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") pursuant to Article 93 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

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. The details of these are as follows:

(1) In order to establish a framework capable of comprehending accounting standards properly and adapting 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, the Company formulated the Group accounting policies in compliance with IFRS 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
Year ended March 31, 2021

		Millions of yen		
		2020		**2021**
ASSETS				
Current assets:				
Cash and cash equivalents (Note 7)	¥	324,034	¥	**351,798**
Trade and other receivables (Note 8)		87,779		**72,900**
Inventories (Note 9)		246,530		**235,760**
Other current financial assets (Notes 10 and 34)		2,901		**1,179**
Other current assets (Note 11)		15,960		**14,215**
Total current assets		677,203		**675,853**
Non-current assets:				
Property, plant and equipment (Note 12)		106,369		**86,210**
Right-of-use assets (Note 16)		15,265		**12,233**
Goodwill and intangible assets (Note 13)		46,895		**44,056**
Retirement benefit assets (Note 23)		4,624		**5,984**
Investments accounted for using the equity method (Note 15)		10,002		**11,099**
Other non-current financial assets (Notes 10 and 34)		84,068		**91,090**
Deferred tax assets (Note 17)		58,890		**62,956**
Other non-current assets (Note 11)		2,564		**255**
Total non-current assets		328,677		**313,884**
Total assets	¥	1,005,881	¥	**989,737**

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		Millions of yen		
		2020		**2021**
LIABILITIES / EQUITY				
LIABILITIES				
Current liabilities:				
Trade and other payables (Note 18)	¥	68,856	¥	**60,615**
Bonds and borrowings (Notes 19 and 34)		20,950		**29,943**
Income tax payable (Note 17)		1,845		**1,428**
Advances received (Note 26)		175,894		**163,110**
Provisions (Note 20)		5,161		**5,458**
Other current financial liabilities (Notes 21 and 34)		27,210		**25,575**
Other current liabilities (Note 22)		30,238		**32,176**
Total current liabilities		330,154		**318,305**
Non-current liabilities:				
Bonds and borrowings (Notes 19 and 34)		102,778		**104,131**
Retirement benefit liabilities (Note 23)		11,047		**9,905**
Provisions (Note 20)		4,989		**5,048**
Deferred tax liabilities (Note 17)		3,589		**3,053**
Other non-current financial liabilities (Notes 21 and 34)		9,232		**8,258**
Other non-current liabilities (Note 22)		2,332		**2,310**
Total non-current liabilities		133,966		**132,706**
Total liabilities		464,121		**451,011**
EQUITY				
Share capital (Note 24)		65,476		**65,476**
Capital surplus (Note 24)		46,369		**46,419**
Treasury shares (Note 24)		(17,639)		**(17,529)**
Other components of equity (Note 24)		(39,502)		**(14,133)**
Retained earnings (Note 24)		485,948		**457,352**
Equity attributable to owners of the parent		540,652		**537,585**
Non-controlling interests		1,108		**1,141**
Total equity		541,760		**538,726**
Total liabilities and equity	¥	1,005,881	¥	**989,737**

Consolidated Statement of Profit or Loss

Nikon Corporation and Consolidated Subsidiaries
Year ended March 31, 2021

		Millions of yen	
		2020	**2021**
Revenue (Note 26)	¥	591,012 ¥	**451,223**
Cost of sales (Note 9)		(368,978)	**(295,318)**
Gross profit		222,034	**155,906**
Selling, general and administrative expenses (Note 27)		(205,698)	**(181,339)**
Other operating income (Note 28)		6,447	**3,363**
Other operating expenses (Note 28)		(16,032)	**(34,170)**
Operating profit		6,751	**(56,241)**
Finance income (Note 29)		5,204	**11,167**
Finance costs (Note 29)		(1,908)	**(2,238)**
Share of the profit of investments accounted for using the equity method (Note 15)		1,816	**1,969**
Profit (loss) before tax		11,864	**(45,342)**
Income tax expense (Note 17)		(4,022)	**10,832**
Profit (loss) for the year		7,842	**(34,509)**
Attributable to:			
Owners of parent		7,693	**(34,497)**
Non-controlling interests		149	**(13)**
Profit (loss) for the year	¥	7,842 ¥	**(34,509)**
Earnings (losses) per share:			
Basic earnings (losses) per share (Yen) (Note 30)	¥	19.93 ¥	**(93.96)**
Diluted earnings (losses) per share (Yen) (Note 30)		19.85	**(93.96)**

Consolidated Statement of Comprehensive Income (Loss)

Nikon Corporation and Consolidated Subsidiaries
Year ended March 31, 2021

		Millions of yen	
		2020	**2021**
Profit (loss) for the year	¥	7,842 ¥	**(34,509)**
Other comprehensive income (loss)			
Items that will not be reclassified subsequently to profit or loss			
Gain on financial assets measured at fair value through other comprehensive income (Note 31)		(5,699)	**24,034**
Remeasurement of defined benefit pension plans (Notes 23 and 31)		(1,998)	**1,235**
Share of other comprehensive income (loss) of investments accounted for using the equity method (Note 31)		2	**47**
Total of items that will not be reclassified subsequently to profit or loss		(7,695)	**25,315**
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations (Note 31)		(12,019)	**13,551**
Effective portion of the change in fair value on cash flow hedges (Note 31)		32	**(282)**
Share of other comprehensive income (loss) of investments accounted for using the equity method (Note 31)		(129)	**93**
Total of items that may be reclassified subsequently to profit or loss		(12,116)	**13,362**
Other comprehensive income (loss), net of taxes		(19,811)	**38,678**
Total comprehensive income (loss) for the year	¥	(11,969) ¥	**4,168**
Attributable to:			
Owners of the parent		(12,043)	**4,090**
Non-controlling interests		74	**78**
Total comprehensive income (loss) for the year	¥	(11,969) ¥	**4,168**

