May 13, 2021

Consolidated Financial Results of the Year Ended March 31, 2021 (IFRS)

Corporate Name: NIKON CORPORATION
Securities code number: 7731 Stock exchange listings: Tokyo
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Date for the annual shareholders' meeting: June 29, 2021
Date for the filing of the Annual Securities Report: June 29, 2021
Date of year-end dividend payout: June 30, 2021
Preparation of supplementary materials for financial results: Yes
Information meeting for financial results to be held: Yes (for institutional investors and analysts)

(Amounts are rounded to the nearest millions of yen)

1. Consolidated Results of the Year ended March 31, 2021 (From April 1, 2020 to March 31, 2021)

(1) Consolidated Operating Results

(Percentage represents year-on-year changes)

	Revenue		Operating Profit (Loss)		Profit (Loss) before Tax		Profit (Loss) for Year		Profit (Loss) Attributable to Owners of Parent		Total Comprehensive Income for the Year	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended March 31, 2021	451,223	(23.7)	(56,241)	—	(45,342)	—	(34,509)	—	(34,497)	—	4,168	—
Year ended March 31, 2020	591,012	(16.6)	6,751	(91.8)	11,864	(86.5)	7,842	(88.2)	7,693	(88.4)	(11,969)	—

	Basic Earnings per Share	Diluted Earnings per Share	Ratio of Profit (Loss) to Equity Attributable to Owners of Parent	Ratio of Profit (Loss) before Tax to Total Assets	Ratio of Operating Profit (Loss) to Revenue
	Yen	Yen	%	%	%
Year ended March 31, 2021	(93.96)	(93.96)	(6.4)	(4.5)	(12.5)
Year ended March 31, 2020	19.93	19.85	1.3	1.1	1.1

(Notes) Share of profit of investments accounted for using equity method: Year ended March 31, 2021 1,969 million yen
Year ended March 31, 2020 1,816 million yen

(2) Consolidated Financial Position

	Total Assets	Total Equity	Equity Attributable to Owners of Parent	Ratio of Equity Attributable to Owners of Parent to Total Assets	Equity per Share Attributable to Owners of Parent
	Millions of yen	Millions of yen	Millions of yen	%	Yen
As of March 31, 2021	989,737	538,726	537,585	54.3	1,464.06
As of March 31, 2020	1,005,881	541,760	540,652	53.7	1,472.69

(3) Consolidated Cash Flows

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at End of Year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended March 31, 2021	4,966	18,024	(4,991)	351,798
Year ended March 31, 2020	16,419	(21,281)	(72,739)	324,034

2. Dividends

	Dividend per Share					Total Cash Dividend (Annual)	Dividend Payout Ratio (Consolidated)	Ratio of Dividend to Equity Attributable to Owners of the Parent (Consolidated)
	First quarter ended	Second quarter ended	Third quarter ended	Year-end	Annual			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended March 31, 2020	—	30.00	—	10.00	40.00	15,382	200.7	2.6
Year ended March 31, 2021	—	10.00	—	10.00	20.00	7,355	—	1.4
Year ending March 31, 2022 (Planned)	—	15.00	—	15.00	30.00		68.9	

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

(Percentage represents year-on-year changes)

	Revenue		Operating profit		Profit before tax		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Second quarter ending September 30, 2021	265,000	50.9	15,000	—	16,000	—	12,000	—	32.68
Fiscal year	510,000	13.0	20,000	—	22,000	—	16,000	—	43.57

4. Others

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

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

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

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

(3) Number of shares issued (ordinary shares)

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

Year ended March 31, 2021	378,336,521	shares
Year ended March 31, 2020	378,336,521	shares

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

Year ended March 31, 2021	11,147,773	shares
Year ended March 31, 2020	11,216,862	shares

3. Average number of shares during the term:

Year ended March 31, 2021	367,143,534	shares
Year ended March 31, 2020	386,016,389	shares

(Note) The Company’s shares held by the Executive Compensation BIP trust are included in the number of treasury shares.

(Reference)

1. Non-Consolidated Results of the Year ended March 31, 2021 (April 1, 2020 to March 31, 2021)

(1) Financial Results

(Percentage represents year-on-year changes)

	Net Sales		Operating Profit (Loss)		Ordinary Profit (Loss)		Net Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended March 31, 2021	302,057	(25.6)	(41,646)	—	14,472	(47.1)	60,771	—
Year ended March 31, 2020	406,194	(20.3)	(9,697)	—	27,332	(41.0)	(9,662)	—

	Basic Earnings per Share	Diluted Earnings per Share
	Yen	Yen
Year ended March 31, 2021	165.52	164.67
Year ended March 31, 2020	(25.03)	—

(2) Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Ordinary Share
	Millions of yen	Millions of yen	%	Yen
Year ended March 31, 2021	734,760	342,155	46.3	926.32
Year ended March 31, 2020	679,431	276,848	40.5	748.84

(Reference) Equity: Year ended March 31, 2021 340,134 million yen
Year ended March 31, 2020 274,915 million yen

This report is out of scope of audit by certified public accountants or auditing firms.

Appropriate use of business forecasts; other special items

Performance forecasts and other forward-looking statements contained in this report are based on information and assumptions at the time of this report's release such as most recent market forecasts and exchange rates. Actual results may differ materially from the forecast due to a variety of risk factors, including, but not limited to the above assumptions. For more information about the Company's business forecasts, please refer to page 7.

Contents

1. Overview of Consolidated Operating Results and Others

(1) Overview of Consolidated Operating Results

During the fiscal year ended March 31, 2021, the global economy showed signs of picking up in some areas amid the spread of COVID-19 lingering since the previous fiscal year, backed by measures and policies implemented by governments worldwide, vaccine rollouts and other factors. Despite such signs, however, difficult conditions persisted due in part to the second and third waves of COVID-19 and the outbreak of its variants.

By the business segment, in the Imaging Products Business, the digital camera market experienced a temporary plunge in demand under the influence of the spread of COVID-19 but saw a marked recovery from the second half onwards. In the Precision Equipment Business, capital investments related to FPDs including both mid-to-small size and large-size panels remained solid, while capital investments related to semiconductors was on the recovery track. In the Healthcare Business, both the bioscience and ophthalmic diagnosis markets generally remained sluggish amid the rise of COVID-19 cases has shifted to be recovered since the third quarter.

Under the medium-term management plan announced in May 2019, the Group focused on a range of measures to achieve sustainable growth in corporate value over the medium- to long-term.

First, besides the restructuring of the Imaging Products Business, the Group sought to improve its earning capacity and reform the cost structure of existing businesses by reorganizing its production and sales systems, optimizing its workforce, and shifting its resources to growth area. In addition, with the aim of creating new pillars of profit, the Group worked on development and distribution of highly unique optics-based products to expand its Material Processing Business, as well as exploring opportunities for alliance and M&A. Further, as measures to mitigate the impact of COVID-19, the Group worked to localize businesses and digitalize operations. The Company also made efforts to further increase the Board of Directors' diversity and enhance the effectiveness of the board to ultimately strengthen the governance system.

As a result of the above, during the fiscal year ended March 31, 2021, revenue decreased by 139,788 million yen (23.7%) year on year to 451,223 million yen, operating loss amounted to 56,241 million yen (compared to operating profit of 6,751 million yen for the previous fiscal year), loss before tax amounted to 45,342 million yen (compared to profit before tax of 11,864 million yen for the previous fiscal year), and loss attributable to owners of parent amounted to 34,497 million yen (compared to profit attributable to owners of parent of 7,693 million yen).

