Carrying amount in total	4,618	6,753

The share of comprehensive income of associates that are not individually material is as follows:

	Millions of yen	
	Year ended March 31,	
	2025	2026
Share of profit for year	2,928	3,929
Share of other comprehensive income	138	405
Share of comprehensive income for year	3,066	4,334

(2) Investments in Joint Ventures

The carrying amount of investments in joint ventures that are not individually material is as follows:

	Millions of yen	
	As of March 31,	
	2025	2026
Carrying amount in total	5,449	5,663

The share of comprehensive income of joint ventures that are not individually material is as follows:

	Millions of yen	
	Year ended March 31,	
	2025	2026
Share of profit for year	218	322
Share of other comprehensive income	—	—
Share of comprehensive income for year	218	322

17. Leases

(1) As Lessee

As a lessee, the Group primarily leases real estate such as office buildings and warehouses with some contracts containing extension or termination options. Extension options are options to renew the lease for a certain amount of time after the end of the lease term. Termination options are options that allow the lessee to early terminate the lease if the lessee gives a written notice to the lessor prior to the contracted end of the lease term. The Group exercises these options, as necessary, after taking into consideration real estate price trends and the business environment and determining whether to continue or discontinue using the leased asset in its operations.

There are no restrictions imposed by the lease contracts on dividends, additional borrowings and additional leases.

1) Carrying Amount, Additions and Depreciation of Right-of-use Assets

The carrying amount of right-of-use assets is as follows:

	Millions of yen	
	As of March 31,	
	2025	2026
Buildings and structures	14,199	13,234
Machinery, equipment and vehicles	3,129	3,049
Others	1,423	1,317
Total	18,752	17,600

Additions to right-of-use assets amounted to ¥6,402 million and ¥8,498 million for the years ended March 31, 2025 and 2026, respectively.

Depreciation of right-of-use assets is as follows:

	Millions of yen	
	Year ended March 31,	
	2025	2026
Buildings and structures	7,424	6,161
Machinery, equipment and vehicles	1,299	1,377
Others	553	539
Total	9,276	8,076

Note: Depreciation of right-of-use assets is recognized in “Cost of sales” and “Selling, general and administrative expenses” in the consolidated statement of profit or loss.

2) Income and Expenses Relating to Leases

Income relating to leases, which is recognized in the consolidated statement of profit or loss, is as follows:

	Millions of yen	
	Year ended March 31,	
	2025	2026
Income from subleasing right-of-use assets	17	13

Expenses relating to leases, which are recognized in the consolidated statement of profit or loss, are as follows:

	Millions of yen	
	Year ended March 31,	
	2025	2026
Expenses relating to leases accounted as expense		
Expenses relating to short-term leases	4,424	3,654
Expenses relating to low-value leases	1,207	1,383
Variable lease payments	119	62
Interest expenses on lease liabilities	357	517

3) Cash Outflow for Leases

Cash outflow for leases, which is recognized in the consolidated statement of cash flows, is as follows:

	Millions of yen	
	Year ended March 31,	
	2025	2026
Cash outflow related to leases	15,253	13,664

4) Lease Liability

The breakdown of lease liability by maturity is as follows:

	Millions of yen	
	As of March 31,	
	2025	2026
Within 1 year	7,464	7,155
After 1 year but within 2 years	4,675	4,668
After 2 years but within 3 years	3,002	3,519
After 3 years but within 4 years	2,313	2,031
After 4 years but within 5 years	1,184	1,846
After 5 years	2,545	1,948
Total	21,183	21,168
Less: Finance expenses relating to leases	(1,105)	(1,317)
Present value of lease liability	20,078	19,850
Amount recognized in the consolidated statement of financial position		
Lease liability (current)	7,109	6,776
Lease liability (non-current)	12,969	13,075

(2) As Lessor

1) Finance Leases

The Group mainly leases ultra-wide field retinal imaging devices under finance leases.

The selling profits from finance leases for the years ended March 31, 2025 and 2026 were ¥6,535 million and ¥6,766 million, respectively.

The finance income on the net investment in the lease and the income relating to variable lease payments are as follows:

	Millions of yen	
	Year ended March 31,	
	2025	2026
Finance income on the net investment in the lease	988	1,138
Income relating to variable lease payments	—	—

The breakdown of the gross investment in the lease by maturity is as follows:

	Millions of yen	
	As of March 31,	
	2025	2026
Within 1 year	8,957	10,498
After 1 year but within 2 years	7,832	9,026
After 2 years but within 3 years	5,915	6,613
After 3 years but within 4 years	3,551	4,119
After 4 years but within 5 years	1,381	1,770
After 5 years	224	422
Gross investment in the lease	27,860	32,449
Unearned finance income	2,070	2,435
Net investment in the lease	25,790	30,014

2) Operating Leases

The Group mainly leases robotic motion control camera equipment under operating leases.

Lease income under operating leases included in the consolidated statement of profit or loss amounted to ¥561 million and ¥769 million for the years ended March 31, 2025 and 2026, respectively.

The rental income portion includes variable lease payments that do not depend on an index or a rate, which amounted to ¥22 million and ¥33 million for the years ended March 31, 2025 and 2026, respectively.

The breakdown of lease receivables by payment due date is as follows:

	Millions of yen	
	As of March 31,	
	2025	2026
Within 1 year	159	176
After 1 year but within 2 years	97	95
After 2 years but within 3 years	62	62
After 3 years but within 4 years	44	33
After 4 years but within 5 years	18	4
After 5 years	—	—
Total	379	370

18. Income Taxes

(1) Deferred Taxes

Deferred tax assets and liabilities are attributable to the following temporary differences:

	Millions of yen	
	As of March 31,	
	2025	2026
Deferred tax assets:		
Unused tax losses	6,518	17,549
Impairment losses	4,600	6,508
Inventories	26,760	30,397
Accrued bonuses	2,731	2,961
Provision for product warranties	698	691
Retirement benefit liability	2,311	2,536
Depreciation and amortization	27,532	28,355
Percentage of completion method	1,666	2,651
Lease liabilities	4,306	4,006
Others	22,665	21,763
Total deferred tax assets	99,789	117,417
Deferred tax liabilities:		
Equity instruments	(17,916)	(19,616)
Undistributed profits of foreign subsidiaries	(8,139)	(8,185)
Retirement benefit asset	(2,809)	(4,462)
Intangible assets identified through business combination	(10,172)	(1,387)
Right-of-use assets	(4,164)	(3,994)
Others	(9,322)	(9,111)
Total deferred tax liabilities	(52,522)	(46,755)
Net deferred tax assets	47,267	70,662

The carrying amount of deferred tax assets and liabilities in the consolidated statement of financial position is as follows:

	Millions of yen	
	As of March 31,	
	2025	2026
Deferred tax assets	58,614	73,918
Deferred tax liabilities	11,347	3,257
Net deferred tax assets	47,267	70,662

Details of changes in deferred tax assets and liabilities are as follows:

	Millions of yen	
	Year ended March 31,	
	2025	2026
Opening balance	34,840	47,267
Amount recognized in profit or loss for year	10,346	25,440
Amount recognized in other comprehensive income:		
Remeasurements of defined benefit plans	(549)	(1,004)
Gain (loss) on financial assets measured at fair value through other comprehensive income	2,546	(1,174)
Share of other comprehensive income of investments accounted for using equity method	(5)	(9)
Effective portion of cash flow hedges	(140)	6
Acquisition through business combinations	(11)	–
Others	239	136
Closing balance	47,267	70,662

With regard to the amount recognized in profit or loss for year, please see (3) Income Tax Expense in Note 18. Income Taxes.

The Group recognizes deferred tax assets by taking into account the possibility that all or part of deductible temporary differences or unused tax losses will be used against future taxable income. Recoverability of deferred tax assets is reassessed by considering the expected reversal of deferred tax liabilities, future taxable income, and tax planning. Based on the levels of taxable income in prior years and projected taxable income over the future period for which the deferred tax assets are allowed to be recognized, the Group has determined that it is probable that tax benefits of the recognized deferred tax assets will be realized.

The following are the details of unused tax losses and tax credits and deductible temporary differences for which deferred tax assets are not recognized. Unused tax losses and tax credits are presented on a tax basis.

	Millions of yen	
	As of March 31,	
	2025	2026
Unused tax losses	12,125	7,613
Unused tax credits	292	411
Deductible temporary differences	94,920	131,233

The following are the amounts of unused tax losses for which deferred tax assets are not recognized and their expiry period:

	Millions of yen	
	As of March 31,	
	2025	2026
1st year	5	15
2nd year	39	–
3rd year	–	56
4th year	102	51
5th year	84	26
After 5th year	11,896	7,464
Total	12,125	7,613

(2) Unrecognized Deferred Tax Liabilities

The following are the amounts of taxable temporary differences associated with investments in subsidiaries for which deferred tax liabilities are not recognized.

Deferred tax liabilities are not recognized on the temporary differences for which the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not be reversed in the foreseeable future.

	Millions of yen	
	As of March 31,	
	2025	2026
Temporary differences associated with investments in subsidiaries for which deferred tax liabilities are not recognized	57,252	76,837

(3) Income Tax Expense

The breakdown of income tax expense is as follows:

	Millions of yen	
	Year ended March 31,	
	2025	2026
Current tax expense (benefit)	8,756	4,964
Deferred tax expense (benefit)	(10,346)	(25,440)
Total	(1,590)	(20,476)

The amounts of income taxes in connection with global minimum tax included in current tax expense for the years ended March 31, 2025 and 2026 are ¥468 million and ¥256 million, respectively. With regard to deferred tax expense, please see (1) Deferred Taxes in Note 18. Income Taxes.

(4) Reconciliation of Effective Tax Rate

Reconciliations between the statutory and actual effective tax rate for each fiscal year are presented as shown below. The actual effective tax rate represents the ratio of income tax expense to profit before tax.

	(%)	
	Year ended March 31,	
	2025	2026
Effective statutory tax rate	30.6	30.6
Tax rate differences of consolidated subsidiaries	(33.3)	2.5
Research and development tax credits	(28.3)	0.3
Tax effects of investments in subsidiaries and other investees	3.0	9.4
Permanently non-deductible items (e.g., entertainment expenses)	22.2	(0.8)
Impact of unrecognized deferred tax assets arising from unused tax losses or temporary differences	5.2	(7.0)
Impact of change in tax rate	(14.3)	1.0
Share of profit of investments accounted for using equity method	(21.2)	1.2
Impairment losses of goodwill	2.2	(17.6)
Others	(1.2)	(0.4)
Actual effective tax rate	(35.1)	19.2

19. Trade and Other Payables

The breakdown of trade and other payables is as follows:

	Millions of yen	
	As of March 31,	
	2025	2026
Notes and accounts payable	70,764	61,012
Other payables	11,436	12,355
Total	82,200	73,367

Trade and other payables are classified as financial liabilities measured at amortized cost.