Consolidated Statement of Changes in Equity

Nikon Corporation and Consolidated Subsidiaries
Year ended March 31, 2021

Millions of yen

	Equity attributable to owners of the 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 pension plans	Share of other comprehensive income (loss) of investments accounted for using the equity method	Exchange differences on translation of foreign operations	Effective portion of the change in fair value on cash flow hedges	Total	Retained earnings	Total	Non-controlling interests	Total equity
As of April 1, 2019	¥ 65,476	¥ 81,424	¥ (13,044)	¥ 8,544	¥ —	¥ (835)	¥ (27,723)	¥ 21	¥ (19,992)	¥ 502,056	¥ 615,920	¥ 806	¥ 616,726
Profit for the year	—	—	—	—	—	—	—	—	—	7,693	7,693	149	7,842
Other comprehensive income (loss) (Note 31)	—	—	—	(5,666)	(1,998)	(127)	(11,976)	32	(19,736)	—	(19,736)	(75)	(19,811)
Total comprehensive income (loss) for the year	—	—	—	(5,666)	(1,998)	(127)	(11,976)	32	(19,736)	7,693	(12,043)	74	(11,969)
Dividends (Note 25)	—	—	—	—	—	—	—	—	—	(23,576)	(23,576)	(42)	(23,618)
Purchase and disposal of treasury shares (Note 24)	—	(42)	(40,002)	—	—	—	—	—	—	—	(40,043)	—	(40,043)
Cancelation of treasury shares (Note 24)	—	(35,279)	35,279	—	—	—	—	—	—	—	—	—	—
Share-based payments (Note 33)	—	266	128	—	—	—	—	—	—	—	394	—	394
Changes in the ownership interest in subsidiaries	—	—	—	—	—	—	—	—	—	—	—	270	270
Transfer from other components of equity to retained earnings	—	—	—	(1,770)	1,998	(3)	—	—	225	(225)	—	—	—
Total transactions with owners	—	(35,055)	(4,594)	(1,770)	1,998	(3)	—	—	225	(23,801)	(63,225)	228	(62,997)
As of March 31, 2020	65,476	46,369	(17,639)	1,108	—	(964)	(39,699)	53	(39,502)	485,948	540,652	1,108	541,760
Loss for the year	—	—	—	—	—	—	—	—	—	(34,497)	(34,497)	(13)	(34,509)
Other comprehensive income (loss) (Note 31)	—	—	—	23,998	1,235	140	13,495	(282)	38,587	—	38,587	91	38,678
Total comprehensive income (loss) for the year	—	—	—	23,998	1,235	140	13,495	(282)	38,587	(34,497)	4,090	78	4,168
Dividends (Note 25)	—	—	—	—	—	—	—	—	—	(7,343)	(7,343)	(43)	(7,386)
Purchase and disposal of treasury shares (Note 24)	—	(0)	(1)	—	—	—	—	—	—	—	(1)	—	(1)
Cancelation of treasury shares (Note 24)	—	—	—	—	—	—	—	—	—	—	—	—	—
Share-based payments (Note 33)	—	51	110	—	—	—	—	—	—	—	161	—	161
Changes in the ownership interest in subsidiaries	—	—	—	—	—	—	—	—	—	—	—	24	24
Transfer from other components of equity to retained earnings	—	—	—	(11,934)	(1,235)	(48)	—	—	(13,218)	13,243	26	(26)	—
Total transactions with owners	—	51	109	(11,934)	(1,235)	(48)	—	—	(13,218)	5,901	(7,157)	(45)	(7,202)
As of March 31, 2021	¥ 65,476	¥ 46,419	¥ (17,529)	¥ 13,172	¥ —	¥ (873)	¥ (26,204)	¥ (228)	¥ (14,133)	¥ 457,352	¥ 537,585	¥ 1,141	¥ 538,726

Consolidated Statement of Cash Flows

Nikon Corporation and Consolidated Subsidiaries
Year ended March 31, 2021

		Millions of yen
	2020	**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 the profit of investments accounted for using the equity method	(1,816)	**(1,969)**
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**
Other, 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 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 sale of property, plant and equipment	4,505	**681**
Purchases of intangible assets	(5,968)	**(6,134)**
Purchases of investment securities	(7,802)	**(1,126)**
Proceeds from sale of investment securities	5,870	**38,754**
Transfers to time deposits	(370)	**(3)**
Proceeds from withdrawal of time deposits	481	**1,857**
Other, net	1,467	**960**
Net cash (used in) provided by investing activities	(21,281)	**18,024**
Cash flows from financing activities:		
Net increase (decrease) in short-term loans payable (Note 32)	(2,250)	—
Repayment of lease obligations (Note 32)	(7,194)	**(7,448)**
Proceeds from issuance of bonds (Note 32)	—	**19,894**
Redemption of bonds (Note 32)	—	**(10,000)**
Cash dividends paid (Note 25)	(23,552)	**(7,350)**
Cash dividends paid to non-controlling interests	(42)	**(43)**
Purchase of treasury shares	(40,002)	**(1)**
Other, net	301	**(43)**
Net cash 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 the beginning of the year	411,055	**324,034**
Cash and cash equivalents at the end of the year (Note 7)	¥ 324,034	¥ **351,798**

Notes to Consolidated Financial Statements

Nikon Corporation and Consolidated Subsidiaries
Year ended March 31, 2021

1. Reporting Entity

The Nikon Corporation (hereinafter referred to as the "Company") is located in Japan and listed on the First Section of the Tokyo Stock Exchange. The address of the registered headquarters is 2-15-3, Konan, Minato-ku, Tokyo, Japan.

The Company, its consolidated subsidiaries (hereinafter referred to as the "Group") and associates operate the Imaging Products Business, Precision Equipment Business, Healthcare Business, and the businesses of Industrial Metrology and Others. The Group's main businesses are disclosed in Note 6. Segment Information.

The consolidated financial statements are composed of the portion attributable to the Group and associates. The fiscal year-end of the Company is March 31.

The Company's major subsidiaries and associates are described in the appendix of Note 36. Subsidiaries, Associates Companies, and Joint Ventures.

2. Basis of Preparation

(1) Compliance with IFRS

Since the Company is classified as a "Specified Company under Designated International Financial Reporting Standards (IFRS)" as provided in Article 1-2 of the Ordinance on Consolidated Financial Statements, the consolidated financial statements have been prepared in accordance with IFRS.

(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. Significant Accounting Policies.

(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 Toshikazu Umatate, Representative Director, President and Muneaki Tokunari, Director, Executive Vice President on June 29, 2021.

(5) Early Adoption of New Standards

The Group has prepared the accompanying consolidated financial statements in accordance with IFRS that were effective as of March 31, 2021, and has no standards that were early adopted.

(6) Adoption of New Standards and Interpretations

There is no material impact on the accompanying consolidated financial statements of standards or interpretations newly adopted by the Group from the year ended March 31, 2021.

3. Significant Accounting Policies

(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 the 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 to 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 end of each reporting period.

(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 relationship with investees, the Group designates these instruments mainly as fair value through other comprehensive income at initial recognition.

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

• Actual credit losses occurred in prior years
• Overdue information in prior years

Provision or reversal of allowance for doubtful accounts is recognized in profit or loss 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) Paid-up Capital

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 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	13 years
Software	5 years

Intangible assets with infinite 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 and 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 the 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 the 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 the 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 continued 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 Benefit

1) Post-employment Benefits

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

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

i) Defined benefit plans

The present value of defined benefit obligations 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 retirement benefit liability or asset is recognized as a liability or an asset in the consolidated financial statements, and is measured at the present value of defined benefit obligation net of the fair value of plan assets (including the effect of the asset ceiling of defined benefit plans and adjustment for minimum funding requirements, if necessary). Current service cost and net interest expense or income on the retirement benefit liability (or asset) are recognized in profit or loss. Remeasurements of the defined retirement benefit plans are recognized in other comprehensive income in the period when they occur and transferred immediately to retained earnings. Past service cost is recognized in profit or loss as incurred.

ii) Defined contribution plans

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

2) Other Long-term Employee Benefits

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

3) Short-term Employee Benefits

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

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

(16) Share-based Payment

1) Stock Option Scheme

The Company has introduced equity-settled share-based payment schemes (hereinafter referred to as the "stock options") as remuneration granted to directors.

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.

2) Performance- and Share-based Payment Scheme

The Company has introduced a performance- and share-based payment scheme for directors of the Company, namely, the Executive Compensation Board Incentive Plan ("BIP") Trust in order to further enhance incentives for realizing the business prospects indicated in the medium-term management plan and for sustainably improving corporate value. The executive compensation BIP Trust is an incentive plan granting the shares of the Company or the equivalent cash as the granted shares would be sold as directors' remuneration in the last year of three-year medium-term management plans, depending on the achievement of business performance for each three years.