Performance by segment is as follows.

Note that as stated in "4. Consolidated Financial Statements (5) Notes to Consolidated Financial Statements (Segment Information)," the reportable business segments have been changed from the fiscal year ended March 31, 2021. Accordingly, the operating results for the previous fiscal year used in the year-on-year comparisons below have been reclassified in line with the revised business segments.

[Imaging Products Business]

Among the digital camera-interchangeable lens type, sales of full-frame mirrorless cameras Z 7II and Z 6II remained strong. In this business segment, the Group sought to expand sales of mid- to high-end products to professionals and hobbyists by enhancing the lineup of interchangeable lenses for mirrorless cameras.

However, unit sales declined on the back of market shrinkage besides subdued demand amid the spread of COVID-19.

As a result, in the Imaging Products Business segment, the Group recorded revenue of 150,218 million yen (down 33.5 % year on year), and operating loss of 35,779 million yen (compared to operating loss of 17,153 million yen for the previous fiscal year) for the reasons such as the recognition of impairment loss on non-current assets and restructuring costs.

[Precision Equipment Business]

In the FPD lithography system field, the Group resumed installations in July 2020, and as a result, overall unit sales increased. However, unit sales of systems for supporting the 10.5th-generation plate declined due in part to travel restrictions amid the spread of COVID-19, resulting in decreased revenue and profit.

In the semiconductor lithography system field, unit sales declined, and as a consequence, revenue declined partly due to the Group's major customer being at their shifting point of investment. Also, profit declined due in part to disposal and write-down of inventories including some systems and recognition of impairment loss on non-current assets.

As a result, in the Precision Equipment Business segment, the Group recorded revenue of 184,777 million yen (down 24.6 % year on year), and operating profit of 1,400 million yen (down 97.1 % year on year).

[Healthcare Business]

Revenues from the bioscience and ophthalmic diagnosis fields combined declined during the first half under the influence of the spread of COVID-19. On a full-year basis, however, this business segment finished the fiscal year with increased revenue, driven by record-high sales from the ophthalmic diagnosis field which performed strongly.

As a result, in the Healthcare Business segment, the Group recorded revenue of 62,848 million yen (up 1.3 % year on year), but recorded operating loss of 3,091 million yen (compared to operating loss of 2,455 million yen for the previous fiscal year) due to the recognition of impairment loss on non-current assets, despite improved margins in both fields.

[Industrial Metrology and Others]

In the Industrial Metrology segment, the Group recorded decreased revenue due to subdued investments and restrained sales activities by customers in the face of the spread of COVID-19. However, profit from the business picked up owing to the write-down of goodwill during the previous fiscal year and Group's efforts such as cost cutting.

In the Digital Solutions Business, the Group recorded increased revenue, helped by strong sales of optical parts & components and encoders.

In the Customized Products Business, revenue associated with the space-related fields increased, while revenue associated with solid-state laser decreased.

As a result, in the Industrial Metrology and Others Business segment, the Group recorded revenue of 53,381 million yen (down 8.1 % year on year), and operating loss of 2,626 million yen (compared to operating profit of 1,895 million yen for the previous fiscal year) due to recognition of impairment loss on non-current assets in connection with the Imaging Products business at domestic production bases and land improvement costs incurred by a subsidiary.

(2) Overview of Financial Position

The balance of total assets as of March 31, 2021 decreased by 16,144 million yen from the end of the previous fiscal year to 989,737 million yen. This was mainly due to decreases of 26,029 million yen in property, plant and equipment, right-of-use assets, goodwill and intangible assets, a decrease of 14,879 million yen in trade and other receivables, and a decrease of 10,770 million yen in inventories despite an increase of 27,765 million yen in cash and cash equivalents, and an increase of 7,022 million yen in other financial assets included in non-current assets caused by an increase in market value of shares held.

The balance of total liabilities as of March 31, 2021 decreased by 13,110 million yen from the end of the previous fiscal year to 451,011 million yen. This was primarily because bonds decreased by 10,000 million yen due to redemption of bonds, advances received decreased by 12,784 million yen, and trade and other payables decreased by 8,241 million yen, respectively, while bonds increased by 19,894 million yen due to the issuance of bonds.

The balance of total equity as of March 31, 2021 decreased by 3,034 million yen from the end of the previous fiscal year to 538,726 million yen. This was mainly because retained earnings fell by 28,596 million yen as a result of posting loss attributable to owners of parent and dividends paid though other components of equity rose by 25,369 million yen due to factors such as increases in exchange differences on translation of foreign operations and market value of shares held.

(3) Overview of Cash Flows

During the fiscal year ended March 31, 2021, for the cash flows from operating activities, net cash of 4,966 million yen was provided due to depreciation and amortization of 28,027 million yen, impairment losses of 26,054 million yen, a decrease in trade and other receivables, and a decrease in inventories, while loss before tax was recorded, decreases were seen in advances received as well as trade and other payables, and income taxes were paid. (Net cash of 16,419 million yen was provided in the previous fiscal year).

For the cash flows from investing activities, net cash provided was 18,024 million yen, primarily owing to proceeds from sales of investment securities of 38,754 million yen despite purchase of property, plant and equipment of 16,965 million yen and purchase of intangible assets of 6,134 million yen. (Net cash of 21,281 million yen was used in the previous fiscal year).

For the cash flows from financing activities, net cash used was 4,991 million yen, mainly due to repayments of lease obligations, cash dividends paid, and redemption of bonds despite proceeds from issuance of bonds of 19,894 million yen. (Net cash of 72,739 million yen was used in the previous fiscal year).

In addition, effect of exchange rate changes on cash and cash equivalents increased by 9,766 million yen.

As a result of the above, the balance of cash and cash equivalents at March 31, 2021 increased by 27,765 million yen from the end of the previous fiscal year to 351,798 million yen.

(4) Future Outlook

Regarding the business environment for the fiscal year ending March 31, 2022, in the Image Products Business, the digital camera market is expected to recover from the COVID-19 fallout in the previous fiscal year. In the Precision Equipment Business, capital investments related to FPDs including both mid-to-small size and large-size panels are expected to remain solid. In the semiconductor related field, capital investments are expected to expand, backed by brisk semiconductor markets. In the Healthcare Business, the bioscience field will get back on the recovery track, while the ophthalmic diagnosis field will remain solid.

Note that, effective from the fiscal year ending March 31, 2022, the Group will establish the “Components Business” as a new reportable business segment to promote the commercialization of “digital manufacturing” and “vision systems/robotics,” which we define as the areas of long-term growth. This change in the segment structure will result in a reclassification of certain businesses previously included the Industrial Metrology and Others business segment (Digital Solutions Business, Customized Products Business and Glass Business) into the Components Business.

During the fiscal year ending March 31, 2022, the Group will continue to focus on “improving the profitability of existing businesses” and “creating new pillars of profit.”

By business segment, the Group will enhance its profitability through restructuring in the Imaging Products Business segment, while strengthening the earnings structure by expanding scope of business and thus diversifying the revenue streams in the Precision Equipment Business segment. Further, in a bid to create new pillars of profit, the Group will allocate capital preferentially to strategic investments in growth areas, including material processing and optical and EUV-related components businesses, while continuing to explore alliance and M&A.