20. Bonds and Borrowings

The breakdown of bonds and borrowings is as follows:

	Millions of yen		Average interest rate (%) (Note 1)	Repayment deadline
	As of March 31,			
	2025	2026		
Current:				
Short-term borrowings	45,823	81,691	1.27	
Current portion of long-term borrowings	15,598	16,026	0.42	June 2026— March 2027
Current portion of bonds (Note 2)	9,992	—		
Total	71,413	97,717		
Non-current:				
Long-term borrowings (Note 3)	112,188	112,266	1.08	February 2028— March 2035
Bonds (Note 2)	9,968	9,974		
Total	122,157	122,240		

Notes: 1. The weighted average interest rate is used to determine the average interest rate. The Group used the interest rate and the balance as of the end of each reporting period to calculate the average interest rate.

2. Conditions for issuance of major bonds are summarized as follows:

			Millions of yen				
			As of March 31,				
Corporate name	Issue	Date of issuance	2025	2026	Interest rate (%)	Collateral	Maturity
NIKON CORPORATION	22nd unsecured bond	December 2, 2020	9,992	—	0.150	None	December 2, 2025
NIKON CORPORATION	23rd unsecured bond	December 2, 2020	9,968	9,974	0.470	None	December 2, 2030

3. Long-term borrowings include borrowings with financial covenants of ¥90,241 million and ¥89,946 million for the years ended March 31, 2025 and 2026, respectively. The financial covenants require the borrower to maintain the amount of equity attributable to owners of parent less other components of equity in the consolidated statement of financial position at the end of each fiscal year at 75% or more of such amount at the end of the previous fiscal year. The Company has complied with the financial covenants.

The breakdown of bonds and long-term borrowings by scheduled repayment due date is described in Note 35. Financial Instruments.

21. Provisions

Details of changes in provisions are as follows:

	Millions of yen			
	Provision for product warranties	Asset retirement obligations	Others	Total
As of April 1, 2024	5,029	6,740	4,408	16,178
Current liabilities	5,009	29	2,854	7,892
Non-current liabilities	20	6,712	1,554	8,286
Additions during the period	2,298	552	1,181	4,031
Decrease during the period due to settlement for intended purposes	(2,367)	(1,896)	(220)	(4,482)
Decrease during the period due to reversal	(755)	(222)	(2,154)	(3,131)
Exchange differences on translation of foreign operations	(30)	15	(304)	(319)
As of March 31, 2025	4,175	5,190	2,911	12,276
Current liabilities	4,167	210	1,378	5,756
Non-current liabilities	8	4,980	1,532	6,521
Additions during the period	1,835	734	3,495	6,064
Decrease during the period due to settlement for intended purposes	(1,677)	(135)	(1,150)	(2,962)
Decrease during the period due to reversal	(918)	(17)	(27)	(962)
Exchange differences on translation of foreign operations	211	94	124	429
As of March 31, 2026	3,627	5,866	5,353	14,846
Current liabilities	3,616	589	5,343	9,548
Non-current liabilities	11	5,277	10	5,298

22. Other Financial Liabilities

The breakdown of other financial liabilities is as follows:

	Millions of yen	
	As of March 31,	
	2025	2026
Derivative financial liabilities	209	342
Other payables	22,777	21,476
Lease liabilities	20,078	19,850
Others	2,230	1,697
Total	45,295	43,365
Other current financial liabilities	31,814	30,042
Other non-current financial liabilities	13,480	13,323

23. Other Liabilities

The breakdown of other liabilities is as follows:

	Millions of yen	
	As of March 31,	
	2025	2026
Accrued expenses	38,156	41,387
Accrued consumption tax	2,051	2,689
Others	4,869	6,838
Total	45,076	50,914
Other current liabilities	40,731	45,101
Other non-current liabilities	4,345	5,813

24. Employee Benefits

(1) Summary of Retirement Benefit Plans

The Company has a contract-type defined benefit corporate pension plan (cash balance plan) and a defined contribution plan.

Domestic group entities have a contract-type defined benefit corporate pension plan and a lump-sum retirement benefit plan. Certain group entities have joined the Smaller Enterprise Retirement Allowance Mutual Aid System. In addition, certain overseas group entities have adopted the defined benefit plans and defined contribution plans. Extra payments may be paid upon retirement of employees.

Under the Group's defined benefit plans, in order to ensure the funding of sufficient contributions for the pension benefits and lump-sum retirement benefits in the future, the Group has established an investment policy and selected an asset management trust institution as a trustee for the management of the plans' pension assets. An asset management trust institution gives top priority to the interest of the plan participants, which is required by laws and decrees, and is responsible for managing the plan assets based on prescribed investment policies.

The Group is exposed to the risks arising from the changes in discount rates and other actuarial assumptions in which the defined benefit obligation is measured. Plan assets primarily consist of marketable shares and bonds as well as other interest-bearing securities, which are exposed to stock price and interest rate risks.

Under the defined contribution plans, the Company and certain subsidiaries are only responsible for contributions stipulated in the regulations on retirement benefits of each company.

(2) Defined Benefit Plans

The amount of benefits provided under the defined benefit plans is determined based on length of service, salary levels at retirement, and other factors.

1) Net Liability (Asset) Recognized in the Consolidated Statement of Financial Position

The relationship of the net defined benefit liability (asset) recognized in the consolidated statement of financial position and the defined benefit obligations and plan assets is as follows:

	Millions of yen	
	As of March 31,	
	2025	2026
Present value of defined benefit obligations	87,479	75,738
Fair value of plan assets	(130,398)	(119,848)
Subtotal	(42,919)	(44,110)
Impact of asset ceiling	30,506	42,521
Present value of defined benefit obligations of unfunded plans	6,312	6,862
Total	(6,101)	5,273
Carrying amounts presented in the consolidated statement of financial position:		
Retirement benefit liability	7,897	8,582
Retirement benefit asset	(13,998)	(3,309)
Net liability (asset) recognized in the consolidated statement of financial position	(6,101)	5,273

2) Defined Benefit Obligations

Movements in the present value of the defined benefit obligations over the years are as follows:

	Millions of yen	
	Year ended March 31,	
	2025	2026
Opening balance of present value of defined benefit obligations	101,189	93,790
Current service cost	2,581	2,598
Interest expenses	1,620	2,084
Remeasurement:		
Actuarial gain or loss from changes in demographic assumptions	(102)	(189)
Actuarial gain or loss from changes in financial assumptions	(4,728)	(4,384)
Benefits paid	(6,637)	(7,941)
Past service cost	46	(1)
Effect of foreign currency exchange differences	(136)	1,653
Liquidation (Note)	–	(5,047)
Others	(41)	36
Closing balance of present value of defined benefit obligations	93,790	82,600

Note: During the year ended March 31, 2026, certain overseas consolidated subsidiaries conducted a pension buyout of their retirement benefit plans.

3) Plan Assets

(i) Movements in the fair value of plan assets

Movements in the fair value of plan assets over the years are as follows:

	Millions of yen	
	Year ended March 31,	
	2025	2026
Opening balance of fair value of plan assets	133,242	130,398
Interest income	1,985	2,869
Remeasurement:		
Return on plan assets other than interest income	(532)	10,345
Contributions by the employer	2,370	2,683
Contributions by the plan participants	39	47
Benefits paid	(6,449)	(7,645)
Effect of foreign currency exchange differences	(242)	1,292
Liquidation (Note 1)	–	(5,141)
Partial return of retirement benefit trust assets (Note 2)	–	(14,862)
Others	(15)	(138)
Closing balance of fair value of plan assets	130,398	119,848

Notes: 1. During the year ended March 31, 2026, certain overseas consolidated subsidiaries conducted a pension buyout of their retirement benefit plans.

2. During the year ended March 31, 2026, the Company received a partial return of assets (shares) from the retirement benefit trust, as plan assets, including the retirement benefit trust assets, were in an overfunded position relative to the Company's defined benefit obligations and are expected to remain so in the future.

(ii) The asset ceiling

Movements in impact of the asset ceiling over the years are as follows:

	Millions of yen	
	As of March 31,	
	2025	2026
Opening balance	27,725	30,506
Changes in the net defined benefit asset due to the effect of the asset ceiling	2,781	12,015
Closing balance	30,506	42,521

(iii) Breakdown of the fair value of plan assets

The breakdown of the fair value of plan assets is as follows:

Millions of yen

	As of March 31,			
	2025		2026	
	Plan assets that have quoted market prices in active markets	Plan assets that do not have quoted market prices in active markets	Plan assets that have quoted market prices in active markets	Plan assets that do not have quoted market prices in active markets
Life insurance company's general accounts	—	5,682	—	8,098
Shares (Japan)	—	16,359	—	17,964
Shares (Overseas)	—	13,160	—	13,740
Bonds (Japan)	—	36,699	—	38,195
Bonds (Overseas)	—	18,679	—	13,357
Alternatives	—	19,466	—	18,810
Others	197	20,155	173	9,511
Total	197	130,201	173	119,675

Note: The Group's funding policy to the defined benefit plans is based on various factors including the tax deductibility of contributions, the funded status of plan assets and actuarial calculations. The plan assets of investment in joint trust are classified as assets which do not have quoted prices in active markets. Life insurance company's general accounts represent the investment of pension funds through general accounts for which the life insurance companies mainly guarantee both principal and interest.

(iv) Management of plan assets

The Group manages its plan assets to ensure the payment of pension benefits and lump-sum retirement benefits to its beneficiaries through the Group's investment policies, which are designed for the long-term stable earnings needed to maintain sound pension plan operation in the future.

In order to achieve the investment target, the Group periodically reviews the proportions of the strategic asset portfolio. For the review, the expected return, risk, and correlation coefficient of return rate for each investment are considered based on the result of Asset and Liability Management analysis. Proportions are reviewed as necessary in cases where there have been significant changes in the market and investment environment.

4) Significant Actuarial Assumption

The significant actuarial assumption used in the calculation of the present value of defined benefit obligations is as follows:

	As of March 31,	
	2025	2026
Discount rate	2.16%	2.53%

The following table is the sensitivity analysis of the impact on the present value of retirement benefit obligations when the discount rate used for the significant actuarial assumption changes, while all other assumptions are constant. For the year ended March 31, 2026, the methods and assumptions used in the sensitivity are same as the prior year.

		Millions of yen	
		As of March 31,	
Impact		2025	2026
When increased 0.5%		(4,410)	(3,671)
When decreased 0.5%		4,595	3,913

(3) Defined Contribution Plans

The amounts of expenses incurred for defined contribution plans for the years ended March 31, 2025 and 2026 were ¥3,013 million and ¥3,578 million, respectively.

(4) Impact on Future Cash Flows

The contribution for defined benefit plans over the next fiscal year is estimated at ¥2,471 million.

The weighted average duration of the defined benefit obligations was 12.3 years and 11.2 years for the years ended March 31, 2025 and 2026, respectively.

(5) Employee Benefit Expenses

The employee benefit expenses recognized in “Cost of sales,” “Selling, general and administrative expenses,” and “Other operating expenses” in the consolidated statement of profit or loss for the years ended March 31, 2025 and 2026 were ¥186,990 million and ¥187,097 million, respectively. Expenses related to salary, bonus, statutory benefits and post-employment benefits are included in employee benefit expenses.