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 a capital reserve within equity.

(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 the expected economic benefits will occur within a one-year period from the end of each fiscal year.

2) Asset Retirement Obligations

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

(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 for imaging and its peripheral domain, such as digital SLR cameras, compact digital cameras, and interchangeable camera lenses. The Precision Equipment Business provides products with regard to the FPD lithography system and semiconductor lithography system. The Healthcare Business provides products for bioscience and ophthalmic diagnosis fields, such as biological microscopes, cell culture observation systems, and ultra-wide field retinal imaging devices. The Industrial Metrology and Others provide products such as industrial microscopes, measuring instruments, X-ray/CT inspection systems, and surveying instruments. The Group also renders services related to products, such as warranty, repair and maintenance, and relocation services.

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

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

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

Current tax 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 subsidiaries apply the consolidated tax payment system.

(21) Earnings per Share

Basic earnings per share are calculated by dividing the profit for the reporting period attributable to ordinary equity stockholders 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 which 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. While the impact of COVID-19 is unpredictable as it is uncertain as to when COVID-19 will be contained, it is assumed that the impact will continue to some extent into the next fiscal year but will wane.

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. Significant Accounting Policies)
- Revenue recognition (see (18) Revenue Recognition in Note 3. Significant Accounting Policies)

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 measurement for financial instruments (see Note 3. Significant Accounting Policies (4) Financial Instruments and Note 34. Financial Instruments)
- Measurement of inventories (see Note 3. Significant Accounting Policies (8) Inventories and Note 9. Inventories)
- The useful lives of property, plant and equipment and intangible assets (see Note 3. Significant Accounting Policies (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. Significant Accounting Policies (13) Impairment of Non-financial Assets and Investments Accounted for Using Equity Method and Note 14. Impairment Losses of Non-financial Assets)
- Employee benefits (see Note 3. Significant Accounting Policies (15) Employee Benefits and Note 23. Employee Benefits)
- Share-based payments (see Note 3. Significant Accounting Policies (16) Share-based Payment and Note 33. Share-based Payment)
- Accounting treatment and valuation of provisions (see Note 3. Significant Accounting Policies (17) Provisions and Note 20. Provisions)
- Recoverability of deferred tax assets (see Note 3. Significant Accounting Policies (20) Income Taxes and Note 17. Income Taxes)
- The possibility of an outflow of economic resources of contingent liabilities (see Note 37. Contingent Liabilities)

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

The new standards, interpretations, and amendments that have been issued as of March 31, 2021 are not presented because the impacts are immaterial.

6. 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 in order for the Board of Directors to conduct periodic investigations to determine the distribution of management resources and evaluate the Group's business results.

In consideration of the similarity of economic characteristics, the Group 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 and its peripheral domains, 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 about Reportable Business Segments

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

The information about reportable segments is as follows:

Millions of yen

For the year ended March 31, 2020	Imaging Products	Precision Equipment	Healthcare	Industrial Metrology and Others (Note 1)	Total	Reconciliation (Note 2)	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) (Note 3)	(17,153)	48,050	(2,455)	1,895	30,337	(23,586)	6,751
Finance income							5,204
Finance costs							(1,908)
Share of the profit of investments accounted for using the equity method							1,816
Profit before tax							11,864
Segment assets	105,285	203,949	102,941	105,935	518,110	487,771	1,005,881
Others							
Impairment losses (Note 4)	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 (Note 5)	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, cumulative translation differences of ¥(1,753) million reclassified to profit or loss due to the liquidation of a foreign subsidiary, and corporate profit (loss) of ¥(19,713) million. Out of the corporate profit (loss) of ¥(19,713) million, gains from sales of land of ¥3,888 million 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 that is not attributed to any segments, and elimination of intersegment transactions of ¥(11,585) 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 non-current assets and right-of-use assets used in common.

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

4. The main components of the impairment losses are described in Note 14. Impairment Losses on Non-financial Assets.

5. Due to the implementation of IFRS 16, ¥17,200 million has increased at the date of initial application. Out of ¥17,200 million, ¥5,373 million for the Imaging Products Business, ¥2,331 million for the Precision Equipment Business, ¥1,706 million for the Healthcare Business, ¥2,949 million for Industrial Metrology and Others, and ¥4,840 million for corporate assets has increased.

For the year ended March 31, 2021	Imaging Products	Precision Equipment	Healthcare	Industrial Metrology and Others (Note 1)	Total	Reconciliation (Note 2)	Consolidated
							Millions of yen
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) (Note 3)	**(35,779)**	**1,400**	**(3,091)**	**(2,626)**	**(40,096)**	**(16,144)**	**(56,241)**
Finance income							**11,167**
Finance costs							**(2,238)**
Share of the profit of investments accounted for using the equity method							**1,969**
Loss before tax							**(45,342)**
Segment assets	**71,411**	**194,146**	**93,818**	**94,440**	**453,814**	**535,922**	**989,737**
Others							
Impairment losses (Note 4)	**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, and corporate profit (loss) of ¥(18,705) million 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 that is not attributed to any segments, and elimination of intersegment transactions of ¥(10,151) 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 non-current assets and right-of-use assets used in common.

3. Out of the total restructuring costs of ¥(4,343) million recognized in "Other operating expenses" reported in the consolidated statement of profit or loss, ¥(3,527) million and ¥(817) million 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 Note 14. Impairment Losses on Non-financial Assets.

(3) Geographic Information

Revenue to external customers

	2020	2021
		Millions of yen
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**

Notes: 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: United Kingdom, France, and Germany
2. Others: Canada, Asia other than Japan and China, the Middle East, Oceania, and Latin America

Non-current assets

	Millions of yen	
	2020	**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**

Notes: 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: United Kingdom, France, and Germany
3. Others: Asia other than Japan, China, Thailand, the Middle East, Oceania and Latin America
Financial instruments, deferred tax assets, and retirement benefit assets are not included 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 (Precision Equipment Business and Industrial Metrology and Others), and ¥53,230 million (Precision Equipment Business and Industrial Metrology and Others) for the year ended March 31, 2021.

7. Cash and Cash Equivalents

The breakdown of cash and cash equivalents is as follows:

	Millions of yen	
	2020	**2021**
Cash and cash equivalents		
Cash and bank deposits	154,665	**246,367**
Time deposits with maturities within three months at acquisition	169,369	**105,431**
Total	324,034	**351,798**

8. Trade and Other Receivables

The breakdown of trade and other receivables is as follows:

	Millions of yen	
	2020	**2021**
Notes and accounts receivable	78,116	**61,952**
Lease receivables	10,292	**11,396**
Other receivables	899	**994**
Less: allowance for doubtful accounts	(1,528)	**(1,441)**
Total	87,779	**72,900**

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 34. Financial Instruments.

9. Inventories

The breakdown of inventories is as follows:

Millions of yen

	2020	2021
Finished goods	105,873	**109,731**
Work in progress	107,299	**91,785**
Raw materials and supplies	33,358	**34,245**
Total	246,530	**235,760**

The amount of inventories that were expensed for the year ended March 31, 2020 was cost of sales of ¥368,795 million and other operating expenses of ¥514 million. Cost of sales includes ¥2,655 million of inventories abandoned and written down for assets whose net realizable value falls below the carrying amount. Other operating expenses include ¥514 million of losses on write-downs in "Restructuring costs" due to review of sale's mix in the Imaging Products Business.