Moreover, in a bid to strengthen its governance system, the Group will work on a range of efforts to improve the effectiveness of the board of directors.

Through these efforts, the Group aspires to become a “leading company in precision & optics” with the aim of achieving sustainable growth in corporate value over the medium- to long-term.

(5) Shareholder Return Policy and Dividends

The Company's fundamental policy on shareholder returns is to distribute a steady dividend that reflects the perspective of shareholders, and simultaneously realizing appropriate capital allocation flexibly from a mid to long-term perspective, while expanding investment (in capital and in development) in business and technology development to ensure future growth and enhance competitiveness. Based on this policy, during the cumulative period of the current medium-term management plan for the year ended March 31, 2020 to the year ending March 31, 2022, the Company will return to shareholders targeting a total return ratio of 40% or more.

For the year ended March 31, 2021, the year-end dividend is 10 yen per share, and the full year dividend will be 20 yen per share, including the interim dividend of 10 yen.

The full year dividend for the year ending March 31, 2022 is forecast to be 30 yen per share (including the interim dividend of 15 yen per share), an increase of 10 yen over the current fiscal year.

(6) Business and Other Risks

Following are principal matters that are considered likely to have a significant impact on decisions made by investors regarding risks involved in executing strategy, business, and other concerns of the Group.

The Group organizes and manages risks through a Risk Management Committee, which identifies and prioritizes potential risks to management of the Group in general, then deliberates and decides on risk response policies.

In response to the spread of COVID-19 that broke out towards the end of the fiscal year ended March 31, 2020, the Group established an Emergency Response Headquarters on February 25, 2020 based on the Pandemic Initial Response Manual and BCM Standards, which are part of the Group's risk management system.

The initial response team of the Emergency Response Headquarters was established with the purpose of carrying out initial response to the outbreak. The team's main mission is to ensure the safety of employees and promote associated personnel and IT measures, collect information regarding the current impact on business (sales, supply chain, and others), organize the issues, and implement initial response actions. In the future, risks related to the spread of COVID-19 may fluctuate significantly due to further spread and resurgence of the disease. The Group will constantly track the latest information, while thoroughly organizing risks and opportunities in order to implement measures from a medium- to long-term perspective.

Matters concerning the future as stated herein are based on the Group's estimations as of March 31, 2021.

1) Rapid changes in the business environment

The market for digital cameras, the leading products of the Imaging Products Business, is seeing intensified competition stemming from the market shift to mirrorless cameras. In addition, as the spread of COVID-19 has resulted in tighter regulations in various countries, consumer behavior has been restrained or diminished due to stay-at-home orders, suspension of business at retail stores, cancellation of events, and other measures, and procurement of components has been delayed. However, recently, consumer spending is gradually picking up. In response to this, the Group continues to implement business structure reforms, such as optimizing production and sales bases, thoroughly reducing cost and increasing development efficiency, as well as reforms to supply chain and logistics, to strengthen the earnings structure of the business.

The demand for FPD lithography systems handled by the Precision Equipment Business is expected to be stable in the display market. However, if there is over-supply as a reaction to large-scale capital investment or curbing of consumption, demand for lithography systems may also experience a decline. In response to this, the Group is working to secure a certain level of profit under such a business environment through new lithography systems and service business, in addition to reducing total costs.

Although the semiconductor market, the target market for semiconductor lithography systems, is expected to grow significantly over the medium- to long-term, demand for immersion lithography systems may drop depending on the degree of the shift in the cutting-edge process development to EUVL. In addition, the Group's profit may be affected by such factors as changes in capital investment plans by its major customers. In response to this, the Group will vigorously work on business development other than with its existing customers and expand its service business, in accordance with the business strategy that prioritizes profitability.

Looking at the Precision Equipment Business as a whole, tighter regulations enforced by various countries in response to the spread of COVID-19 may potentially damage trust from customers due to delay or suspension of shipments, and cause an investment freeze due to decline in demand, as well as a decline in sales. In response, the Group will further strengthen communication with customers, as well as promoting local support for installation and service personnel.

In overseas business development, changes in political systems and economic environments, the effect of trade wars and conflicts between countries, social turmoil due to riots, terrorism, wars, disasters, and various infectious diseases, and other issues may cause major obstacles or losses to our business activities. It is difficult to make concrete predictions regarding the possibility and timing of the materialization of these risks, as it depends on social conditions and other factors. In response to this, the Group examines and implements countermeasures by collecting information and analyzing the impact on business.

2) Launch of new business areas

The Group has positioned the Material Processing Business as new core pillars of profit, with the aim of establishing a foundation for growing enterprise value sustainably during the period of the medium-term management plan, and continues to actively make investments, however the business may not grow to the expected scale by the end of the medium-term management plan, which is the fiscal year ending March 31, 2022.

In order to minimize the possibility of this risk materializing, the Group has given its top priority to the launch of the Material Processing Business, and is shifting its internal resources. With regard to strategic investment, various measures to expand the business are being taken, such as establishing relationships in multiple forms such as business alliances with other companies and strategic investments, without limiting to acquisitions and mergers.

3) Ability to develop new products and investment in development to maintain and enhance competitiveness

Being subject to intense competition, the Group's core businesses are constantly required to develop new products by continuing to engage in highly advanced research and development. Therefore, it is necessary to continue to invest in product development, regardless of the fluctuation in the Group's profit. Enterprise value may decline and profit may decrease if in the event of investments do not produce adequate results and new products or next-generation technology cannot be developed or introduced to the market in a timely manner, the technology developed by the Group is not accepted by the market, or if the Company's technology becomes unnecessary due to drastic changes such as game changing developments. In order to minimize the possibility of such risks materializing, based on future social and market trends, the Group's Technology Strategy Committee is exploring new areas that the Group should focus on, formulating a technology strategy that will lead to improved competitiveness of the existing businesses, in addition to a research and development plan to realize this strategy, and also working to visualize and optimize the technology of the Group.

4) Procurement

In each business, the Group ensures stable procurement of supply such as raw materials, key components, and finished products, while maintaining close relationships with suppliers. The Group's profit and financial position may be adversely affected in the event of social turmoil due to natural disasters such as earthquakes, riots, terrorism, wars, or pandemics, quality problems, policy changes made by suppliers, procurement of supply being significantly affected by bankruptcy or business failure on the part of a specific supplier, or a steep increase in purchase price. Specifically, some delays in procurement of supply are already materializing due to the consequences of the spread of COVID-19, such as tighter regulations on suppliers and regions, suspension of operations, and bankruptcy. As a consequence of growing demand and decreased supply due to a fire and other reasons, a supply shortage of semiconductors has also emerged to some extent. It is difficult to make concrete predictions regarding the scale and timing of these risks, as it depends greatly on the social conditions. In response to this, however, the Group conducts multiple purchases as much as possible and assesses alternative supplier candidates. The Group also collects information regarding the procurement status of all business divisions in the event of a natural disaster or other such disruption, and promptly reports the status to management. In addition, the Group implements measures from multiple perspectives, such as considering the availability of alternative supply and alternative measures such as design changes.