25. Equity

(1) Share Capital and Treasury Shares

The total number of shares authorized to be issued and the total number of shares issued by the Company are as shown below. All the shares issued by the Company are ordinary shares without par value and are fully paid up.

	Number of shares	
	Year ended March 31,	
	2025	2026
Shares authorized to be issued		
Ordinary shares	1,000,000,000	1,000,000,000
Shares issued		
Opening balance	351,476,686	333,585,686
Changes during the period (Note 1)	(17,891,000)	—
Closing balance	333,585,686	333,585,686
Treasury shares		
Opening balance	5,019,477	4,757,522
Increase during the period (Note 2)	17,892,767	1,495
Decrease during the period (Note 3)	(18,154,722)	(582,408)
Closing balance	4,757,522	4,176,609

Notes: 1. The decrease in the number of ordinary shares issued during the year ended March 31, 2025 of 17,891,000 shares is due to the cancellation of treasury shares resolved at the Board of Directors meeting held on October 31, 2024.

2. The increase in the number of ordinary treasury shares during the year ended March 31, 2025 of 17,892,767 shares is due to an increase of 17,891,000 shares arising from the purchase of treasury shares, which was adopted at the Board of Directors meeting held on October 31, 2024, and an increase of 1,767 shares due to purchase of shares less than one unit.

The increase in the number of ordinary treasury shares during the year ended March 31, 2026 of 1,495 shares is due to the purchase of shares less than one unit.

3. The decrease in the number of ordinary treasury shares during the year ended March 31, 2025 of 18,154,722 shares is due to a decrease of 17,891,000 shares arising from the cancellation of treasury shares resolved at the Board of Directors meeting held on October 31, 2024, a decrease of 129,679 shares arising from grant to the beneficiaries of the restricted stock compensation system, a decrease of 114,600 shares arising from the exercise of stock options, and a decrease of 19,443 shares arising from grant to the beneficiaries of the performance share unit compensation system.

The decrease in the number of ordinary treasury shares during the year ended March 31, 2026 of 582,408 shares is due to a decrease of 391,500 shares arising from the exercise of stock options, a decrease of 163,162 shares arising from grant to the beneficiaries of the restricted stock compensation system, and a decrease of 27,746 shares arising from grant to the beneficiaries of the performance share unit compensation system.

(2) Capital Surplus

The Companies Act of Japan requires that 50% or more of the proceeds from the issuance of shares shall be credited to share capital, and the remaining proceeds shall be credited to legal capital surplus incorporated in capital surplus. The legal capital surplus may be transferred back to share capital upon the approval of the general meeting of shareholders.

(3) Retained Earnings

The Companies Act of Japan requires that a 10% dividend of the profit for year attributable to shareholders shall be appropriated as a legal capital surplus or legal retained earnings until the aggregate amount of legal capital surplus and legal retained earnings is equal to 25% of share capital. The accumulated legal retained earnings may be used to reduce deficit or be transferred to retained earnings upon approval of the general meeting of shareholders.

(4) Other Components of Equity

1) Gain (Loss) on Financial Assets Measured at Fair Value through Other Comprehensive Income

The account represents cumulative gains or losses on financial instruments measured at fair value through other comprehensive income.

2) Remeasurements of Defined Benefit Plans

The account represents the impacts arising from the difference between actuarial assumptions at the beginning of the period and their actual results, and arising from changes in actuarial assumptions. It is recognized as other comprehensive income as incurred and immediately reclassified from other components of equity to retained earnings.

3) Share of Other Comprehensive Income of Investments Accounted for Using Equity Method

The account includes gain (loss) on financial assets measured at fair value through other comprehensive income, remeasurements of defined benefit plans, and exchange differences on translation of foreign operations.

4) Exchange Differences on Translation of Foreign Operations

The account represents translation differences arising from the translation of the financial statements of foreign operations of the Group from foreign functional currencies into Japanese yen, which is the presentation currency of the Group.

5) Effective Portion of Cash Flow Hedges

The account represents the cumulative effective portion of gains or losses arising from changes in the fair value of hedging instruments designated in cash flow hedges.

26. Dividends

The details of dividends are as follows:

Resolution	Type of shares	Amount of dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
For the year ended March 31, 2025					
Annual General Shareholders' Meeting held on June 24, 2024	Ordinary shares	8,661	25.00	March 31, 2024	June 25, 2024
Board of Directors' meeting held on November 7, 2024	Ordinary shares	8,666	25.00	September 30, 2024	December 2, 2024
For the year ended March 31, 2026					
Annual General Shareholders' Meeting held on June 27, 2025	Ordinary shares	8,221	25.00	March 31, 2025	June 30, 2025
Board of Directors' meeting held on November 6, 2025	Ordinary shares	8,229	25.00	September 30, 2025	December 2, 2025

Dividends with effective date in the following fiscal year are as follows:

Resolution to be adopted	Type of shares	Amount of dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
For the year ended March 31, 2026					
Annual General Shareholders' Meeting to be held on June 26, 2026	Ordinary shares	4,941	15.00	March 31, 2026	June 29, 2026

27. Revenue

(1) Disaggregation of Revenue

In consideration of the similarity of economic characteristics, the Group 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 reconciliation of disaggregated revenue by geographical regions, based on customers' locations, and segment revenue is as follows.

							Millions of yen
For the year ended March 31, 2025	Imaging Products	Precision Equipment	Healthcare	Components	Digital Manufacturing	Others (Note 1)	Total
Japan	31,435	15,236	15,702	37,142	606	1,773	101,893
United States	74,508	25,851	55,251	16,308	13,396	0	185,314
Europe (Note 2)	57,824	21,176	21,376	7,403	7,654	79	115,513
China	66,033	87,875	9,739	4,035	26	1,881	169,590
Others (Note 2)	65,562	51,825	14,384	9,249	1,674	282	142,975
Total	295,363	201,963	116,452	74,136	23,356	4,015	715,285
Revenue from contracts with customers	295,027	201,963	105,960	74,136	23,356	4,015	704,458
Revenue from other sources (Note 3)	336	—	10,492	—	—	—	10,828

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 from other sources includes lease income, etc. based on IFRS 16.

							Millions of yen
For the year ended March 31, 2026	Imaging Products	Precision Equipment	Healthcare	Components	Digital Manufacturing	Others (Note 1)	Total
Japan	28,005	17,968	16,089	35,705	820	1,734	100,321
United States	65,233	19,570	49,031	15,502	16,994	—	166,330
Europe (Note 2)	57,833	24,220	23,291	7,269	8,620	101	121,335
China	71,349	81,594	9,156	6,800	1	1,574	170,475
Others (Note 2)	67,633	23,905	14,355	10,900	1,655	255	118,703
Total	290,053	167,258	111,922	76,176	28,090	3,664	677,163
Revenue from contracts with customers	289,556	167,258	101,021	76,176	28,090	3,664	665,765
Revenue from other sources (Note 3)	498	—	10,901	—	—	—	11,398

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 from other sources includes lease income, etc. based on IFRS 16.

1) Details of Goods/Services and Timing of Satisfaction of Performance Obligations

(i) Sales of products

(Imaging Products Business)

The Imaging Products Business provides products of imaging and its peripheral domain, such as digital cameras, including interchangeable-lens and fixed-lens types, digital cinema cameras, and interchangeable lenses.

Regarding sales of products, revenue is recognized at the point when the product is delivered to the customer, as the customer obtains control over the products upon delivery, and the performance obligation is deemed to be satisfied. In other words, at that point, legal title, physical possession, and significant risks and rewards of ownership of products have been transferred to the customer, and the Group is entitled to receive the payment of consideration from the customer.

(Precision Equipment Business)

The Precision Equipment Business provides products with regard to the FPD lithography system and semiconductor lithography system.

Regarding sales of products, for products that require installation by the Group, revenue is recognized at the point when the installation is completed according to the specification based on a contract at the customer's location after the product is delivered to the customer, as the customer obtains control over the products upon completion of installation, and the performance obligation is deemed to be satisfied. In other words, at that point, legal title, physical possession, and significant risks and rewards of ownership of products have been transferred to the customer, and the Group is entitled to receive the payment of consideration from the customer.

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 delivery, and the performance obligation is deemed to be satisfied. In other words, at that point, legal title, physical possession, and significant risks and rewards of ownership of products have been transferred to the customer, and the Group is entitled to receive the payment of consideration from the customer.

(Healthcare Business)

The Healthcare Business provides products 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.

Regarding sales of products, revenue is recognized at the point when the product is delivered to a customer, as the customer obtains control over the products upon delivery, and the performance obligation is deemed to be satisfied. In other words, at that point, legal title, physical possession, and significant risks and rewards of ownership of products have been transferred to the customer, and the Group is entitled to receive the payment of consideration from the customer.

For products that require customer acceptance, revenue is recognized at the point when the product is accepted by the customer after the product is delivered to the customer, as the customer obtains control over the products upon acceptance, and the performance obligation is deemed to be satisfied. In other words, at that point, legal title, physical possession, and significant risks and rewards of ownership of products have been transferred to the customer, and the Group is entitled to receive the payment of consideration from the customer.

(Components Business)

The Components Business provides products related to the Industrial Metrology Business, such as industrial microscopes, non-contact 3D metrology systems, and X-ray / CT inspection systems enabling non-destructive inspection, which are used in industries such as automotive, aerospace, and electronic components; products related to the Digital Solutions Business, such as optical components, optical parts, and encoders; products related to the Customized Products Business such as EUV-related components and space-related solutions; and related to the Glass Business such as photomask substrates for FPDs.

Regarding sales of products, revenue is recognized at the point when the product is delivered to a customer, as the customer obtains control over the products upon delivery, and the performance obligation is deemed to be satisfied. In other words, at that point, legal title, physical possession, and significant risks and rewards of ownership of products have been transferred to the customer, and the Group is entitled to receive the payment of consideration from the customer.

For products that require customer acceptance, revenue is recognized at the point when the product is accepted by the customer after the product is delivered to the customer, as the customer obtains control over the products upon acceptance, and the performance obligation is deemed to be satisfied. In other words, at that point, legal title, physical possession, and significant risks and rewards of ownership of products have been transferred to the customer, and the Group is entitled to receive the payment of consideration from the customer.

(Digital Manufacturing Business)

The Digital Manufacturing Business provides metal 3D printers.

Regarding the sales of products, revenue is recognized at the point when the product is delivered to a customer, as the customer obtains control over the products upon delivery, and the performance obligation is deemed to be satisfied. In other words, at that point, legal

title, physical possession, and significant risks and rewards of ownership of products have been transferred to the customer, and the Group is entitled to receive the payment of consideration from the customer.

For products that require customer acceptance, revenue is recognized at the point when the product is accepted by the customer after the product is delivered to the customer, as the customer obtains control over the products upon acceptance, and the performance obligation is deemed to be satisfied. In other words, at that point, legal title, physical possession, and significant risks and rewards of ownership of products have been transferred to the customer, and the Group is entitled to receive the payment of consideration from the customer.

(ii) Rendering of Services

The Group renders paid repair and maintenance services for the Group products, as well as relocation and other services for FPD lithography systems, semiconductor lithography systems, and other systems.