The amount of inventories that were expensed for the year ended March 31, 2021 was cost of sales of ¥295,186 million. Cost of sales includes ¥25,392 million of inventories abandoned and written down for assets whose net realizable value falls below the carrying amount.

10. Other Financial Assets

(1) The Breakdown of Other Financial Assets is as Follows:

Millions of yen

	2020	2021
Derivative financial assets	1,502	**1,894**
Equity securities	64,312	**69,247**
Others	21,156	**21,129**
Total	86,970	**92,269**
Other current financial assets	2,901	**1,179**
Other non-current financial assets	84,068	**91,090**

As for the classification of financial assets, please see (2) Classification of Financial Instruments in Note 34. Financial Instruments. Derivative financial assets other than those applying hedging accounting 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) The Name and Fair Value of Major Financial Assets Measured at Fair Value through Other Comprehensive Income

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.

Millions of yen

Name of Shares	2020	2021
JEOL Ltd.	11,339	**18,877**
MITSUBISHI ESTATE CO., LTD.	3,873	**4,693**
Mitsubishi Logistics Corporation	2,523	**3,914**
Tokio Marine Holdings, Inc.	2,943	**3,131**
Velodyne LiDAR, Inc.	2,721	**3,078**
Mitsubishi Electric Corporation	2,358	**2,978**
HEALIOS K.K.	2,317	**2,566**
Avaldata Corporation	1,358	**2,519**
MITSUBISHI GAS CHEMICAL COMPANY, INC.	998	**2,303**
Ushio Inc.	1,513	**2,136**

(3) 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, 2020

Millions of yen

Fair value	Accumulated gain or loss recognized as other comprehensive income in equity
5,889	1,770

For the year ended March 31, 2021

Millions of yen

Fair value	Accumulated gain or loss recognized as other comprehensive income in equity
38,410	**11,934**

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

11. Other Assets

The breakdown of other current assets and other non-current assets is as follows:

	Millions of yen	
	2020	**2021**
Consumption taxes receivable	5,416	**4,769**
Prepaid expenses	5,119	**3,013**
Refundable income taxes	3,060	**2,129**
Others	4,929	**4,560**
Total	18,524	**14,470**
Other current assets	15,960	**14,215**
Other non-current assets	2,564	**255**

12. 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, 2019	140,995	203,560	15,996	7,026	85,932	453,508
Change in accounting policy (Note)	(2,226)	(1,350)	—	—	(4,451)	(8,028)
April 1, 2019 (after adjustment)	138,769	202,209	15,996	7,026	81,480	445,480
Acquisition	248	1,306	—	17,355	669	19,577
Disposals	(1,947)	(6,025)	(323)	(22)	(5,539)	(13,855)
Transfer from other accounts	2,276	6,586	—	(18,888)	5,491	(4,535)
Effect of foreign currency exchange differences	(1,018)	(1,881)	(80)	(16)	(1,518)	(4,512)
As of March 31, 2020	138,328	202,195	15,593	5,455	80,583	442,154
Acquisition	**384**	**774**	—	**18,086**	**661**	**19,906**
Disposals	**(2,300)**	**(15,878)**	**(357)**	**(4)**	**(6,044)**	**(24,582)**
Transfer from other accounts	**2,341**	**4,494**	**31**	**(14,175)**	**3,803**	**(3,506)**
Effect of foreign currency exchange differences	**1,409**	**2,537**	**128**	**24**	**1,949**	**6,047**
As of March 31, 2021	**140,163**	**194,122**	**15,395**	**9,386**	**80,952**	**440,019**

Note: "Changes in accounting policy" reflects the impact of the adoption of IFRS 16 Leases.

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, 2019	92,154	175,562	154	601	68,918	337,389
Change in accounting policy (Note 1)	(744)	(1,261)	—	—	(3,494)	(5,499)
April 1, 2019 (after adjustment)	91,410	174,300	154	601	65,424	331,890
Depreciation (Note 2)	4,391	8,935	—	—	5,456	18,782
Impairment losses (Note 3)	444	1,183	34	93	826	2,579
Disposals	(1,852)	(5,972)	(154)	—	(5,476)	(13,454)
Transfer from other accounts	(234)	(475)	—	51	(95)	(753)
Effect of foreign currency exchange differences	(555)	(1,523)	—	(1)	(1,179)	(3,259)
As of March 31, 2020	93,605	176,448	34	743	64,956	335,785
Depreciation (Note 2)	**4,086**	**7,328**	—	—	**4,301**	**15,714**
Impairment losses (Note 3)	**6,615**	**6,253**	**230**	**2,642**	**5,275**	**21,014**
Disposals	**(2,292)**	**(15,535)**	—	—	**(6,024)**	**(23,851)**
Transfer from other accounts	**(26)**	**398**	**(34)**	**(409)**	**235**	**164**
Effect of foreign currency exchange differences	**1,052**	**2,232**	—	**2**	**1,695**	**4,982**
As of March 31, 2021	**103,040**	**177,124**	**230**	**2,977**	**70,438**	**353,809**

Notes: 1. "Changes in accounting policy" reflects the impact of the adoption of IFRS 16 Leases.

2. 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.

3. With respect to impairment losses, please see Note 14. 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, 2020	44,724	25,747	15,559	4,712	15,627	106,369
As of March 31, 2021	**37,124**	**16,998**	**15,165**	**6,409**	**10,514**	**86,210**

(2) Assets Pledged as Collateral

There were no material property, plant and equipment pledged as collateral as of March 31, 2020 and 2021.

(3) Commitments

The commitments to acquire property, plant and equipment as of March 31, 2020 and 2021 were ¥5,246 million and ¥4,834 million, respectively.

13. 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	Trademarks	Software	Industrial property rights	Development costs	Others	Total
As of April 1, 2019	24,084	19,973	701	76,036	28,277	12,918	1,486	163,474
Change in accounting policy (Note)	—	—	—	(9)	—	—	—	(9)
April 1, 2019 (after adjustment)	24,084	19,973	701	76,027	28,277	12,918	1,486	163,465
Additions through acquisition	—	—	—	4,445	254	—	29	4,728
Additions through internal development	—	—	—	—	—	1,242	—	1,242
Disposals	—	—	—	(1,367)	(1,332)	(1,264)	(40)	(4,004)
Transfer from other accounts	—	—	—	(1,302)	(8)	—	31	(1,279)
Effect of foreign currency exchange differences	(438)	(439)	(22)	(306)	(71)	(451)	(67)	(1,794)
As of March 31, 2020	23,646	19,534	679	77,496	27,119	12,444	1,440	162,358
Additions through acquisition	**—**	**—**	**—**	**3,908**	**912**	**—**	**7**	**4,826**
Additions through internal development	**—**	**—**	**—**	**—**	**—**	**1,166**	**—**	**1,166**
Disposals	**—**	**—**	**—**	**(5,441)**	**(1,864)**	**(2,727)**	**(15)**	**(10,046)**
Transfer from other accounts	**—**	**—**	**—**	**(1,202)**	**(537)**	**—**	**(1)**	**(1,740)**
Effect of foreign currency exchange differences	**405**	**362**	**35**	**404**	**42**	**846**	**68**	**2,162**
As of March 31, 2021	**24,051**	**19,896**	**714**	**75,165**	**25,672**	**11,730**	**1,498**	**158,726**

Note: "Changes in accounting policy" reflects the impact of the adoption of IFRS 16 Leases.