5) Outflow of human resources and information

The Group is supported by its employees, who possess advanced technical expertise and other abilities, and securing such human resources is becoming increasingly more crucial in order to overcome intense competition in the market. There is a possibility that such key personnel will resign, resulting in an outflow of their expertise and know-how. In order to minimize the effect of such outflow of expertise and knowhow, the Group has established a specific study curriculum and is promoting to standardize, share and hand on proprietary technologies and skills within the company.

The Group also retains crucial information such as technical information, corporate information concerning business partners, and personal information of its customers and other persons concerned. In order to prevent the risk of information leakage from materializing, the Group is taking measures such as enhancing its internal regulations regarding the handling of information and educating its employees, while thoroughly controlling external access to such information and improving the level of storage security.

6) Environmental issues

The Group considers environmental issues, such as climate change, depletion of natural resources, problems with waste disposal, and pollution by harmful chemical substances, to be matters that affect the survival of the Company. As such, the Group is taking various measures and conducting management that is conscious of the global environment.

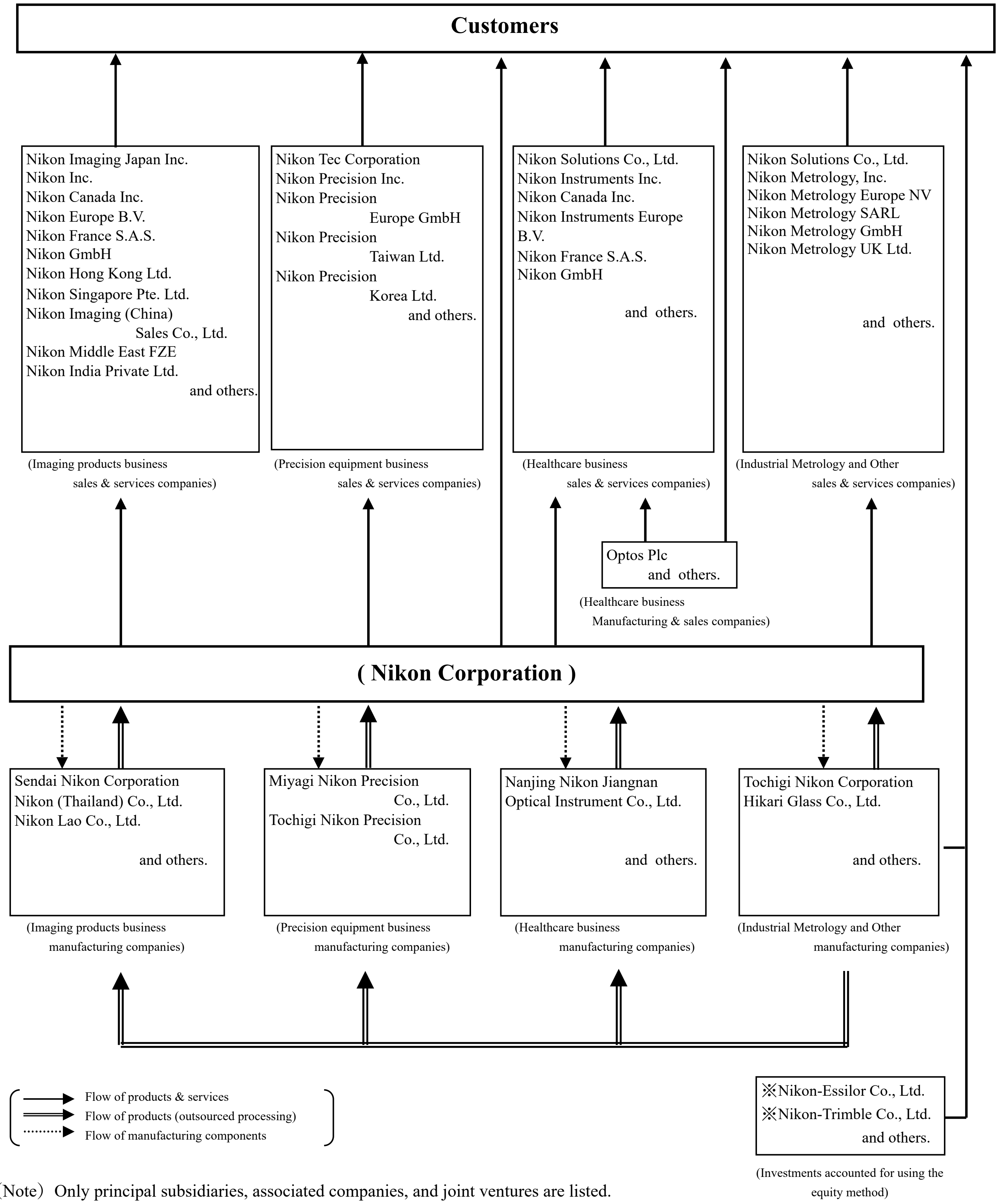
With regard to climate change, when it causes abnormal weather, environmental disasters such as floods and droughts, or the spread of infectious diseases, bringing serious damage to the R&D and production bases of the Group and of our suppliers, such negative factors can affect the Group’s operations and cause delays in production and shipment. The Group is therefore aware that these are risks that it is facing. Moreover, as the moves toward a decarbonized society accelerate, the introduction of a carbon tax is taking place or being considered in various countries. Such trends may result in increases in energy and raw material costs. To reduce these risks, the Group is working on efforts to reduce greenhouse gases throughout the entire supply chain, such as energy saving activities, utilization of renewable energy and streamlining of development and production processes, as well as the formulation of a business continuity plan (BCP).

Inadequate compliance with environmental laws and regulations may result in an impact on production, surcharges, or loss of social credibility due to administrative sanctions, which can seriously damage corporate management. In particular, laws and regulations relating to, among other things, energy, greenhouse gases and chemical substances, have been tightened year by year. The Group therefore views them as risks that it is currently facing. In order to ensure compliance, the Group has established internal rules and conducted training for relevant employees, so as to strengthen its management system, and is also striving to track and respond to regulatory changes in a timely manner. The Group is also working to prevent environmental pollution by establishing voluntary standards that are more rigorous than statutory requirements.

2. Status of Nikon Group

The Nikon Group is comprised of NIKON CORPORATION (the "Company"), its 79 consolidated subsidiaries, and 16 investments accounted for using the equity method, running the Imaging Products Business, Precision Equipment Business, Healthcare Business, and businesses such as Industrial Metrology.

The structure of the Group is shown as below:



(Note) Only principal subsidiaries, associated companies, and joint ventures are listed.

No symbol: Subsidiary, ※ : Investments accounted for using the equity method

3. Basic Policy on the Adoption of Accounting Standards

The Group has voluntarily adopted the International Financial Reporting Standards (IFRS) from the consolidated financial statements in the Annual Securities Report from the year ended March 31, 2017 to improve international comparability of financial information disclosed to the capital market and to strengthen the management foundation by unification of accounting standards within its group companies.