For services required to be accepted by a customer at the completion of said service, revenue is recognized at the point when the performance obligation is deemed to be satisfied. For services from which the customer can benefit over the period during which services are rendered, revenue is recognized on a straight-line basis or on progress over the period during which services are rendered as the performance obligation is deemed to be satisfied.

2) Determining the Transaction Price

When (or as) the Group satisfies a performance obligation, the Group recognizes revenue in the amount of transaction price allocated to the performance obligations. Transaction price may include fixed amounts, variable amounts, or both.

To determine the transaction price, the Group considers the terms of the contract and the customary business practice, such as the nature, timing and amount of consideration promised by the customer, and some amount of consideration promised by the customer may change.

The main transactions involving variable consideration are rebates and discounts based on sales volume and sales amount, sales of products with a right of return, and expenses incurred by customers for sales promotion and similar activities provided to end users to promote sales of the Group's products. Estimates of these variable considerations are deducted from revenue.

Estimated rebates and discounts based on sales volume and sales amount are recognized only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur by using the method of the most likely amount based on past information.

For sales of products with a right of return, refund liabilities estimated by considering past information are deducted from revenue. The right to recover products from a customer on settling the refund liability is recognized as an asset by reference to the former carrying amount of the products less any expected costs to recover those products.

For expenses incurred by customers for sales promotion and similar activities provided to end users to promote sales of the Group's products, the consideration is deducted from revenue when the Group reimburses the customers for such expenses and cannot reasonably estimate their fair value.

If a warranty is provided to a customer either separately or as a service-type warranty in addition to an assurance-type warranty, the warranty is identified as a separate performance obligation, and revenue is recognized by allocating the transaction price.

3) Payment Terms

The Group receives payment within a short period of time after satisfying its performance obligation under separately determined payment terms. The period from satisfaction of the performance obligation to receipt of consideration is usually one year or less. As a practical expedient, the Group does not adjust the promised amount of consideration for the effects of a significant financing component for trade receivables.

Contract assets relate to consideration for performance obligations completed but not billed at the reporting date. Contract assets are transferred to receivables when the right to payment becomes unconditional.

If the Group receives the payment of consideration under the terms of a contract before satisfying the performance obligation according to region or customer, advances received are recognized.

(2) Contract Balances

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

	Millions of yen	
	As of March 31,	
	2025	2026
Receivables arising from contracts with customers	92,753	88,106
Contract assets	3,390	5,604
Advances received	68,157	67,372

For significant changes in advances received during the year ended March 31, 2025, the amount increased ¥209,132 million by receipt of cash based on contracts and decreased ¥212,672 million by revenue recognition. The amount of revenue recognized from advances received, which existed at the beginning of the period, was ¥64,551 million.

For significant changes in advances received during the year ended March 31, 2026, the amount increased ¥162,616 million by receipt of cash based on contracts and decreased ¥165,039 million by revenue recognition. The amount of revenue recognized from advances received, which existed at the beginning of the period, was ¥43,612 million.

The amount of revenue recognized in the years ended March 31, 2025 and 2026 from performance obligations satisfied in previous periods is not material.

(3) Transaction Price Allocated to Remaining Performance Obligations

The transaction price allocated to performance obligations that were unsatisfied (or partially unsatisfied) was ¥102,146 million as of March 31, 2025. The transaction price is expected to be recognized as revenue mainly in the Precision Equipment Business within two years.

The transaction price allocated to performance obligations that were unsatisfied (or partially unsatisfied) was ¥105,846 million as of March 31, 2026. The transaction price is expected to be recognized as revenue mainly in the Precision Equipment Business within two years.

As a practical expedient, the amount excludes transactions for which the originally expected contract term 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.

28. Selling, General and Administrative Expenses

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

	Millions of yen	
	Year ended March 31,	
	2025	2026
Depreciation and amortization	23,787	21,963
Research and development expenses	74,554	70,843
Employee benefit expenses	86,149	88,188
Advertising and sales promotion expenses	25,631	22,435
Others	85,034	85,819
Total	295,155	289,248

29. Other Operating Income and Expenses

(1) Other Operating Income

The breakdown of other operating income is as follows:

	Millions of yen	
	Year ended March 31,	
	2025	2026
Income from insurance	603	461
Grant income	685	730
Income from rents	200	286
Gain on sale of non-current assets (Note 1)	64	5,122
Gain on sale of businesses (Note 2)	–	2,978
Others	690	1,133
Total	2,241	10,710

(2) Other Operating Expenses

The breakdown of other operating expenses is as follows:

	Millions of yen	
	Year ended March 31,	
	2025	2026
Impairment losses (Note 3)	8,743	98,534
Loss on sale of non-current assets	29	302
Restructuring costs (Notes 3, 4, and 5)	4,923	7,385
Others	2,937	4,949
Total	16,631	111,170

Notes: 1. Gain on sale of non-current assets for the year ended March 31, 2026 includes a gain on sale of land of ¥4,951 million in connection with the sale of the Company's idle land, which was recorded in corporate profit (loss) that cannot be attributed to any segments.
2. Gain on sale of businesses for the year ended March 31, 2026 represents a gain recognized in connection with the sale of the Company's R&D business related to semiconductor wafer bonding technology in the Precision Equipment Business.
3. With regard to impairment losses and restructuring costs, please see Note 15. Impairment Losses of Non-financial Assets.
4. The breakdown of restructuring costs for the year ended March 31, 2025 is as shown in the table below.
For the Precision Equipment Business, the Group recorded additional retirement benefits of ¥1,265 million in connection with workforce optimization at a sales subsidiary in the United States.
For the Components Business, the Group recorded impairment losses and additional retirement benefits of ¥1,823 million, mainly in connection with the restructuring of manufacturing and sales subsidiaries in Europe and other regions, in order to transform the business into a sustainable earnings structure.
For corporate profit (loss) that cannot be attributed to any segments, the Group recorded impairment losses and other expenses of ¥1,794 million, mainly in connection with the restructuring of the Company's bases.

Millions of yen	
Details	Amount
Impairment losses	2,074
Additional retirement benefits	1,720
Expenses related to outside specialists	288
Others	841
Total	4,923

5. The breakdown of restructuring costs for the year ended March 31, 2026 is as shown in the table below.
For the Imaging Products Business, as a result of reconsidering the business portfolio and transferring all of its shares in Mark Roberts Motion Control Limited, the Group recorded losses associated with loss of control and expenses related to outside specialists of ¥3,210 million.
For the Precision Equipment Business, the Group recorded additional retirement benefits of ¥896 million in connection with the optimization of service locations.
For the Components Business, the Group recorded expenses related to outside specialists and other expenses of ¥693 million, mainly in connection with the restructuring of manufacturing and sales subsidiaries in Europe and other regions, in order to transform the business into a sustainable earnings structure.
For the Digital Manufacturing Business, the Group recorded additional retirement benefits of ¥685 million, mainly in connection with workforce optimization at manufacturing and sales subsidiaries in Europe and other regions.
In addition to the above, in connection with the restructuring of the Group's bases, impairment losses, additional retirement benefits and other expenses of ¥1,150 million and ¥751 million were recorded in Other Businesses and corporate profit (loss) that cannot be attributed to any segments, respectively.

Millions of yen	
Details	Amount
Losses related to sale of shares of subsidiaries and associates	2,946
Additional retirement benefits	1,712
Expenses related to outside specialists	722
Impairment losses	608
Others	1,398
Total	7,385

30. Finance Income and Finance Costs

The breakdown of finance income and finance costs is as follows:

	Millions of yen	
	Year ended March 31,	
	2025	2026
Finance income:		
Dividend income		
Financial assets measured at fair value through other comprehensive income (Note 1)	1,429	1,383
Interest income		
Financial assets measured at amortized cost	4,042	4,249
Foreign exchange gains	–	3,058
Others (Note 3)	489	513
Total	5,960	9,204
Finance costs:		
Interest expenses		
Financial liabilities measured at amortized cost	2,681	3,541
Foreign exchange losses	3,165	–
Loss on valuation of derivatives (Note 2)	885	3,773
Others	263	205
Total	6,994	7,518

Notes: 1. Dividend income arising from financial assets measured at fair value through other comprehensive income that were derecognized in the years ended March 31, 2025 and 2026 was ¥153 million and ¥379 million, respectively. With respect to financial assets measured at fair value through other comprehensive income, please see Note 11. Other Financial Assets.
2. Loss on valuation of derivatives was recognized in respect of foreign currency forward contracts, interest rate and currency swaps, and currency options.
3. Gains on valuation of securities of ¥392 million and ¥459 million are included in “Others” for the years ended March 31, 2025 and 2026, respectively.

31. Earnings per Share

The basis for the calculation of basic earnings (loss) per share and diluted earnings (loss) per share attributable to owners of parent is as follows:

	Millions of yen, unless otherwise indicated	
	Year ended March 31,	
	2025	2026
Basis for the calculation of basic earnings (loss) per share:		
Profit (loss) for year attributable to owners of parent	6,123	(86,088)
Profit (loss) not attributable to ordinary equity holders of parent	–	–
Profit (loss) for year used in the calculation of basic earnings (loss) per share	6,123	(86,088)
Weighted average number of ordinary shares outstanding during the period (thousands of shares)	342,808	329,125
Basic earnings (loss) per share (yen)	17.86	(261.57)
Basis for the calculation of diluted earnings (loss) per share:		
Profit (loss) for year used in the calculation of basic earnings (loss) per share	6,123	(86,088)
Adjustments to profit (loss) for year		
Adjustment for potential shares issued by subsidiaries	–	–
Profit (loss) for year used in the calculation of diluted earnings (loss) per share	6,123	(86,088)
Weighted average number of ordinary shares outstanding during the period (thousands of shares)	342,808	329,125
Increase in number of ordinary shares in respect of stock options (thousands of shares)	1,771	–
Weighted average number of dilutive ordinary shares outstanding during the period (thousands of shares)	344,578	329,125
Diluted earnings (loss) per share (yen)	17.77	(261.57)

Note: For the fiscal year ended March 31, 2026, as the stock options that the Company issued have no dilutive effect, they are not included in the calculation of diluted loss per share.