Accumulated amortization and accumulated impairment losses

Millions of yen

	Goodwill	Technology-related assets	Trademarks	Software	Industrial property rights	Development costs	Others	Total
As of April 1, 2019	—	5,889	433	65,136	24,327	7,555	957	104,298
Change in accounting policy (Note 1)	—	—	—	(9)	—	—	—	(9)
April 1, 2019 (after adjustment)	—	5,889	433	65,128	24,327	7,555	957	104,289
Amortization expenses (Note 2)	—	1,500	—	4,275	978	1,117	97	7,966
Impairment losses (Note 3)	3,076	—	—	3,569	1,403	178	9	8,235
Disposals	—	—	—	(1,364)	(1,332)	(1,264)	(40)	(4,001)
Transfer from other accounts	—	—	—	(219)	(1)	—	1	(220)
Effect of foreign currency exchange differences	—	(153)	—	(247)	(58)	(296)	(51)	(805)
As of March 31, 2020	3,076	7,236	433	71,141	25,316	7,289	973	115,463
Amortization expenses (Note 2)	—	**1,173**	**—**	**2,196**	**456**	**1,418**	**58**	**5,301**
Impairment losses (Note 3)	**429**	**—**	**—**	**2,071**	**289**	**171**	**6**	**2,965**
Disposals	**—**	**—**	**—**	**(5,394)**	**(1,864)**	**(2,635)**	**(10)**	**(9,903)**
Transfer from other accounts	**—**	**—**	**—**	**(136)**	**(22)**	**(514)**	**(1)**	**(673)**
Effect of foreign currency exchange differences	**—**	**486**	**—**	**321**	**15**	**641**	**52**	**1,516**
As of March 31, 2021	**3,505**	**8,895**	**433**	**70,199**	**24,190**	**6,370**	**1,078**	**114,670**

Notes: 1. "Changes in accounting policy" reflects the impact of the adoption of IFRS 16 Leases.

2. Amortization of intangible assets is recognized in "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statement of profit or loss.

3. With respect to impairment losses, please see Note 14. Impairment Losses of Non-financial Assets.

Carrying amount

	Goodwill	Technology-related assets	Trademarks	Software	Industrial property rights	Development costs	Others	Total
								Millions of yen
As of March 31, 2020	20,570	12,298	246	6,356	1,803	5,155	467	46,895
As of March 31, 2021	**20,546**	**11,001**	**281**	**4,966**	**1,482**	**5,360**	**420**	**44,056**

(2) Assets Pledged as Collateral

There were no goodwill and intangible assets pledged as collateral as of March 31, 2020 and 2021.

(3) Commitments

The commitments to acquire intangible assets as of March 31, 2020 and 2021 were ¥518 million, and ¥566 million, respectively.

(4) Significant Intangible Assets

As of March 31, 2021, the Group's major intangible assets were those related to technology.

The carrying amount of technology-related intangible assets acquired through the acquisition of Optos Plc was ¥12,149 million and ¥10,845 million as of March 31, 2020 and 2021, respectively. The remaining useful life of the intangible assets is 7 years.

14. 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 generates 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 the individual asset or multiple assets. As a result of impairment determination, if the recoverable amount is lower than the carrying amount, the carrying amount is reduced to the recoverable amount and the reduction is recognized as impairment loss. The measurement of the recoverable amount of an asset or cash-generating unit is by the higher of its fair value less costs of disposal and its value in use. The impairment losses are recognized in "Other operating expenses." Impairment losses by asset are as follows:

	2020	2021
		Millions of yen
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**

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

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

[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 are recognized. The recoverable amount is measured at the value in use or fair value less costs of disposal. The fair value measurements are categorized within the Level 3 category of the fair value hierarchy.

For the Imaging Products business, impairment losses of ¥7,458 million are recognized. As a result of impairment determination 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, the recoverable amount of the cash-generating unit is lower than the carrying amount in the Company and in a consolidated subsidiary located in Japan. Therefore, impairment losses of ¥6,621 million are recognized. The recoverable amount is measured at the value in use, and the pre-tax discount rate is 5.4%. In addition, as a result of investigating the future prospects of non-current assets, the Company and a manufacturing subsidiary located in Thailand have reduced the carrying amount of idle assets that did not have an expected specific use in the future to its recoverable amount and recognized impairment losses of ¥837 million.

For the Industrial Metrology and Others, impairment losses of ¥3,816 million are recognized. In the Industrial Metrology Business of the Industrial Metrology and Others, the Group determined impairment of assets based on future cash flow forecasts that take into consideration the impact of the spread of COVID-19 on business operations, in spite of the initially forecasted profits not being expected due to the deterioration of market conditions and business environment. As the result of impairment determination, impairment losses of ¥3,635 million are recognized, as the recoverable amount of the cash-generating unit including goodwill is lower than the carrying amount. The impairment losses of ¥3,076 million are allocated to goodwill, which are related to the Company's consolidated subsidiary, Nikon Metrology NV, and impairment losses of ¥559 million are allocated to non-current assets other than goodwill. In addition, impairment losses of ¥181 million 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 that did not have an expected specific use in the future to its recoverable amount as a result of investigating the future prospects of non-current assets.

Out of the total impairment losses of ¥11,275 million, the impairment loss of ¥862 million is recognized as restructuring costs in the consolidated statement of profit or loss. Out of the impairment losses recognized as restructuring costs, ¥830 million and ¥32 million are recognized for the Imaging Products Business, and the Industrial Metrology and Others, respectively.

[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 are recognized. The recoverable amount is measured at the value in use or fair value less costs of disposal. The fair value measurements are categorized within the Level 3 category of the fair value hierarchy.

For the Imaging Products Business, impairment losses of ¥16,513 million 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 are recognized. The recoverable amount is measured at the fair value less costs of disposal whereas the fair value is measured at the disposal value. The impairment losses include goodwill impairment of ¥429 million 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.

For the Precision Equipment Business and the Healthcare Business, impairment losses of ¥3,796 million and ¥2,459 million 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 and ¥2,246 million are recognized in the Precision Equipment Business and the Healthcare Business, respectively. The recoverable amount is measured at the fair value less costs of disposal whereas the fair value is measured at the disposal value. 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 in the Healthcare Business.

For the Industrial Metrology and Others, impairment losses of ¥3,286 million 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 manufacturing subsidiaries in Japan which mainly handle 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 are recognized. The recoverable amount is measured at the fair value less costs of disposal whereas the fair value is measured at the disposal value. 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.

Out of the total impairment losses of ¥26,054 million, the impairment loss of ¥123 million in the Imaging Products Business is recognized as restructuring costs in the consolidated statement of profit or loss.

(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	
	2020	**2021**
Imaging Products Business	619	**261**
Healthcare Business	19,602	**19,936**
Industrial Metrology and Others	349	**349**
Total	20,570	**20,546**

The principal goodwill of those allocated to each cash-generating unit or group of cash-generating units is the one arisen from the business combination with Optos Plc, of which the cash-generating unit is included in the Healthcare Business.