4. Consolidated Financial Statements

(1) Consolidated Statement of Financial Position

(Millions of yen)

	As of March 31, 2020	As of March 31, 2021	Changes
ASSETS			
Current assets			
Cash and cash equivalents	324,034	351,798	27,765
Trade and other receivables	87,779	72,900	(14,879)
Inventories	246,530	235,760	(10,770)
Other current financial assets	2,901	1,179	(1,722)
Other current assets	15,960	14,215	(1,745)
Total current assets	677,203	675,853	(1,351)
Non-current assets			
Property, plant and equipment	106,369	86,210	(20,159)
Right-of-use assets	15,265	12,233	(3,032)
Goodwill and intangible assets	46,895	44,056	(2,838)
Retirement benefit asset	4,624	5,984	1,360
Investments accounted for using equity method	10,002	11,099	1,097
Other non-current financial assets	84,068	91,090	7,022
Deferred tax assets	58,890	62,956	4,066
Other non-current assets	2,564	255	(2,309)
Total non-current assets	328,677	313,884	(14,793)
Total assets	1,005,881	989,737	(16,144)

(Millions of yen)

	As of March 31, 2020	As of March 31, 2021	Changes
LIABILITIES/ EQUITY			
LIABILITIES			
Current liabilities			
Trade and other payables	68,856	60,615	(8,241)
Bonds and borrowings	20,950	29,943	8,993
Income tax payables	1,845	1,428	(417)
Advances received	175,894	163,110	(12,784)
Provisions	5,161	5,458	297
Other current financial liabilities	27,210	25,575	(1,635)
Other current liabilities	30,238	32,176	1,938
Total current liabilities	330,154	318,305	(11,849)
Non-current liabilities			
Bonds and borrowings	102,778	104,131	1,352
Retirement benefit liability	11,047	9,905	(1,142)
Provisions	4,989	5,048	59
Deferred tax liabilities	3,589	3,053	(536)
Other non-current financial liabilities	9,232	8,258	(973)
Other non-current liabilities	2,332	2,310	(21)
Total non-current liabilities	133,966	132,706	(1,261)
Total liabilities	464,121	451,011	(13,110)
EQUITY			
Share capital	65,476	65,476	—
Capital surplus	46,369	46,419	51
Treasury shares	(17,639)	(17,529)	109
Other components of equity	(39,502)	(14,133)	25,369
Retained earnings	485,948	457,352	(28,596)
Equity attributable to owners of parent	540,652	537,585	(3,067)
Non-controlling interests	1,108	1,141	33
Total equity	541,760	538,726	(3,034)
Total liabilities and equity	1,005,881	989,737	(16,144)

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

Consolidated Statement of Profit or Loss

	For the year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)		For the year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)		Changes
	(Millions of yen)	Ratio to revenue (%)	(Millions of yen)	Ratio to revenue (%)	(Millions of yen)
Revenue	591,012	100.0	451,223	100.0	(139,788)
Cost of sales	(368,978)	(62.4)	(295,318)	(65.4)	73,660
Gross profit	222,034	37.6	155,906	34.6	(66,129)
Selling, general and administrative expenses	(205,698)		(181,339)		24,359
Other operating income	6,447		3,363		(3,084)
Other operating expenses	(16,032)		(34,170)		(18,138)
Operating profit (loss)	6,751	1.1	(56,241)	(12.5)	(62,992)
Finance income	5,204		11,167		5,963
Finance costs	(1,908)		(2,238)		(330)
Share of profit of investments accounted for using equity method	1,816		1,969		153
Profit (loss) before tax	11,864	2.0	(45,342)	(10.0)	(57,206)
Income tax expense	(4,022)		10,832		14,854
Profit (loss) for year	7,842	1.3	(34,509)	(7.6)	(42,352)
Profit (loss) attributable to:					
Owners of parent	7,693	1.3	(34,497)	(7.6)	(42,190)
Non-controlling interests	149		(13)		(162)
Profit (loss) for year	7,842	1.3	(34,509)	(7.6)	(42,352)
Earnings (loss) per share:					
Basic earnings (loss) per share (Yen)	19.93		(93.96)		
Diluted earnings (loss) per share (Yen)	19.85		(93.96)		

Consolidated Statement of Comprehensive Income

(Millions of yen)

	For the year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)	For the year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)	Changes
Profit (loss) for year	7,842	(34,509)	(42,352)
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	(5,699)	24,034	29,732
Remeasurement of defined benefit plans	(1,998)	1,235	3,233
Share of other comprehensive income of investments accounted for using equity method	2	47	45
Total of items that will not be reclassified subsequently to profit or loss	(7,695)	25,315	33,010
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations	(12,019)	13,551	25,570
Effective portion of cash flow hedges	32	(282)	(314)
Share of other comprehensive income of investments accounted for using equity method	(129)	93	222
Total of items that may be reclassified subsequently to profit or loss	(12,116)	13,362	25,478
Other comprehensive income, net of taxes	(19,811)	38,678	58,488
Total comprehensive income for year	(11,969)	4,168	16,137
Comprehensive income attributable to:			
Owners of parent	(12,043)	4,090	16,133
Non-controlling interests	74	78	4
Total comprehensive income for year	(11,969)	4,168	16,137

(3) Consolidated Statement of Changes in Equity

(Millions of yen)

	Equity attributable to owners of parent					
				Other components of equity		
	Share capital	Capital surplus	Treasury shares	Gain (loss) on financial assets measured at fair value through other comprehensive income	Remeasurement of defined benefit plans	Share of other comprehensive income of investments accounted for using equity method
As of April 1, 2019	65,476	81,424	(13,044)	8,544	–	(835)
Profit (loss) for year	–	–	–	–	–	–
Other comprehensive income	–	–	–	(5,666)	(1,998)	(127)
Total comprehensive income for year	–	–	–	(5,666)	(1,998)	(127)
Dividends	–	–	–	–	–	–
Purchase and disposal of treasury shares	–	(42)	(40,002)	–	–	–
Cancellation of treasury shares	–	(35,279)	35,279	–	–	–
Share-based payment transactions	–	266	128	–	–	–
Changes in ownership interest in subsidiaries	–	–	–	–	–	–
Transfer from other components of equity to retained earnings	–	–	–	(1,770)	1,998	(3)
Total transactions with owners	–	(35,055)	(4,594)	(1,770)	1,998	(3)
As of March 31, 2020	65,476	46,369	(17,639)	1,108	–	(964)

As of April 1, 2020	65,476	46,369	(17,639)	1,108	–	(964)
Profit (loss) for year	–	–	–	–	–	–
Other comprehensive income	–	–	–	23,998	1,235	140
Total comprehensive income for year	–	–	–	23,998	1,235	140
Dividends	–	–	–	–	–	–
Purchase and disposal of treasury shares	–	(0)	(1)	–	–	–
Cancellation of treasury shares	–	–	–	–	–	–
Share-based payment transactions	–	51	110	–	–	–
Changes in ownership interest in subsidiaries	–	–	–	–	–	–
Transfer from other components of equity to retained earnings	–	–	–	(11,934)	(1,235)	(48)
Total transactions with owners	–	51	109	(11,934)	(1,235)	(48)
As of March 31, 2021	65,476	46,419	(17,529)	13,172	–	(873)

(Millions of yen)

	Equity attributable to owners of parent					Non-controlling interests	Total equity
	Other components of equity			Retained earnings	Total		
	Exchange differences on translation of foreign operations	Effective portion of cash flow hedges	Total				
As of April 1, 2019	(27,723)	21	(19,992)	502,056	615,920	806	616,726
Profit (loss) for year	—	—	—	7,693	7,693	149	7,842
Other comprehensive income	(11,976)	32	(19,736)	—	(19,736)	(75)	(19,811)
Total comprehensive income for year	(11,976)	32	(19,736)	7,693	(12,043)	74	(11,969)
Dividends	—	—	—	(23,576)	(23,576)	(42)	(23,618)
Purchase and disposal of treasury shares	—	—	—	—	(40,043)	—	(40,043)
Cancellation of treasury shares	—	—	—	—	—	—	—
Share-based payment transactions	—	—	—	—	394	—	394
Changes in ownership interest in subsidiaries	—	—	—	—	—	270	270
Transfer from other components of equity to retained earnings	—	—	225	(225)	—	—	—
Total transactions with owners	—	—	225	(23,801)	(63,225)	228	(62,997)
As of March 31, 2020	(39,699)	53	(39,502)	485,948	540,652	1,108	541,760