32. Reclassifications in Other Comprehensive Income and the Impact of Corporate Income Taxes

The breakdown of other comprehensive income for the years ended March 31, 2025 and 2026, including the amount arising during the period, reclassification adjustments, and the impact of corporate income taxes, is as follows:

	Millions of yen	
	Year ended March 31,	
	2025	2026
Items that will not be reclassified subsequently to profit or loss:		
Gain (loss) on financial assets measured at fair value through other comprehensive income:		
Amount arising during the period	(5,361)	17,055
Corporate income taxes	1,214	(4,910)
After corporate income taxes	(4,147)	12,146
Remeasurements of defined benefit plans:		
Amount arising during the period	1,517	2,904
Corporate income taxes	(549)	(1,004)
After corporate income taxes	968	1,900
Share of other comprehensive income of investments accounted for using equity method:		
Amount arising during the period	12	30
Corporate income taxes	(5)	(9)
After corporate income taxes	7	21
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations:		
Amount arising during the period	(2,177)	36,901
Reclassification adjustments	–	(70)
Before corporate income taxes	(2,177)	36,830
Effective portion of cash flow hedges:		
Amount arising during the period	(16)	(507)
Reclassification adjustments	515	455
Before corporate income taxes	499	(51)
Corporate income taxes	(140)	6
After corporate income taxes	359	(45)
Share of other comprehensive income of investments accounted for using equity method:		
Amount arising during the period	131	384
Total other comprehensive income (loss)	(4,859)	51,236

33. Changes in Liabilities Arising from Financing Activities

The changes in liabilities arising from financing activities are as follows:

For the year ended March 31, 2025

	As of April 1, 2024	Cash flows	Non-cash changes					Millions of yen
			Business combination	Newly recognized lease contracts	Foreign exchange movement	Fair value changes	Others	As of March 31, 2025
Bonds and borrowings (Note)	166,706	26,247	–	–	551	–	66	193,570
Lease liabilities	25,465	(9,147)	271	5,466	(146)	–	(1,832)	20,077
Derivative financial assets	(10,535)	10,648	–	–	–	(113)	–	–

Note: The amount is the sum of “Bonds and borrowings” of current and non-current liabilities in the consolidated statement of financial position.

The change in cash flows of “Bonds and borrowings” is the net amount of “Net increase (decrease) in short-term borrowings,” “Proceeds from long-term borrowings,” and “Repayments of long-term borrowings” in the consolidated statement of cash flows. “Others” includes items such as interest expenses.

“Others” of “Lease liabilities” includes changes primarily due to revisions to lease contracts.

For the year ended March 31, 2026

	As of April 1, 2025	Cash flows	Non-cash changes					Millions of yen
			Business combination	Newly recognized lease contracts	Foreign exchange movement	Fair value changes	Others	As of March 31, 2026
Bonds and borrowings (Note)	193,570	25,494	–	–	791	–	103	219,957
Lease liabilities	20,077	(8,047)	–	6,024	1,280	–	515	19,849

Note: The amount is the sum of “Bonds and borrowings” of current and non-current liabilities in the consolidated statement of financial position.

The change in cash flows of “Bonds and borrowings” is the net amount of “Net increase (decrease) in short-term borrowings,” “Proceeds from long-term borrowings,” “Repayments of long-term borrowings,” and “Redemption of bonds” in the consolidated statement of cash flows. “Others” includes items such as interest expenses.

“Others” of “Lease liabilities” includes changes primarily due to revisions to lease contracts and changes due to loss of control.

34. Share-based Payment

The Group has adopted share-based payment schemes aiming to improve performance and enhance corporate value in the medium and long term.

(1) Stock Option Share-based Payment Scheme

(i) Outline of Stock Option Share-Based Payment Scheme

The exercise period of stock options is 30 years from the grant date.

If a member terminates his or her employment prior to the vesting date, only the portion equivalent to the period of service will vest.

The Company's stock option share-based payment scheme is accounted for as an equity-settled share-based payment.

The Company has abolished the stock option share-based payment scheme following the introduction of a restricted stock compensation system in the year ended March 31, 2023. As a result, no stock options have been granted since the year ended March 31, 2023.

Details of stock option schemes that are outstanding for the years ended March 31, 2025 and 2026 were as follows:

No.	Number of shares granted (Shares)	Grant date	Exercise date	Exercise price (Yen)	Fair value at grant date (Yen)
5	26,100	August 27, 2007	August 27, 2037	1	3,259
6	117,900	November 25, 2008	November 25, 2038	1	734
7	68,100	August 10, 2009	August 10, 2039	1	1,408
8	66,800	July 14, 2010	July 14, 2040	1	1,527
9	99,700	March 19, 2012	March 19, 2042	1	2,037
10	108,300	August 23, 2012	August 23, 2042	1	1,726
11	119,600	August 1, 2013	August 1, 2043	1	1,632
12	177,400	August 1, 2014	August 1, 2044	1	1,183
13	207,000	July 28, 2015	July 28, 2045	1	1,040
14	198,600	July 29, 2016	July 29, 2046	1	1,213
15	115,500	July 27, 2017	July 27, 2047	1	1,681
16	121,800	April 23, 2018	April 23, 2048	1	1,644
17	220,900	April 22, 2019	April 22, 2049	1	953
18	473,800	April 17, 2020	April 17, 2050	1	374
19	222,800	August 20, 2021	August 20, 2051	1	807

(ii) Number of Stock Options and Average Exercise Prices

Details of stock options are as follows:

	Year ended March 31,			
	2025		2026	
	Number of options (Shares)	Weighted average exercise price (Yen)	Number of options (Shares)	Weighted average exercise price (Yen)
Opening outstanding balance	1,815,700	1	1,701,100	1
Granted during the period	—	—	—	—
Forfeited or expired during the period	—	—	—	—
Exercised during the period	114,600	1	391,500	1
Ending outstanding balance	1,701,100	1	1,309,600	1
Exercisable outstanding options at the end of the year	1,701,100	1	1,309,600	1

Stock options exercised during the year ended March 31, 2025 were as follows:

No.	Number of options exercised (Shares)	Exercise period	Weighted average share price at the date of exercise (Yen)
5	700	April 1, 2024 to March 31, 2025	1,671
7	2,700	April 1, 2024 to March 31, 2025	1,779
8	4,400	April 1, 2024 to March 31, 2025	1,651
9	19,600	April 1, 2024 to March 31, 2025	1,591
10	13,800	April 1, 2024 to March 31, 2025	1,683
11	21,200	April 1, 2024 to March 31, 2025	1,643
12	26,500	April 1, 2024 to March 31, 2025	1,645
13	15,500	April 1, 2024 to March 31, 2025	1,666
14	3,400	April 1, 2024 to March 31, 2025	1,656
15	2,900	April 1, 2024 to March 31, 2025	1,621
16	3,900	April 1, 2024 to March 31, 2025	1,621
Total	114,600		1,645

Stock options exercised during the year ended March 31, 2026 were as follows:

No.	Number of options exercised (Shares)	Exercise period	Weighted average share price at the date of exercise (Yen)
5	2,800	April 1, 2025 to March 31, 2026	1,710
6	14,000	April 1, 2025 to March 31, 2026	1,710
7	10,000	April 1, 2025 to March 31, 2026	1,649
8	3,500	April 1, 2025 to March 31, 2026	1,943
9	12,900	April 1, 2025 to March 31, 2026	1,652
10	22,500	April 1, 2025 to March 31, 2026	1,635
11	27,800	April 1, 2025 to March 31, 2026	1,671
12	50,700	April 1, 2025 to March 31, 2026	1,861
13	47,900	April 1, 2025 to March 31, 2026	1,853
14	47,100	April 1, 2025 to March 31, 2026	1,764
15	25,100	April 1, 2025 to March 31, 2026	1,818
16	42,200	April 1, 2025 to March 31, 2026	1,709
17	77,300	April 1, 2025 to March 31, 2026	1,753
18	7,700	April 1, 2025 to March 31, 2026	1,968
Total	391,500		1,766

The exercise price of the outstanding options for the year ended March 31, 2025 was ¥1. The weighted average remaining option life for the year ended March 31, 2025 was 22.7 years.

The exercise price of the outstanding options for the year ended March 31, 2026 was ¥1. The weighted average remaining option life for the year ended March 31, 2026 was 22.3 years.

(2) Restricted Stock Compensation System

(i) Outline of Restricted Stock Compensation System

The Company's restricted stock compensation system is a compensation system under which the Company's ordinary shares that are subject to provisions of a certain transfer restriction period and grounds for acquisition by the Company for no contribution (hereinafter referred to as "Restricted Shares") are delivered to executive directors and other certain officers.

Upon resolution by the Board of Directors, Restricted Shares are delivered, in principle, every year to executive directors and other certain officers under the Company's restricted stock compensation system. Each of the executive directors and other certain officers will be, in principle, prohibited from disposing of Restricted Shares during the period until the date on which he/she retires from any of the positions as executive director, etc. The Company shall acquire all of the restricted stock compensation without contribution if certain circumstances arise. The transfer restrictions on all of the Restricted Shares will be lifted upon the expiry of the restriction period, on condition that each of the executive directors and other certain officers has remained in any of the positions as executive director and other certain officers throughout a certain period of time. The Company's restricted stock compensation system is accounted for as an equity-settled share-based payment.

(ii) Number of Shares Granted during the Period and Fair Value

The fair value at the date of grant is measured based on the closing price of the Company's ordinary shares on the Tokyo Stock Exchange on the business day prior to the date of the resolution by the Board of Directors. The details of Restricted Shares granted during the period are as follows:

	Year ended March 31,	
	2025	2026
Date of grant	May 17, 2024	May 19, 2025
Number of shares granted (Shares)	129,679	163,162
Fair value at the date of grant (Yen)	1,687	1,431

(3) Performance Share Unit Compensation System

(i) Outline of Performance Share Unit Compensation System

The Company has adopted a performance share unit compensation system under which a number of the Company's ordinary shares or a monetary amount equivalent to the market value of the Company's ordinary shares (hereinafter referred to as "Company's Shares, etc."), which are calculated based on the attainment of performance targets, etc. for each fiscal year of the period covered by the applicable medium-term management plan, are delivered to executive directors and other certain officers. The compensation system formulated based on this scheme applies to consecutive fiscal years determined separately by the Board of Directors, and the base number of shares and performance targets, etc., are presented in advance in accordance with position. Under the scheme, Company's Shares, etc. are delivered to executive directors and other certain officers of the Company after the end of each fiscal year based on the attainment of performance targets, which are accounted for as an equity-settled share-based payment.

(ii) Number of Shares Granted during the Period and Fair Value

The fair value is measured using share price at the measurement date. The details of the performance share unit compensation granted during the period are as follows:

	Year ended March 31,	
	2025	2026
Number of shares granted (Shares)	56,534	14,990
Fair value (Yen)	1,482	1,888

(4) Long-term Incentive Plan

Certain subsidiaries have adopted a long-term incentive plan (hereinafter referred to as "LTIP") under which an amount is settled in cash for their directors at the time of the business combination based on the offering price at the time of the public takeover offer for shares of each of the subsidiaries on condition of being in service for a certain period of time until the vesting date.

The LTIP granted to eligible individuals is accounted for as a cash-settled share-based payment.

The carrying amounts of liabilities incurred for this plan for the years ended March 31, 2025 and 2026 were ¥525 million and ¥334 million, respectively.

(5) Share-based Compensation Expenses

Millions of yen

	Year ended March 31,	
	2025	2026
Equity-settled stock option share-based payment scheme	—	—
Equity-settled restricted stock compensation system	219	234
Equity-settled performance share unit compensation system	43	(13)
Cash-settled share-based payment	442	101
Total	704	323

Share-based compensation expenses are mainly included in “Selling, general and administrative expenses” in the consolidated statement of profit or loss.

35. Financial Instruments

(1) Capital Management

Under a management approach that is conscious of capital efficiency and financial soundness, the Group conducts capital allocation by balancing business investments and shareholder returns to achieve sustainable growth. Our fundamental policy on shareholder returns is to distribute a steady dividend. To this end, necessary funds will be raised essentially through cash flows from operating activities generated from maintaining and improving 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.