(Healthcare Business)

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) for the next 10 years to present value. The future cash flows are estimated based on the growth rate and the business plan approved by management reflecting past experience and external inputs. (Income Approach)

The growth rate used in the calculation is 2.2% (2.0% for the year ended March 31, 2020), and the post-tax discount rate is 8.4% (6.3% for the year ended March 31, 2020) based on the weighted average cost of capital of the cash-generating unit. This fair value measurement is categorized within Level 3 of the fair value hierarchy in accordance with the material inputs to valuation techniques used.

As a result of these impairment tests of goodwill, the recoverable amount is higher than the carrying amount of each cash-generating unit or group of cash-generating units. Furthermore, the Group believes it is unlikely that impairment losses will incur, even if there are reasonable possible changes in the key assumptions (i.e., growth rate and discount rate) used as the basis for the recoverable amount.

(Businesses other than Healthcare)

The recoverable amount is measured at the value in use. The value in use is calculated by discounting the future cash flows less than 5 years to present value. The future cash flows are estimated based on the growth rate and the business plan approved by management reflecting past experience and external inputs.

The growth rate used in the calculation is 0.0% - 2.1% (0.0% - 2.0% for the year ended March 31, 2020), and the pre-tax discount rate is 8.4% - 15.5% (8.1% - 11.4% for the year ended March 31, 2020) based on the weighted average cost of capital of the cash-generating unit or the group of cash-generating units.

As a result of these impairment tests of goodwill, impairment losses of ¥429 million are recognized which are related to the Company's consolidated subsidiary, Mark Roberts Motion Control Limited in the Imaging Products business, as the recoverable amount of the cash-generating unit including goodwill is lower than the carrying amount. The growth rate used in the calculation is 2.1% (2.0% for the year ended March 31, 2020), and the pre-tax discount rate is 15.5% (11.4% for the year ended March 31, 2020) based on the weighted average cost of capital of the cash-generating unit.

15. Investments Accounted for Using the Equity Method

(1) Interest in Associates

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

Millions of yen

	2020	2021
Carrying amount in total	5,629	**6,080**

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

Millions of yen

	2020	2021
Share of profit for the year	1,214	**1,024**
Share of other comprehensive (loss) income	(127)	**140**
Share of comprehensive income	1,087	**1,163**

(2) Interest in Joint Ventures

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

Millions of yen

	2020	2021
Carrying amount in total	4,373	**5,019**

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

Millions of yen

	2020	2021
Share of profit for the year	602	**946**
Share of other comprehensive income	—	**—**
Share of comprehensive income	602	**946**

16. Leases

(1) As Lessee

As a lessee, the Group primarily leases assets in respect to real estate such as office buildings and warehouses. Lease contracts have contract terms from 1 to 20 years, 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 to terminate the lease prior to the contracted end of the lease term with written consent to the lessor. These options are exercised by the Group by considering real estate price trends and business environment to determine if the lease shall be renewed or terminated for business operations.

There are no escalation clauses or restrictions on dividends, additional borrowings and additional leases provided by the lease contracts.

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

The carrying amounts of right-of-use assets are as follows:

Millions of yen

	2020	2021
Buildings and structures	12,656	**10,239**
Machinery, equipment and vehicles	1,374	**1,008**
Others	1,236	**986**
Total	15,265	**12,233**

Additions to right-of-use assets amounted to ¥4,485 million and ¥5,799 million for the years ended March 31, 2020 and 2021, respectively.

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

	Millions of yen	
	2020	**2021**
Buildings and structures	6,216	**5,882**
Machinery, equipment and vehicles	581	**623**
Others	554	**507**
Total	7,352	**7,013**

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	
	2020	**2021**
Income from subleasing right-of-use assets	3	**3**

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

	Millions of yen	
	2020	**2021**
Expenses relating to leases accounted as expense		
Expenses relating to short term leases	2,641	**2,447**
Expenses relating to low-value leases	691	**923**
Variable lease payments	2	**4**
Interest expenses on lease liabilities	199	**147**

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	
	2020	**2021**
Cash outflow related to leases	10,727	**10,968**

4) Lease Liability

The breakdown of lease liability by maturity is as follows:

	Millions of yen	
	2020	**2021**
Within 1 year	6,423	**5,525**
After 1 year but within 2 years	3,588	**3,538**
After 2 years but within 3 years	2,144	**2,237**
After 3 years but within 4 years	1,482	**1,304**
After 4 years but within 5 years	1,007	**840**
After 5 years	1,271	**580**
Total	15,914	**14,025**
Less: finance expenses relating to leases	(506)	**(470)**
Present value of lease liability	15,408	**13,555**
Amount recognized in the consolidated statement of financial position		
Lease liability (current)	6,299	**5,366**
Lease liability (non-current)	9,109	**8,189**

(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, 2020 and 2021 were ¥2,415 million and ¥2,665 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	
	2020	**2021**
Finance income on the net investment in the lease	211	**189**
Income relating to variable lease payments	49	**92**

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

	Millions of yen	
	2020	**2021**
Within 1 year	3,671	**4,114**
After 1 year but within 2 years	3,196	**3,287**
After 2 years but within 3 years	2,093	**2,452**
After 3 years but within 4 years	1,255	**1,402**
After 4 years but within 5 years	355	**414**
After 5 years	88	**70**
Gross investment in the lease	10,657	**11,740**
Unearned finance income	365	**344**
Net investment in the lease	10,292	**11,396**

2) Operating Leases

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

Lease income from operating leases of ¥373 million and ¥364 million were recognized in the consolidated statements of profit or loss for the years ended March 31, 2020 and 2021, respectively. Lease income includes income of ¥20 million and ¥28 million relating to variable lease payments that do not depend on an index or a rate for the years ended March 31, 2020 and 2021, respectively.

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

	Millions of yen	
	2020	**2021**
Within 1 year	115	**125**
After 1 year but within 2 years	73	**57**
After 2 years but within 3 years	50	**45**
After 3 years but within 4 years	47	**42**
After 4 years but within 5 years	47	**32**
After 5 years	39	–
Total	372	**301**

17. Income Taxes

(1) Deferred Taxes

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

	Millions of yen	
	2020	2021
Deferred tax assets:		
Unused tax losses	1,506	**4,643**
Impairment losses	4,491	**6,372**
Inventories	24,804	**25,654**
Accrued bonuses	2,238	**2,132**
Provision for product warranties	1,157	**952**
Retirement benefit liabilities	3,129	**2,537**
Depreciation and amortization	16,097	**21,059**
Percentage of completion method	15,979	**12,802**
Others	12,161	**14,957**
Total deferred tax assets	81,563	**91,110**
Deferred tax liabilities:		
Equity instruments	(4,600)	**(9,363)**
Undistributed profits of foreign subsidiaries	(9,835)	**(7,022)**
Retirement benefit assets	(2,440)	**(5,968)**
Business combination	(2,749)	**(2,484)**
Others	(6,637)	**(6,370)**
Total deferred tax liabilities	(26,262)	**(31,207)**
Net deferred tax assets	55,301	**59,903**

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

	Millions of yen	
	2020	2021
Deferred tax assets	58,890	**62,956**
Deferred tax liabilities	3,589	**3,053**
Net deferred tax assets	55,301	**59,903**