As of April 1, 2020	(39,699)	53	(39,502)	485,948	540,652	1,108	541,760
Profit (loss) for year	—	—	—	(34,497)	(34,497)	(13)	(34,509)
Other comprehensive income	13,495	(282)	38,587	—	38,587	91	38,678
Total comprehensive income for year	13,495	(282)	38,587	(34,497)	4,090	78	4,168
Dividends	—	—	—	(7,343)	(7,343)	(43)	(7,386)
Purchase and disposal of treasury shares	—	—	—	—	(1)	—	(1)
Cancellation of treasury shares	—	—	—	—	—	—	—
Share-based payment transactions	—	—	—	—	161	—	161
Changes in ownership interest in subsidiaries	—	—	—	—	—	24	24
Transfer from other components of equity to retained earnings	—	—	(13,218)	13,243	26	(26)	—
Total transactions with owners	—	—	(13,218)	5,901	(7,157)	(45)	(7,202)
As of March 31, 2021	(26,204)	(228)	(14,133)	457,352	537,585	1,141	538,726

(4) Consolidated Statement of Cash Flows

(Millions of yen)

	For the year ended March 31 2020 (from April 1, 2019 to March 31, 2020)	For the year ended March 31 2021 (from April 1, 2020 to March 31, 2021)
Cash flows from operating activities:		
Profit (loss) before tax	11,864	(45,342)
Depreciation and amortization	34,105	28,027
Impairment losses	11,275	26,054
Interest and dividend income	(3,911)	(2,727)
Share of (profit) loss of investments accounted for using equity method	(1,816)	(1,969)
Losses (gains) on sale of property, plant and equipment	(4,123)	(141)
Interest expenses	1,721	1,246
Decrease (increase) in trade and other receivables	25,788	17,271
Decrease (increase) in inventories	1,034	13,122
Increase (decrease) in trade and other payables	(24,533)	(9,615)
Increase (decrease) in advances received	(15,561)	(13,802)
Increase (decrease) in provisions	(224)	25
Others, net	(7,949)	(3,718)
Subtotal	27,668	8,431
Interest and dividend income received	5,498	3,606
Interest expenses paid	(1,693)	(1,250)
Income taxes refund (paid)	(15,054)	(5,821)
Net cash provided by (used in) operating activities	16,419	4,966
Cash flows from investing activities:		
Purchase of property, plant and equipment	(19,463)	(16,965)
Proceeds from sales of property, plant and equipment	4,505	681
Purchase of intangible assets	(5,968)	(6,134)
Purchase of investment securities	(7,802)	(1,126)
Proceeds from sales of investment securities	5,870	38,754
Transfer to term deposits	(370)	(3)
Proceeds from withdrawal of term deposits	481	1,857
Others, net	1,467	960
Net cash provided by (used in) investing activities	(21,281)	18,024
Cash flows from financing activities:		
Net increase (decrease) in short-term borrowings	(2,250)	—
Repayments of lease obligations	(7,194)	(7,448)
Proceeds from issuance of bonds	—	19,894
Redemption of bonds	—	(10,000)
Cash dividends paid	(23,552)	(7,350)
Cash dividends paid to non-controlling interests	(42)	(43)
Purchase of treasury shares	(40,002)	(1)
Others, net	301	(43)
Net cash provided by (used in) financing activities	(72,739)	(4,991)
Effect of exchange rate changes on cash and cash equivalents	(9,421)	9,766
Net increase (decrease) in cash and cash equivalents	(87,021)	27,765
Cash and cash equivalents at beginning of year	411,055	324,034
Cash and cash equivalents at end of year	324,034	351,798

(5) Notes to Consolidated Financial Statements

(Going Concern Assumption)

Not applicable

(Basis for Preparation of the Consolidated Financial Statements)

(a) Scope of Consolidation

Number of consolidated subsidiaries: 79 companies

Principal subsidiaries:

Tochigi Nikon Corporation, Tochigi Nikon Precision Co., Ltd., Sendai Nikon Corporation, Miyagi Nikon Precision Co., Ltd., Nikon Imaging Japan Inc., Nikon Solutions Co., Ltd., Nikon (Thailand) Co., Ltd., Nikon Imaging (China) Sales Co., Ltd., Nikon Inc., Nikon Precision Inc., Nikon Instruments Inc., Nikon Europe B.V., Optos Plc and others

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

Increase: 0 company

Decrease: 3 companies (Merger, other)

(b) Scope of Equity Method

Number of investments accounted for using the equity method: 16 companies

Principal company names: Nikon-Essilor Co., Ltd., Nikon-Trimble Co., Ltd. and others

(c) Accounting Policies

The disclosure of the accounting policies has been omitted as there are no significant changes from the previous Annual Securities Report (submitted on June 26, 2020).

(Segment Information)

(1) Outline of Reportable Business Segments

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

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

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

(Regarding Revision of Reportable Business Segments)

As of April 1, 2020, the Company implemented an internal business transfer in order to expand the business related to semiconductor lithography. In accordance with this business transfer, the business for semiconductor-related products under the Industrial Metrology and Others, which is not included in the reportable segments, has been transferred to the Precision Equipment Business from the fiscal year ended March 31, 2021.

The segment information for the fiscal year ended March 31, 2020 has been prepared based on the revised business segments.

(2) Information on Reportable Business Segments

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

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

For the year ended March 31, 2020 (From April 1, 2019 to March 31, 2020) (Millions of yen)

	Imaging Products	Precision Equipment	Healthcare	Industrial Metrology and Others (Note1)	Total	Reconciliation (Note2)	Consolidated
Revenue							
External customers	225,894	245,029	62,024	58,065	591,012	—	591,012
Intersegment	902	794	269	58,286	60,251	(60,251)	—
Total	226,796	245,824	62,293	116,351	651,263	(60,251)	591,012
Segment profit (loss) (Note3)	(17,153)	48,050	(2,455)	1,895	30,337	(23,586)	6,751
Finance income							5,204
Finance costs							(1,908)
Shares of the profit of investments accounted for using the equity method							1,816
Profit (loss) before tax							11,864
Segment assets	105,285	203,949	102,941	105,935	518,110	487,771	1,005,881
Other items:							
Impairment losses (Note4)	7,458	—	—	3,816	11,275	—	11,275
Depreciation and amortization	11,556	4,356	4,401	7,358	27,671	6,434	34,105
Increase in property, plant and equipment, goodwill and intangible assets	13,629	7,972	4,523	7,100	33,224	14,007	47,231

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

2. Regarding segment profit (loss), reconciliation is made between segment profit (loss) and operating profit (loss) reported in the consolidated statement of profit or loss. Reconciliation of segment profit (loss) includes elimination of intersegment transactions of (2,120) million yen, cumulative translation on differences of (1,753) million yen reclassified to profit or loss due to the liquidation of a foreign subsidiary, and corporate profit (loss) of (19,713) million yen that cannot be attributed to any segments. Out of the corporate profit (loss) of (19,713) million yen, gains from sales of land of 3,888 million yen are recognized in "Other operating income" reported in the consolidated statement of profit or loss. The main components of corporate profit (loss) are fundamental research expenses, general and administrative expenses of headquarter functions, expenses incurred to establish new business, and other operating income 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 499,356 million yen that is not attributed to any segments, and elimination of intersegment transactions of (11,585) million yen. 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 non-current assets used in common.