The Group aims to improve ROE by positioning it as a key management indicator in its pursuit of capital efficiency.

	(%)	
	As of March 31,	
	2025	2026
ROE	0.9	(14.1)

The Company is not subject to any external capital regulations except for the requirements of legal retained earnings in accordance with the Companies Act of Japan.

(2) Classification of Financial Instruments

Financial instruments are classified as follows:

	Millions of yen	
	As of March 31,	
	2025	2026
Financial assets:		
Cash and cash equivalents (Note 8)	163,590	158,036
Financial assets measured at amortized cost:		
Trade and other receivables (Note 9)	125,441	127,459
Other financial assets (Note 11)	5,359	5,437
Financial assets measured at fair value through profit or loss:		
Other financial assets (Note 11)	23,504	23,363
Financial assets measured at fair value through other comprehensive income:		
Other financial assets (Note 11)	50,364	47,490
Total	368,258	361,785
Financial liabilities:		
Financial liabilities measured at amortized cost:		
Trade and other payables (Note 19)	82,200	73,367
Bonds and borrowings (Note 20)	193,570	219,957
Other financial liabilities (Note 22)	45,085	43,023
Financial liabilities measured at fair value through profit or loss:		
Other financial liabilities (Note 22)	188	339
Financial liabilities measured at fair value through other comprehensive income:		
Other financial liabilities (Note 22)	21	3
Total	321,064	336,689

(3) 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. In order to mitigate the aforementioned risks, the Group takes measures depending on the nature of transaction contents and trade size, as well as the geographic characteristics.

(4) 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. Derivatives are held or issued based on the Group's policies on financial instruments for the exposure to foreign currency translation risk, interest rate risk, price risk, derivatives, or other financial instruments. Compliance with the Group's policies is continuously monitored through internal audits.

(i) 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.

a) Foreign currency sensitivity analysis

With regard to foreign currency-denominated financial instruments held by the Group as of each fiscal year-end, the following table shows the impact on profit before tax and other comprehensive income before deferred tax adjustment that would result from 1% appreciation of the yen against the U.S. dollar and euro with the assumption that the exchange rates for other currencies are constant.

	Millions of yen			
	USD		EUR	
	Year ended March 31,		Year ended March 31,	
	2025	2026	2025	2026
Profit before tax	(462)	(219)	(346)	44
Other comprehensive income before deferred tax adjustment	(28)	(1)	40	39

b) Derivatives

Details of currency derivatives are as follows:

Derivative transactions not accounted for using hedge accounting

	Millions of yen					
	As of March 31,					
	2025			2026		
	Total notional amount	The notional amount more than one year	Fair value	Total notional amount	The notional amount more than one year	Fair value
Forward exchange contracts:						
Short position						
USD	11,456	—	113	11,449	—	(87)
EUR	24,238	—	(27)	15,489	—	26
Others	3,100	—	(8)	2,533	—	15
Long position						
USD	8,918	—	(35)	13,166	—	181
Total	47,712	—	43	42,636	—	136

Derivative transactions accounted for using hedge accounting

Millions of yen

	As of March 31,					
	2025			2026		
	Total notional amount	The notional amount more than one year	Fair value	Total notional amount	The notional amount more than one year	Fair value
Forward exchange contracts:						
Short position						
EUR	4,197	—	7	4,045	—	25
Others	1,682	—	(1)	1,583	—	7
Long position						
GBP	3,217	—	245	2,506	97	108
Total	9,097	—	250	8,134	97	140

The Group has entered into forward exchange contracts with financial institutions to hedge the changes in the currency market affecting foreign currency-denominated assets and liabilities.

(ii) 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.

a) Interest rate sensitivity analysis

Regarding long-term floating-rate borrowings that are exposed to interest rate risk, the risk is mitigated by fixed cash flows using interest rate swap contracts. As the Group's exposure to interest rate risks is limited, the impact from changes in interest rates is immaterial.

b) Derivatives

Details of interest rate derivatives are as follows:

Derivative transactions not accounted for using hedge accounting

Millions of yen

	As of March 31,					
	2025			2026		
	Total notional amount	The notional amount more than one year	Fair value	Total notional amount	The notional amount more than one year	Fair value
Interest rate and currency swap contracts:						
Received in floating rate and paid in fixed rate	—	—	—	1,672	1,672	(244)
Total	—	—	—	1,672	1,672	(244)

Derivative transactions accounted for using hedge accounting

Millions of yen

	As of March 31,					
	2025			2026		
	Total notional amount	The notional amount more than one year	Fair value	Total notional amount	The notional amount more than one year	Fair value
Interest rate swap contracts:						
Received in floating rate and paid in fixed rate	500	500	10	5,500	5,500	89
Total	500	500	10	5,500	5,500	89

(iii) 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.

The following sensitivity analysis is performed based on the exposure to share price risk at the end of the reporting periods.

For the years ended March 31, 2025 and 2026, assuming a 5% change in the stock price, other comprehensive income before deferred tax adjustments would fluctuate ¥2,252 million and ¥2,186 million, respectively, as a result of fluctuations in the fair value of equity instruments designated as those measured at fair value through other comprehensive income.

(5) Credit Risk Management

The Group is exposed to credit risk (i.e., the risk that a 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 receivable, accounts receivable, lease receivables, and other receivables.

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

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 derivative transactions, the Group operates the transactions according to internal policies for trade authorization and enters into derivative transactions only with highly rated financial institutions to mitigate credit risk.

The carrying amount of the financial assets after deducting impairment losses as presented in the consolidated financial statements represents the Group's maximum exposure to credit risk without considering the valuation of the related collateral obtained.

(i) Credit Risk Exposure with Respect to Trade and Other Receivables

The Group's credit risk exposure with respect to trade and other receivables is as follows:

Regarding trade and other receivables, allowance for doubtful accounts is recognized and measured based on future expected credit losses, taking into account the recoverability and a significant increase in credit risk. The Group assesses and determines whether credit risk has significantly increased based on changes in the debtor's default risk, which is based on the debtor's financial condition and historical records of actual credit loss and past due. Allowance for doubtful accounts associated with trade receivables is always measured at lifetime expected credit losses. Further, lifetime expected credit losses may be estimated individually or collectively. Although lifetime expected credit losses are measured collectively, if one or more of the following events adversely affect the estimated future cash flows of trade receivables, an expected credit loss of the trade receivables is measured individually as an impairment of credit of trade receivables:

- significant financial difficulties of debtors;
- contractual breach including default or delinquencies; and/or
- the increase in the possibility of bankruptcy or other financial restructuring of debtors.

Trade and other receivables

Millions of yen

Carrying amount	Financial assets of which expected credit losses are always measured at their expected lifetime as allowance for doubtful accounts	Credit-impaired financial assets	Total
As of March 31, 2025	121,650	1,119	122,769
As of March 31, 2026	123,596	1,407	125,003

The financial assets above mainly include notes and accounts receivable and lease receivables.

Other receivables are financial assets of which allowance for doubtful accounts are measured based on 12-month expected credit losses. The balances of other receivables as of March 31, 2025 and 2026 were ¥3,855 million and ¥4,141 million, respectively.

Other financial assets

Millions of yen

Carrying amount	Financial assets of which 12-month expected credit losses are measured as allowance for doubtful accounts	Financial assets of which expected credit losses are measured at their expected lifetime as allowance for doubtful accounts		Total
		Financial assets whose credit risk increased significantly since initial recognition	Credit-impaired financial assets	
As of March 31, 2025	252	6	–	258
As of March 31, 2026	303	6	–	309

(ii) Analysis of Allowance for Doubtful Accounts

The Group accounts for the impairment of financial assets through allowance for doubtful accounts rather than writing off the carrying amount of the assets. Changes in the allowance for doubtful accounts are as follows:

Trade and other receivables

Millions of yen

Allowance for doubtful accounts	Financial assets of which expected credit losses are always measured at their expected lifetime as allowance for doubtful accounts	Credit-impaired financial assets	Total
As of April 1, 2024	623	496	1,120
Increase during the period	29	694	723
Decrease during the period due to settlement for intended purposes	–	(276)	(276)
Decrease during the period due to reversal	(284)	(126)	(410)
Acquisition through business combinations	4	–	4
Exchange differences on translation of foreign operations	28	(6)	22
As of March 31, 2025	400	782	1,183
Increase during the period	79	887	965
Decrease during the period due to settlement for intended purposes	–	(201)	(201)
Decrease during the period due to reversal	(83)	(144)	(226)
Decrease due to deconsolidation	(4)	(73)	(77)
Exchange differences on translation of foreign operations	43	(1)	42
As of March 31, 2026	436	1,249	1,686

The allowance for doubtful accounts above is mainly related to notes and accounts receivable and lease receivables.

There was no allowance for doubtful accounts of other receivables as of March 31, 2025 and 2026.

Other financial assets

Millions of yen

	Financial assets of which expected credit losses are measured at their expected lifetime as allowance for doubtful accounts			
	Financial assets of which 12-month expected credit losses are measured as allowance for doubtful accounts	Financial assets whose credit risk increased significantly since initial recognition	Credit-impaired financial assets	Total
Allowance for doubtful accounts				
As of April 1, 2024	–	6	–	6
Increase during the period	–	–	–	–
Decrease during the period due to settlement for intended purposes	–	–	–	–
Decrease during the period due to reversal	–	–	–	–
Exchange differences on translation of foreign operations	–	–	–	–
As of March 31, 2025	–	6	–	6
Increase during the period	–	–	–	–
Decrease during the period due to settlement for intended purposes	–	–	–	–
Decrease during the period due to reversal	–	–	–	–
Exchange differences on translation of foreign operations	–	–	–	–
As of March 31, 2026	–	6	–	6

(6) Liquidity Risk Management

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

The Group manages its liquidity risk by monitoring its liquidity position and maintaining and securing appropriate cash reserves depending on circumstances, based on a medium- and long-term funding plan that is prepared and updated on a regular basis.

In addition, the Group has established a global cash management system to reduce liquidity risk by centralizing and streamlining group-wide cash management, including cash reserves held by domestic and overseas subsidiaries.

Liquidity and interest risk table

The following table details the Group's remaining contractual maturity for its financial liabilities and repayment periods.

The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group may be required to pay. The table includes both interest and principal cash flows.