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

	Millions of yen	
	2020	2021
Opening balance	47,321	**55,301**
Amount recognized in profit or loss	4,010	**9,550**
Amount recognized in other comprehensive income		
Remeasurement of defined benefit pension plans	886	**(482)**
Gain (loss) on financial assets measured at fair value through other comprehensive income	3,260	**(4,891)**
Share of other comprehensive income of investments accounted for using the equity method	(1)	**(20)**
Effective portion of the change in fair value on cash flow hedges	(14)	**132**
Others	(161)	**313**
Closing balance	55,301	**59,903**

With regard to the income tax recognized in profit or loss for the year, please see (3) Income Tax Expenses in Note 17. 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	
	2020	**2021**
Unused tax losses	5,161	**5,699**
Unused tax credits	128	**146**
Deductible temporary differences	63,144	**67,719**

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

	Millions of yen	
	2020	**2021**
1st year	—	**—**
2nd year	—	**—**
3rd year	—	**0**
4th year	13	**39**
5th year	41	**69**
After 5th year	5,107	**5,591**
Total	5,161	**5,699**

(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	
	2020	**2021**
Temporary differences associated with investments in subsidiaries for which deferred tax liabilities are not recognized	2,857	**5,090**

(3) Income Tax Expenses

The breakdown of income taxes is as follows:

	Millions of yen	
	2020	**2021**
Current tax expense (benefit)	8,031	**(1,282)**
Deferred tax expense (benefit)	(4,010)	**(9,550)**
Total	4,022	**(10,832)**

With regard to deferred tax expenses, please see (1) Deferred Taxes in Note 17. 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 expenses to profit before tax.

	(%)	
	2020	**2021**
Statutory effective tax rate	30.6	**30.6**
Tax rate differences of consolidated subsidiaries	(10.8)	**(2.8)**
Research and development tax credits	(6.8)	—
Impact of unrecognized deferred tax assets arising from unused tax losses or temporary differences	7.0	**(0.3)**
Changes in deferred tax liabilities related to undistributed profit of foreign subsidiaries	(0.9)	**6.2**
Foreign withholding tax arising from dividends from foreign subsidiaries	1.1	**(7.9)**
Impairment loss for goodwill	7.9	**(0.3)**
Liquidation of subsidiary	4.5	—
Others	1.2	**(1.7)**
Actual effective tax rate	33.9	**23.9**

18. Trade and Other Payables

The breakdown of trade and other payables is as follows:

	Millions of yen	
	2020	2021
Notes and accounts payable	64,601	**54,253**
Other payables	4,255	**6,362**
Total	68,856	**60,615**

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

19. Bonds and Borrowings

The breakdown of bonds and borrowings is as follows:

	Millions of yen			
	2020	2021	Average interest rate (%) (Note 1)	Repayment deadline
Current				
Short-term borrowings	9,950	**9,950**	0.27	—
Current portion of long-term borrowings	1,000	**10,000**	0.49	—
Current portion of bonds (Note 2)	10,000	**9,993**		
Total	20,950	**29,943**		
Non-current				
Long-term borrowings	82,820	**74,249**	1.25	March 2022 - February 2032
Bonds (Note 2)	19,958	**29,881**		
Total	102,778	**104,131**		

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 the bonds are summarized as follows:

Corporate name	Issue	Date of issuance	Millions of yen 2020	Millions of yen 2021	Interest rate (%)	Collateral	Maturity
NIKON CORPORATION	19th unsecured bond	January 28, 2011	9,995	–	1.434	None	January 28, 2021
NIKON CORPORATION	20th unsecured bond	March 14, 2014	9,986	**9,993**	0.652	None	March 14, 2022
NIKON CORPORATION	21st unsecured bond	March 14, 2014	9,978	**9,983**	0.864	None	March 14, 2024
NIKON CORPORATION	22nd unsecured bond	December 2, 2020	–	**9,951**	0.150	None	December 2, 2025
NIKON CORPORATION	23rd unsecured bond	December 2, 2020	–	**9,947**	0.470	None	December 2, 2030

The breakdown of bonds and long-term borrowings by scheduled repayment due date is described in Note 34. Financial Instruments.

20. Provisions

Details of changes in provisions are as follows:

	Provision for product warranties	Asset retirement obligations	Others	Total
				Millions of yen
As of April 1, 2019	5,287	5,081	195	10,563
Current liabilities	5,287	137	195	5,619
Non-current liabilities	—	4,944	—	4,944
Additions during the period	3,750	168	296	4,214
Decrease during the period due to settlement for intended purposes	(3,132)	(186)	(265)	(3,584)
Decrease during the period due to reversal	(890)	(41)	(4)	(935)
Effect of foreign currency exchange differences	(76)	(30)	(3)	(109)
As of March 31, 2020	4,939	4,992	219	10,150
Current liabilities	4,939	3	219	5,161
Non-current liabilities	—	4,989	—	4,989
Additions during the period	2,947	185	995	4,126
Decrease during the period due to settlement for intended purposes	(3,063)	(166)	(179)	(3,409)
Decrease during the period due to reversal	(514)	(1)	(6)	(521)
Effect of foreign currency exchange differences	105	40	15	160
As of March 31, 2021	**4,413**	**5,049**	**1,044**	**10,507**
Current liabilities	**4,413**	**1**	**1,044**	**5,458**
Non-current liabilities	**—**	**5,048**	**—**	**5,048**

21. Other Financial Liabilities

The breakdown of other financial liabilities is as follows:

		Millions of yen
	2020	**2021**
Derivative financial liabilities	312	**1,076**
Other payables	19,197	**17,631**
Lease liabilities	15,408	**13,555**
Others	1,525	**1,571**
Total	36,441	**33,833**
Other current financial liabilities	27,210	**25,575**
Other non-current financial liabilities	9,232	**8,258**

22. Other Liabilities

The breakdown of other liabilities is as follows:

		Millions of yen
	2020	**2021**
Accrued expenses	27,214	**29,458**
Accrued consumption tax	2,276	**2,127**
Others	3,080	**2,901**
Total	32,569	**34,486**
Other current liabilities	30,238	**32,176**
Other non-current liabilities	2,332	**2,310**

23. Employee Benefits

(1) Summary of Retirement Benefit Plans

The Company has a contract-type defined benefit plan (cash balance plan) and a defined contribution plan for a part of the future portion of its retirement benefit plans.

Domestic group entities have a contract-type defined benefit 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 contributed upon retirement of employees.

In order to ensure the funding of sufficient contributions for the pension benefits and lump-sum retirement benefits in the future, the Group has 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 interest 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 level of benefits contributed in the defined benefit plan depends on the length of service, expected salary levels in the final years leading up to retirement and other factors.