3. Out of the total restructuring costs of (4,573) million yen recognized in "Other operating expenses" reported in the consolidated statement of profit or loss, (2,737) million yen and (83) million yen are recognized in the segment profit (loss) for the Imaging Products Business and the Industrial Metrology and Others, respectively. Reconciliation of segment profit (loss) includes (1,753) million yen of cumulative translation differences reclassified to profit or loss due to the liquidation of a foreign subsidiary, which was recorded under restructuring costs.

4. The main components of the impairment losses are described in "Impairment Losses on Non-Financial Assets."

For the year ended March 31, 2021 (From April 1, 2020 to March 31, 2021) (Millions of yen)

	Imaging Products	Precision Equipment	Healthcare	Industrial Metrology and Others (Note1)	Total	Reconciliation (Note2)	Consolidated
Revenue							
External customers	150,218	184,777	62,848	53,381	451,223	—	451,223
Intersegment	639	752	162	52,754	54,306	(54,306)	—
Total	150,857	185,528	63,010	106,135	505,529	(54,306)	451,223
Segment profit (loss) (Note3)	(35,779)	1,400	(3,091)	(2,626)	(40,096)	(16,144)	(56,241)
Finance income							11,167
Finance costs							(2,238)
Shares of the profit of investments accounted for using the equity method							1,969
Profit (loss) before tax							(45,342)
Segment assets	71,411	194,146	93,818	94,440	453,814	535,922	989,737
Other items:							
Impairment losses (Note4)	16,513	3,796	2,459	3,286	26,054	—	26,054
Depreciation and amortization	5,567	4,482	4,521	6,446	21,017	7,011	28,027
Increase in property, plant and equipment, right-of-use assets, goodwill and intangible assets	6,713	7,710	2,806	7,385	24,614	7,083	31,697

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

2. Regarding segment profit (loss), reconciliation is made between segment profit (loss) and operating profit (loss) reported in the consolidated statement of profit or loss. Reconciliation of segment profit (loss) includes elimination of intersegment transactions of 2,561 million yen, and corporate profit (loss) of (18,705) million yen that cannot be attributed to any segments. The main components of corporate profit (loss) are fundamental research expenses, general and administrative expenses of headquarter functions, expenses incurred to establish new business, and other operating income 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 546,073 million yen that is not attributed to any segments, and elimination of intersegment transactions of (10,151) million yen. 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 non-current assets used in common.

3. Out of the total restructuring costs of (4,343) million yen recognized in "Other operating expenses" reported in the consolidated statement of profit or loss, (3,527) million yen and (817) million yen are recognized in the segment profit (loss) for the Imaging Products Business and the Industrial Metrology and Others, respectively.

4. The main components of the impairment losses are described in "Impairment Losses on Non-Financial Assets."

(3) Geographic Information

Revenue to external customers (Millions of yen)

	For the year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)	For the year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)
Japan	87,819	72,629
United States	200,745	114,786
Europe	87,553	71,386
China	115,222	121,058
Others	99,672	71,364
Total	591,012	451,223

(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, 2020	As of March 31, 2021
Japan	97,775	86,363
North America	5,606	5,523
Europe	44,637	43,032
China	1,516	2,151
Thailand	18,253	3,240
Others	3,307	2,446
Total	171,094	142,755

(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 net defined benefit assets are not included in the above.

(4) Information about Major Customers

There is a customer group who contributed 10% or more to the consolidated revenue for the year ended March 31, 2021. The revenue recognized from this customer group for the year ended March 31, 2020 was 107,347 million yen (Precision Equipment Business and Industrial Metrology and Others), and 53,230 million yen (Precision Equipment Business and Industrial Metrology and Others) for the year ended March 31, 2021.

(Impairment Losses on Non-Financial Assets)

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

[For the year ended March 31, 2020 (From April 1, 2019 to March 31, 2020)]

For the year ended March 31, 2020, the Group assessed impairment of assets based on future cash flow forecasts that take into consideration future trends in the medium- to long-term business environment and the impact of the spread of COVID-19 on business operations. As a result, impairment losses of 11,275 million yen are recognized.

For the Imaging Products Business, impairment losses of 7,458 million yen are recognized. The Group assessed impairment of assets based on future cash flow forecasts that take into consideration the rapid shrinkage of the digital camera market and the impact of the spread of COVID-19 on business operations. As a result, at the Company and some of its consolidated subsidiaries located in Japan, the recoverable amount of the cash-generating unit was determined to be lower than the carrying amount, and therefore, impairment losses of 6,621 million yen are recognized. In addition, as a result of investigating the future use of non-current assets, the Company and a manufacturing subsidiary located in Thailand have reduced the carrying amount of idle assets with no prospect of specific use to its recoverable amount and recognized impairment losses of 837 million yen.

For the Industrial Metrology and Others, impairment losses of 3,816 million yen are recognized. For the Industrial Metrology Business of the Industrial Metrology and Others, the Group assessed impairment of assets based on future cash flow forecasts that take into consideration the impact of the spread of COVID-19 on business operations, under the situation where the initially forecast profits were unlikely to be achieved due to the deterioration in market conditions and business environment. As a result, impairment losses of 3,635 million yen are recognized, as the recoverable amount of the cash-generating unit including goodwill was determined to be lower than the carrying amount. The impairment losses of 3,076 million yen are allocated to goodwill, which are related to the Company's consolidated subsidiary, Nikon Metrology NV, and impairment losses of 559 million yen are allocated to non-current assets other than goodwill. In addition, impairment losses of 181 million yen are recognized in businesses other than the Industrial Metrology Business in the Industrial Metrology and Others. This is mainly because the Company has reduced the carrying amount of idle assets with no prospect of specific use to its recoverable amount as a result of investigating the prospects of non-current assets.

Out of the total impairment losses of 11,275 million yen, the impairment loss of 862 million yen is recognized as restructuring costs in the consolidated statement of profit or loss. Out of the impairment losses recognized as restructuring costs, 830 million yen and 32 million yen are recognized for the Imaging Products Business, and the Industrial Metrology and Others, respectively. For more information about restructuring costs, please refer to "Restructuring Costs."

[For the year ended March 31, 2021 (From April 1, 2020 to March 31, 2021)]

For the year ended March 31, 2021, the Group assessed impairment of assets based on future cash flow forecasts that take into consideration future trends in the medium- to long-term business environment as well as the impact of the spread of COVID-19 and other various factors on business operations. As a result, impairment losses of 26,054 million yen are recognized. Impairment losses by asset are as follows.