	Millions of yen				
	Carrying amount	Contractual cash flows	Within 1 year	After 1 year but within 5 years	After 5 years
As of March 31, 2025					
Non-derivative financial liabilities:					
Long-term borrowings (including current portion)	127,786	135,201	16,751	62,614	55,836
Bonds (including current portion)	19,961	20,277	10,057	188	10,032
Short-term borrowings	45,823	45,908	45,908	—	—
Lease liabilities	20,078	21,183	7,464	11,174	2,545
Trade and other payables	82,200	82,200	82,200	—	—
Derivative financial liabilities:					
Derivative liabilities	209	209	209	—	—
As of March 31, 2026					
Non-derivative financial liabilities:					
Long-term borrowings (including current portion)	128,293	136,052	17,281	58,246	60,525
Bonds (including current portion)	9,974	10,220	47	10,173	—
Short-term borrowings	81,691	81,779	81,779	—	—
Lease liabilities	19,850	21,168	7,155	12,065	1,948
Trade and other payables	73,367	73,367	73,367	—	—
Derivative financial liabilities:					
Derivative liabilities	342	342	98	—	244

Amounts of gross commitment lines of credit and balances of used borrowings as of March 31, 2025 and 2026 are as follows:

	Millions of yen	
	As of March 31,	
	2025	2026
Gross commitment lines of credit	150,500	200,500
Balances of used borrowings	—	40,000
Unused balances	150,500	160,500

(7) Fair Value Measurement of Financial Instruments

1) Financial Instruments Measured at Fair Value

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

	Millions of yen			
As of March 31, 2025	Level 1	Level 2	Level 3	Total
Derivatives	–	511	–	511
Shares	45,043	–	6,911	51,954
Others	–	1,596	19,807	21,402
Total assets	45,043	2,107	26,717	73,868
Derivatives	–	209	–	209
Total liabilities	–	209	–	209

	Millions of yen			
As of March 31, 2026	Level 1	Level 2	Level 3	Total
Derivatives	–	462	–	462
Shares	43,727	–	3,456	47,183
Others	–	1,985	21,223	23,208
Total assets	43,727	2,447	24,679	70,853
Derivatives	–	342	–	342
Total liabilities	–	342	–	342

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

(i) 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.

(ii) 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.

(iii) 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.

The movements of financial instruments during the years ended March 31, 2025 and 2026 measured at fair value on a recurring basis using Level 3 inputs were as follows:

	Millions of yen	
	Year ended March 31,	
	2025	2026
Opening balance	31,438	26,717
Total gain or loss:		
In profit or loss (Note 1)	(479)	(1,102)
In other comprehensive income (Note 2)	(573)	(1,796)
Purchases	874	1,552
Disposals or settlements	(4,003)	(709)
Distributions	–	(21)
Exchange differences on translation of foreign operations	1	37
Transfer out of Level 3 to other categories (Note 3)	(541)	–
Closing balance	26,717	24,679

Notes: 1. Gain or loss recognized in profit or loss is generated from the financial assets measured at fair value through profit or loss at the end of each reporting period, which were recognized in “Finance income” and “Finance costs.”

2. Gain or loss recognized in other comprehensive income was generated from the financial assets measured at fair value through other comprehensive income at the end of each reporting period, which were recognized in “Gain (loss) on financial assets measured at fair value through other comprehensive income.”

3. The transfer out of Level 3 to other categories for the year ended March 31, 2025 was attributable to the listing of the investee on the stock exchange, and was transferred to Level 1.

2) Financial Instruments Measured at Amortized Cost

The carrying amount and the fair value of financial instruments measured at amortized cost are as follows:

	Millions of yen			
	As of March 31,			
	2025		2026	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities:				
Bonds	19,961	19,310	9,974	9,213
Long-term borrowings	127,786	122,512	128,293	121,738
Total	147,747	141,822	138,266	130,951

Note: Current portion of bonds and borrowings is included.

With respect to bonds and long-term borrowings, please see Note 20. Bonds and Borrowings.

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 their fair values.

36. Related Party Transactions

(1) Related Party Transactions and Outstanding Balances

For the year ended March 31, 2025

Not applicable.

For the year ended March 31, 2026

Not applicable.

(2) Key Management Personnel Compensation

Key management personnel compensation is as follows:

	Millions of yen	
	Year ended March 31,	
	2025	2026
Monthly compensation and bonuses	387	397
Restricted stock compensation	75	78
Performance share unit compensation	33	3
Total	496	478

37. Subsidiaries, Associates, and Joint Ventures

Regarding the material subsidiaries, associates, and joint ventures of the Group as of March 31, 2026, please refer to the Appendix.

38. 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 the "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 the "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 to as the "Supreme Court"). In March 2021, the Supreme Court delivered a judgment revoking the decision of the CESTAT and consequently the demand notice by the Indian Tax Authority. Subsequently in April 2021, the Indian Tax Authority filed a request for retrial. The Supreme Court approved the request for retrial in November 2024, and remanded the case to the CESTAT. In April 2025, at the remanded trial, the CESTAT rendered a judgement that the products were exempt from taxation. However, the Indian Tax Authority appealed the judgement to the Supreme Court in February 2026. As it is currently unable to predict the final decision of the lawsuit, the Company has not recognized any provision based on the aforementioned policy.

(2) Contracts and Legal Compliance

In response to a question raised that the Company's consolidated subsidiary, Optos Plc, sold refurbished products and new products without distinction, the Company conducted an internal investigation with the cooperation of the external organizations, as well as its own internal review. With respect to potential violations and breaches of legal, regulatory and contractual requirements in the United States, the Company has recorded a provision of 2,624 million yen for possible compensation, penalties or other sanction. As a result of the review conducted to date, the Company has not found any quality, sales or marketing or other issues that have caused the Company to increase the provision.

Depending on the future progress of the investigation and the Company's review, there is a possibility that its consolidated performance would be affected in case where payments to regulatory authorities and compensation to customers, etc., exceeding the above provision will occur. However, the Company is unable to reasonably estimate the potential financial impact at this stage.

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.

39. Significant Subsequent Events

The Group has evaluated subsequent events through June 25, 2026. As of June 25, 2026, there are no significant subsequent events to be reported.

Appendix

Information on Subsidiaries and Associates

Company name	Location	Main business	Voting right ownership (%)
(Consolidated group companies)			
Tochigi Nikon Corporation	Japan	Manufacture of optical units, interchangeable lenses, objective lenses for microscopes, optical components, and machine components	100.0
Tochigi Nikon Precision Co., Ltd.	Japan	Manufacture of devices for semiconductor/ FPD lithography systems and projection exposure systems	100.0
Sendai Nikon Corporation	Japan	Design and manufacture of optical products and equipment	100.0
Miyagi Nikon Precision Co., Ltd.	Japan	Manufacture of devices for semiconductor/FPD lithography systems	100.0
Nikon Tec Corporation	Japan	Sales of used equipment and maintenance service for semiconductor/FPD lithography systems	100.0
Nikon Imaging Japan Inc.	Japan	Sales and servicing of cameras	100.0
Nikon Solutions Co., Ltd.	Japan	Import, sales and servicing of ophthalmic equipment. Sales and servicing of microscopes, measuring instruments, X-ray inspection systems	100.0
Nikon Vision Co., Ltd.	Japan	Development, manufacture, sales, and servicing of sport optics products	100.0
Nikon Systems Inc.	Japan	Development and support of computer software	100.0
Nikon Business Service Co., Ltd.	Japan	Employee welfare activities, procurement, and logistics	100.0
Nikon CeLL innovation Co., Ltd.	Japan	Development, manufacturing and testing services for cell-based therapeutics	100.0
Hikari Glass Co., Ltd.	Japan	Manufacture and sales of optical glass and molded optical glass	100.0
Nikon Precision Inc.	USA	Import, sales, maintenance and servicing of semiconductor systems, sales of used equipment	100.0 (100.0)
Nikon Inc.	USA	Import, sales, and servicing of cameras	100.0 (100.0)
Nikon Instruments Inc.	USA	Import, sales, maintenance, and servicing of microscopes	100.0 (100.0)
Nikon Americas Inc.	USA	Centralized supply, administration, and management of funds of affiliates in the United States	100.0
RED Digital Cinema, Inc.	USA	Design, development, manufacture, sales, and provision of services of professional digital cinema cameras	100.0
Nikon Metrology, LLC	USA	Sales, servicing of microscopes, metrology and X-ray CT, and development and manufacturing of 3D metrology	100.0 (100.0)
Nikon AM Synergy Inc.	USA	Additive manufacturing design and production	100.0
Nikon Canada Inc.	Canada	Import, sales, and servicing of cameras and microscopes	100.0
Nikon Precision Europe GmbH	Germany	Maintenance and servicing of semiconductor systems, sales of used equipment	100.0 (100.0)
Nikon SLM Solutions AG	Germany	Provision of integrated metal additive manufacturing solutions	100.0

Company name	Location	Main business	Voting right ownership (%)
Nikon Europe B.V.	The Netherlands	Centralized supply, administration, and management of funds of affiliates in Europe, and import, sales, and servicing of cameras and microscopes	100.0
Nikon Metrology Europe NV	Belgium	Sales, servicing of microscopes, metrology and X-ray CT, and development of 3D metrology	100.0 (100.0)
Optos Plc	United Kingdom	Manufacture, sales and servicing of ultra-wide field retinal imaging device	100.0
Nikon Hong Kong Ltd.	China	Import, sales, and servicing of cameras	100.0
Nikon Holdings Hong Kong Limited	China	Promotion of CSR and internal audits at Group companies in Asia and Oceania	100.0
Nikon Singapore Pte. Ltd.	Singapore	Import, sales and servicing of cameras, microscopes and measuring instruments, sales of used equipment and maintenance service for semiconductor systems	100.0
Nikon Australia Pty Ltd.	Australia	Import, sales, and servicing of cameras	100.0 (100.0)
Nikon India Private Limited	India	Import, sales, and servicing of cameras	100.0 (100.0)
Nikon (Thailand) Co., Ltd.	Thailand	Manufacture of digital cameras, interchangeable lenses, and digital camera components	100.0
Nikon Precision Korea Ltd.	South Korea	Maintenance and servicing of semiconductor/FPD systems, sales of used equipment	100.0
Nikon Imaging Korea Co., Ltd.	South Korea	Import, sales, and servicing of cameras	100.0
Nikon Precision Taiwan Ltd.	R.O.C	Maintenance and servicing of semiconductor/FPD systems, sales of used equipment	100.0 (10.0)
Nikon Imaging (China) Sales Co., Ltd.	China	Import, sales, and servicing of cameras	100.0 (100.0)
Nikon Precision (Shanghai) Co., Ltd.	China	Marketing, sales, and maintenance and servicing of semiconductor/FPD lithography systems, microscopes, ophthalmic equipment, measuring instruments and encoders	100.0 (100.0)
Nikon Lao Co., Ltd.	Lao P.D.R.	Assembly of digital camera units	100.0 (100.0)
Nikon Middle East FZE	UAE	Import, sales and servicing of cameras in the Middle East, Africa, and Western and Southern Asia	100.0 (100.0)
Others (44 Companies)			
(Investments accounted for using equity method)			
Nikon-Essilor Co., Ltd.	Japan	Development, manufacture, sales, and servicing of ophthalmic lenses	50.0
Nikon-Trimble Co., Ltd.	Japan	Development, manufacture, sales, and servicing of surveying instruments	50.0
Others (8 Companies)			

Note: The percentages in parentheses under “Voting right ownership (%)” indicate the indirect ownership out of total ownership noted above.

(TRANSLATION)

INDEPENDENT AUDITOR'S REPORT

June 25, 2026

To the Board of Directors of
NIKON CORPORATION:

Deloitte Touche Tohmatsu LLC
Tokyo office

Designated Engagement Partner,
Certified Public Accountant:

Motoyuki Suzuki

Designated Engagement Partner,
Certified Public Accountant:

Kazuya Shinjo

<Audit of Consolidated Financial Statements>

Opinion

Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited the consolidated financial statements of NIKON CORPORATION and its consolidated subsidiaries (the "Group") included in the Financial Section, namely, the consolidated statement of financial position as of March 31, 2026, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the fiscal year from April 1, 2025 to March 31, 2026, and notes to the consolidated financial statements, including a summary of material accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2026, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards pursuant to the provisions of Article 312 of the Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements.

Basis for Opinion

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

(TRANSLATION)

Key Audit Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

Item	Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
Valuation of Goodwill and Intangible Assets Related to Nikon SLM Solutions AG	As described in Note 15, "Impairment Losses of Non-financial Assets" to the consolidated financial statements, the Group recognized impairment losses of 60,568 million yen on goodwill and 26,244 million yen on intangible assets related to Nikon SLM Solutions AG for the year ended March 31, 2026. The Group performs an impairment test for goodwill at least annually, or whenever there is an indication of impairment. In the impairment test, the carrying amount of non-financial assets of a cash-generating unit, including goodwill, is compared with the recoverable amount measured based on value in use, and when the carrying amount exceeds the recoverable amount, the excess is recognized as an impairment loss. For the year ended March 31, 2026, as described in Note 15, "Impairment Losses of Non-financial Assets" to the consolidated financial statements, the Group identified indications of impairment for goodwill and intangible assets related to Nikon SLM Solutions AG and performed an impairment test because the revenue anticipated at the time of the acquisition was no longer expected to be achieved due to factors including a decline in the future growth rate of the metal 3D printer market and intensifying competitive environment. As a result, an impairment loss was recognized because the carrying amount of the cash-generating unit exceeded its recoverable amount.	Our audit procedures related to the valuation of goodwill and intangible assets related to Nikon SLM Solutions AG included the following, among others: (1) Internal control testing • We obtained an understanding of the design and operating effectiveness of controls related to the recognition and measurement of impairment losses on goodwill and intangible assets, focusing mainly on internal controls related to the preparation and approval of the business plan including forecasts of revenue, the determination of key assumptions and the verification of the results of measurement of the value in use by the head of the Consolidated Accounting Section, and tested the design and operating effectiveness of those key controls. (2) Assessment of the reasonableness of the estimate of value in use • We evaluated the consistency of the future cash flows used to calculate the value in use with the business plan prepared and approved by management. • We evaluated the effectiveness of the management's estimation process through a comparative analysis of previous business plans and actual results.

	Key assumptions used in the estimate of the recoverable amount measured based on value in use are the forecast of revenue included in the business plan, a growth rate for the period subsequent to the period covered by the business plan and a discount rate. The forecast of revenue is estimated by incorporating expectations of market participants, which include the plans for growth of revenue and expectations of growth in Metal AM industry, and involve future uncertainty. In addition, the amount of the impairment losses has a significant effect on the consolidated statement of profit or loss, and the selection of input data in calculating the discount rate requires a high degree of expertise and includes management's judgment. Based on the above, the amounts of goodwill and intangible assets related to Nikon SLM Solutions AG include the key assumptions underlying the valuation that involve management's subjectivity and judgment and uncertainty in the estimates, and the amount of impairment losses recognized as a result of the valuation is quantitatively material to the consolidated statement of profit or loss. Therefore, we have identified the valuation of goodwill and intangible assets related to Nikon SLM Solutions AG as a key audit matter.	• With respect to the revenue forecast included in the business plan, which is a key assumption, we evaluated the reasonableness of management's estimates by analyzing trends from the past, examining the status of orders and performing a comparison between market forecasts prepared by the Group and market forecasts issued by available external valuation organization. • We evaluated the growth rate set for the period subsequent to the period covered by the business plan, which is a key assumption, by examining the method of determination and the basis in accordance with the accounting standards, and by evaluating its consistency with inflation rates in the related countries and other relevant factors. • We examined the reasonableness of the data used and the accuracy of the calculations with respect to the valuation method used to measure the value in use and the discount rate, which is a key assumption, as calculated by management with the assistance of our valuation specialists.
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Other Information

Management is responsible for the other information. The Audit and Supervisory Committee is responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the other information. The other information comprises the information included in the Annual Securities Report, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with IFRS Accounting Standards.

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with IFRS Accounting Standards, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

(TRANSLATION)

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

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

From the matters communicated with the Audit and Supervisory Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

<Audit of Internal Control>

Opinion

Pursuant to the second paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited management's report on internal control over financial reporting of NIKON CORPORATION as of March 31, 2026.

In our opinion, management's report on internal control over financial reporting referred to above, which represents that the internal control over financial reporting of NIKON CORPORATION as of March 31, 2026, is effectively maintained, presents fairly, in all material respects, the results of the assessment of internal control over financial reporting in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

Basis for Opinion

We conducted our internal control audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Internal Control Audit section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, including the ethical requirements that are relevant to audits of the financial statements of public interest entities, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and the Audit and Supervisory Committee for Report on Internal Control

Management is responsible for designing and operating effective internal control over financial reporting and for the preparation and fair presentation of its report on internal control in accordance with assessment standards for internal control over financial reporting generally accepted in Japan. The Audit and Supervisory Committee is responsible for overseeing and verifying the design and operating effectiveness of internal control over financial reporting. There is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

Auditor's Responsibilities for the Internal Control Audit

Our objectives are to obtain reasonable assurance about whether management's report on internal control over financial reporting is free from material misstatement and to issue an auditor's report that includes our opinion.

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

(TRANSLATION)

- Perform audit procedures to obtain audit evidence regarding the results of the assessment of internal control over financial reporting in management's report on internal control. The procedures selected depend on the auditor's judgment, including the significance of effects on reliability of financial reporting.
- Examine representations on the scope, procedures and results of the assessment of internal control over financial reporting made by management, as well as evaluating the overall presentation of management's report on internal control.
- Plan and perform the internal control audit to obtain sufficient appropriate audit evidence regarding the results of the assessment of internal control over financial reporting. We are responsible for the direction, supervision and review of the internal control audit. We remain solely responsible for our audit opinion.

We communicate with the Audit and Supervisory Committee regarding, among other matters, the planned scope and timing of the internal control audit, result of the internal control audit, including any identified material weakness which should be disclosed and the result of remediation.

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

<Fee-Related Information>

Fees for audit and other services for the year ended March 31, 2026, which were charged by us and our network firms to NIKON CORPORATION and its subsidiaries are disclosed in (3) Status of Audits, Corporate Governance, Information about reporting company of the Annual Securities Report.

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

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

Notes to the Readers of Independent Auditor's Report

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

The other information in the Annual Securities Report referred to in the "Other Information" section of this English translation is not translated.

Note: This is an English translation of management's report on internal control over financial reporting ("ICFR") filed under the Financial Instruments and Exchange Act of Japan.

Cover

[Document Filed]	Internal Control Report
[Applicable Law]	Article 24-4-4, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
[Filed With]	Director, Kanto Local Finance Bureau
[Filing Date]	June 25, 2026
[Company Name]	Nikon Kabushiki Kaisha
[Company Name in English]	NIKON CORPORATION
[Title and Name of Representative]	Yasuhiro Ohmura, Representative Director, President, CEO
[Title and Name of Chief Financial Officer]	Takeshi Matsumoto, Corporate Vice President, CFO and General Manager of Finance & Accounting
[Address of Head Office]	1-5-20, Nishioi, Shinagawa-ku, Tokyo
[Place Where Available for Public Inspection]	Tokyo Stock Exchange, Inc. (2-1, Nihombashi Kabutocho, Chuo-ku, Tokyo)

1. Matters Related to the Basic Framework for Internal Control over Financial Reporting

Yasuhiro Ohmura, Representative Director, President, CEO, and Takeshi Matsumoto, Corporate Vice President, CFO and General Manager of Finance & Accounting, are responsible for the design and operation of internal control over financial reporting of Nikon Corporation (the “Company”).

We design and operate internal control over financial reporting in accordance with the basic framework of internal control indicated in “On the Revision of the Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting (Council Opinions)” published by the Business Accounting Council.

Internal control aims to achieve its objectives within a reasonable scope through the organic connection and integrated functioning of its basic elements. As a result, internal control over financial reporting may not be able to completely prevent or detect false statements in financial reporting.

2. Matters Related to Scope of Assessment, Assessment Date, and Assessment Procedures

The assessment of internal control over financial reporting is conducted with an assessment date of March 31, 2026, which is the last day of the current consolidated fiscal year, and is made in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

The evaluation of internal control process is as follows.

Management evaluated the design and operation of company-level internal controls, and based on the results of that evaluation, management analyzed the business processes to be evaluated and identified key controls that have a material impact on the reliability of the Company’s financial reporting. Management evaluated whether or not the identified key controls can sufficiently reduce the risks of misstatement.

With regard to the significance of the impacts on the reliability of financial reporting, management determined the required scope of assessment of internal control over financial reporting for the Company, its consolidated subsidiaries and its affiliates accounted for under the equity method from the perspective of the quantitative and qualitative impact on financial reporting and the likelihood of occurrence of misstatement.

The process and method of the required scope are determined as follows.

Regarding company-level controls and financial reporting process being deemed appropriate to be assessed from a company-wide viewpoint, management, in principle, included Nikon, its consolidated subsidiaries and its affiliates accounted for under the equity method in the scope of evaluation of company-level internal controls. Business units that were confirmed to be immaterial considering their quantitative and qualitative impacts on financial reporting and the likelihood of occurrence were not included in the scope of evaluation of company-level internal controls.

Regarding the scope of the assessment of internal control over business processes, management judged that revenue and inventories have been deemed appropriate indicators for identifying relevant business units to be assessed as they represent key accounts reflecting the scale of production and sales activities in a manufacturing business. Given that the evaluation of company-level internal controls was determined to be effective, business units were selected in descending order of revenue (before elimination of intercompany transactions), until the total reached approximately two-thirds of consolidated revenue. In addition, business units were also selected to ensure that the total amount of inventories exceeded two-thirds of consolidated inventories. We have also included production and sales bases that operate significant business within the Company and its Group companies as significant business units on an individual basis. At the significant business units selected through the aforementioned procedures, we have basically included in the scope of our assessment those business processes that led to revenue, accounts receivable and inventories (including certain processes that verify the compliance of transactions with laws and regulations) as significant accounts highly relevant to the Company’s business purposes as the Company is mainly engaged in the manufacture and sale of precision equipment and provision of relevant services.

Furthermore, regardless of whether they are the selected significant business units or other business units, we have included in the scope of our assessment the business processes relating to significant accounts involving a high risk of material misstatement and requiring estimates or forecasts as well as those associated with high-risk operations—such as processes concerning provisions, impairment of non-current assets, and income taxes including deferred tax—at business units where the related accounts are considered material, taking

into account their impact on financial reporting.

3. Matters Related to the Results of the Assessment

As a result of the assessment described above, management concluded that, as of March 31, 2026, the Company's internal control over financial reporting was effective based on those criteria.

4. Supplementary Matters

None.

5. Special Notes

None.