(Millions of yen)

	For the year ended March 31, 2020 (From April 1 2019 to March 31, 2020)	For the year ended March 31, 2021 (From April 1 2020 to March 31, 2021)
Property, plant and equipment	2,579	21,014
Right-of-use assets	326	1,672
Intangible assets	5,159	2,536
Goodwill	3,076	429
Others	135	403
Total	11,275	26,054

For the Imaging Products Business, impairment losses of 16,513 million yen are recognized. After adjusting future cash flow forecasts to reflect the rapid shrinkage of the digital camera market in the first half of the fiscal year due to the spread of COVID-19, the Group conducted an impairment assessment based on reviewed future cash flow forecasts that also considers the COVID-19-related impact on other imaging-related businesses. As a result, mainly at a manufacturing subsidiary in Thailand, the Company and a manufacturing and sales subsidiary in the U.K., the recoverable amount of non-current assets including goodwill by cash-generating unit has been determined to be lower than the carrying amount. Therefore, impairment losses of 16,359 million yen are recognized. The impairment losses include goodwill impairment of 429 million yen related to Mark Roberts Motion Control Limited, a manufacturing and sales subsidiary in the U.K. In addition, as a result of investigating the future use of non-current assets, a consolidated subsidiary has reduced the carrying amount of their idle assets with no prospect of specific use to its recoverable amount and recognized impairment losses of 154 million yen.

For the Precision Equipment Business and the Healthcare Business, impairment losses of 3,796 million yen and 2,459 million yen are recognized respectively. The Group assessed impairment of assets based on future cash flow forecasts that take into consideration the impact of the spread of COVID-19 and other factors on business operations. As a result, at the Company, the recoverable amount of the cash-generating unit has been determined to be lower than the carrying amount, and therefore, impairment losses of 3,796 million yen and 2,246 million yen are recognized in the Precision Equipment Business and the Healthcare Business, respectively. In addition, as a result of investigating the future use of non-current assets, consolidated subsidiaries have reduced the carrying amount of their idle assets with no prospect of specific use to its recoverable amount and recognized impairment losses of 213 million yen in the Healthcare Business.

For the Industrial Metrology and Others, impairment losses of 3,286 million yen are recognized. After reviewing the future plan of the Imaging Products Business considering the rapid shrinkage of the digital camera market in the first half of the fiscal year due to the spread of COVID-19, the Group conducted an impairment assessment based on future cash flow forecasts that incorporates the revised future plan. As a result, at a consolidated subsidiary in Japan which mainly handles imaging-related parts, the recoverable amount of non-current assets by cash-generating unit has been determined to be lower than the carrying amount, and therefore, impairment losses of 2,630 million yen are recognized. In addition, as a result of investigating the future use of non-current assets, the Company has reduced the carrying amount of idle assets with no prospect of specific use to its recoverable amount and recognized impairment losses of 656 million yen.

Out of the total impairment losses of 26,054 million yen, the impairment loss of 123 million yen in the Imaging Products Business is recognized as restructuring costs in the consolidated statement of profit or loss. For more information about restructuring costs, please refer to “Restructuring Costs.”

(Selling, General and Administrative Expenses)

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

(Millions of yen)

	For the year ended March 31, 2020 (From April 1 2019 to March 31, 2020)	For the year ended March 31, 2021 (From April 1 2020 to March 31, 2021)
Depreciation and amortization	14,190	11,827
Research and development expenses	61,052	58,789
Employee benefit expenses	55,700	51,804
Advertising and sales promotion expenses	19,868	11,965
Others	54,888	46,954
Total	205,698	181,339

(Restructuring Costs)

[For the year ended March 31, 2020 (From April 1, 2019 to March 31, 2020)]

For the year ended March 31, 2020, restructuring costs of 4,573 million yen are recognized under “Other operating expenses” as the table below.

For the Imaging Products Business, restructuring costs of 2,737 million yen are recognized due to factors such as additional retirement benefits and impairment losses related to reforms to production and sales bases, in order to shift to a business structure that can secure a certain amount of profit even in a shrinking market.

For the Industrial Metrology and Others, restructuring costs of 83 million yen are recognized, due to factors such as reforms to the function of overseas bases.

In addition, as a result of completing the liquidation of the manufacturing subsidiary, Nikon Imaging (China) Co., Ltd. whose operations were discontinued in 2017, restructuring costs of 1,753 million yen are recognized related to the cumulative translation differences reclassified to profit or loss due to the liquidation of a foreign subsidiary.

Details	Amount (Millions of yen)
Cumulative translation differences reclassified to profit or loss due to the liquidation of a foreign subsidiary	1,753
Additional retirement benefits	1,140
Impairment losses	862
Others	818
Total	4,573

[For the year ended March 31, 2021 (From April 1, 2020 to March 31, 2021)]

For the year ended March 31, 2021, restructuring costs of 4,343 million yen are recognized under "Other operating expenses" as the table below.

For the Imaging Products Business, restructuring costs of 3,527 million yen are recognized due to factors such as additional retirement benefits that ensued following the reorganization of production and sales bases and the optimization of personnel in order to shift to a sustainable business model.

For the Industrial Metrology and Others, restructuring costs of 817 million yen are recognized, due to factors such as additional retirement benefits that ensued the reorganization of production bases.

Details	Amount (Millions of yen)
Additional retirement benefits	2,743
Expenses related to outside specialists	1,026
Impairment losses	123
Others	452
Total	4,343

(Land Improvement Costs)

[For the year ended March 31, 2021 (From April 1, 2020 to March 31, 2021)]

Expenses of 1,398 million yen incurred by Hikari Glass Co., Ltd., a consolidated subsidiary, for improvement of its own land located in Yotsukaido City, Chiba Prefecture were included in other operating expenses.

(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:

	For the year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)	For the year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)
Basis for the calculation of basic earnings (loss) per share		
Profit (loss) for year attributable to owners of parent (millions of yen)	7,693	(34,497)
Profit (loss) not attributable to ordinary equity holders of parent (millions of yen)	—	—
Profit (loss) for year used in the calculation of basic earnings per share (millions of yen)	7,693	(34,497)
Weighted average number of ordinary shares outstanding during the period (thousands of shares)	386,016	367,144
Basic earnings (loss) per share (yen)	19.93	(93.96)
Basis for the calculation of diluted earnings (loss) per share		
Profit (loss) for year used in the calculation of basic earnings per share (millions of yen)	7,693	(34,497)
Adjustments to profit for year (millions of yen)	—	—
Profit (loss) for year used in the calculation of diluted earnings per share (millions of yen)	7,693	(34,497)
Weighted average number of ordinary shares outstanding during the period (thousands of shares)	386,016	367,144
Increase in number of ordinary shares in respect of stock options (thousands of shares)	1,506	—
Weighted average number of dilutive ordinary shares outstanding during the period (thousands of shares)	387,522	367,144
Diluted earnings (loss) per share (yen)	19.85	(93.96)
Potential shares that have no effects in dilution and excluded from calculation of diluted earnings (loss) per share	—	—

(Notes) 1. In the computation of basic earnings (loss) per share and diluted earnings (loss) per share, the number of the Company’s shares held by the executive compensation BIP trust is included in the number of treasury shares that are deducted from the weighted average number of ordinary shares outstanding during the period. For both of the years ended March 31, 2020 and March 31, 2021, the number of shares was 576,900.

2. In the fiscal year ended March 31, 2021, potential ordinary shares have no effects in dilution since an increase in the number of ordinary shares due to stock options exercised would decrease loss per share.

(Contingent Liabilities)

(Litigation)

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

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

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

(Significant Subsequent Event)

Not applicable.