1) Net Amount of Liability and Asset Presented in the Consolidated Statement of Financial Position

The relationship between net amount of defined benefit liabilities and assets presented in the consolidated statement of financial position and defined benefit obligations and plan assets is as follows:

	Millions of yen	
	2020	2021
Present value of defined benefit obligations	132,613	**130,804**
Fair value of plan assets	(130,514)	**(143,312)**
Subtotal	2,099	**(12,507)**
Impact of asset ceiling	1,084	**13,327**
Present value of defined benefit obligations of unfunded plans	3,240	**3,101**
Total	6,423	**3,921**
Carrying amounts presented in the consolidated statement of financial position		
Retirement benefit liabilities	11,047	**9,905**
Retirement benefit assets	(4,624)	**(5,984)**
Net liability or asset presented in the consolidated statement of financial position	6,423	**3,921**

2) Defined Benefit Obligations

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

	Millions of yen	
	2020	2021
Opening balance of present value of defined benefit obligations	137,597	**135,854**
Current service cost	3,405	**3,315**
Interest expenses	1,435	**1,451**
Remeasurement		
Actuarial gain or loss from changes in demographic assumptions	(157)	**(627)**
Actuarial gain or loss from changes in financial assumptions	814	**922**
Benefits paid	(6,673)	**(8,426)**
Past service cost	—	**(142)**
Effect of foreign currency exchange differences	(1,051)	**1,583**

Others	485	**(23)**
Closing balance of present value of defined benefit obligations	135,854	**133,906**

Note: The weighted average lifetime of the defined benefit obligations for the year ended March 31, 2020 and 2021 are 13.0 years and 12.9 years respectively, and there is no significant bias in the distribution.

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

	2020	2021
Opening balance of fair value of plan assets	136,441	**130,514**
Interest income	1,209	**1,278**
Remeasurement		
Return on plan assets other than interest income	(3,922)	**14,255**
Contributions by the employer	3,584	**3,819**
Contributions by the plan participants	124	**(1,991)**
Benefits paid	(6,117)	**(5,864)**
Effect of foreign currency exchange differences	(805)	**1,326**
Others	1	**(26)**
Closing balance of fair value of plan assets	130,514	**143,312**

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 contribution for defined benefit plans over the next fiscal year is estimated at ¥2,425 million.

(ii) The asset ceiling

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

Millions of yen

	2020	2021
Opening balance	2,778	**1,084**
Changes in net plan assets due to the effect of the asset ceiling	(1,695)	**12,244**
Closing balance	1,084	**13,327**

(iii) Breakdown of the fair value of plan assets

The fair value of plan assets is as follows:

Millions of yen

	2020		2021	
	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	—	5,225	—	**5,333**
Shares (Japan)	—	11,657	—	**14,723**
Shares (Overseas)	4,451	13,241	**6,975**	**18,260**
Bonds (Japan)	—	43,095	—	**43,065**
Bonds (Overseas)	437	21,126	**780**	**22,234**
Alternatives	—	16,721	—	**16,430**
Others	6,615	7,945	**6,448**	**9,065**
Total	11,504	119,010	**14,202**	**129,109**

Note: 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 (ALM) 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:

	2020	2021
Discount rate	1.06%	**1.07%**

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, 2021, the methods and assumptions used in the sensitivity are same as the prior year.

Millions of yen

		2020	2021
Impact	When increased 0.5%	(8,165)	**(7,665)**
	When decreased 0.5%	9,049	**8,446**

(3) Defined Contribution Plans

The amounts of expenses incurred for defined contribution plans for the years ended March 31, 2020 and 2021 are ¥2,236 million and ¥2,361 million, respectively.

(4) Employee Benefit Expenses

The employee benefit expenses recognized in “Cost of sales,” “Selling, general and administrative expenses,” and “Other expenses” in the consolidated statement of profit or loss for the years ended March 31, 2020 and 2021 were ¥138,888 million and ¥133,477 million, respectively. Expenses related to salary, bonus, statutory benefits and post-employment benefits are included in employee benefit expenses.

24. Equity

(1) Share capital and Treasury shares

The total number of shares authorized to be issued and the total number of outstanding shares of 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	
	2020	**2021**
Shares authorized to be issued		
Ordinary shares	1,000,000,000	**1,000,000,000**
Shares outstanding		
Opening balance	400,878,921	**378,336,521**
Changes during the period	(22,542,400)	—
Closing balance	378,336,521	**378,336,521**
Treasury shares		
Opening balance	4,620,047	**11,216,862**
Increase during the period	29,211,136	**1,211**
Decrease during the period	(22,614,321)	**(70,300)**
Closing balance	11,216,862	**11,147,773**

Notes: 1. The closing balance of treasury shares includes 576,900 shares of those held by the executive compensation BIP Trust as of March 31, 2020 and 2021, respectively.

2. The increase in the number of ordinary treasury shares for the year ended March 31, 2020 of 29,211,136 shares is due to an increase of 29,209,600 shares arising from acquisition of treasury shares resolved at the Board of Directors' meetings held on May 9, 2019 and November 7, 2019 and an increase of 1,536 shares due to a purchase of shares of less than one unit.
The increase in the number of ordinary treasury shares for the year ended March 31, 2021 of 1,211 shares is due to an increase due to a purchase of shares of less than one unit.

3. The decrease in the number of ordinary treasury shares for the year ended March 31, 2020 of 22,614,321 shares is due to a decrease of 22,542,400 shares arising from the cancellation of treasury shares resolved at the Board of Directors' meeting held on November 7, 2019, a decrease of 71,700 shares arising from the exercise of stock options and a decrease of 221 shares due to an additional purchase request of shares of less than one unit.
The decrease in the number of ordinary treasury shares for the year ended March 31, 2021 of 70,300 shares is due to a decrease of 70,200 shares arising from the exercise of stock options and a decrease of 100 shares due to an additional purchase request of shares of less than one unit.

(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) Remeasurement of Defined Benefit Plans

The account represents the impacts arising from the difference between actuarial assumptions 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 gains or losses on financial assets measured at fair value through other comprehensive income, remeasurement of defined benefit pension 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 changes in the fair value on cash flow hedges

The account represents the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges.

25. Dividends

The details of dividends are as follows:

Resolution	Type of share	Amount of dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
For the year ended March 31, 2020					
General meeting of shareholders held on June 27, 2019	Ordinary shares	11,905	30.00	March 31, 2019	June 28, 2019
Board of Directors' meeting held on November 7, 2019	Ordinary shares	11,705	30.00	September 30, 2019	December 2, 2019
For the year ended March 31, 2021					
General meeting of shareholders held on June 26, 2020	Ordinary shares	3,677	10.00	March 31, 2020	June 29, 2020
Board of Directors' meeting held on November 5, 2020	Ordinary shares	3,677	10.00	September 30, 2020	December 1, 2020

Notes: 1. The dividends approved according to the resolution of the general meeting of shareholders held on June 27, 2019, included the dividends for the shares held by the executive compensation BIP Trust of ¥17 million.
2. The dividends approved according to the resolution of the Board of Directors' meeting held on November 7, 2019, included the dividends for the shares held by the executive compensation BIP Trust of ¥17 million.
3. The dividends approved according to the resolution of the general meeting of shareholders held on June 26, 2020, included the dividends for the shares held by the executive compensation BIP Trust of ¥6 million.
4. The dividends approved according to the resolution of the Board of Directors' meeting held on November 5, 2020, included the dividends for the shares held by the executive compensation BIP Trust of ¥6 million.

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

Resolution	Type of share	Amount of dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
For the year ended March 31, 2021					
General meeting of shareholders held on June 29, 2021	Ordinary shares	3,678	10.00	March 31, 2021	June 30, 2021

Note: The dividends approved according to the resolution of the general meeting of shareholders held on June 29, 2021, included the dividends for the shares held by the executive compensation BIP Trust of ¥6 million.

26. Revenue

(1) Disaggregation of Revenue

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 business segments are periodically reviewed by the Board of Directors to determine the distribution of management resources and evaluate business results, and revenue of these business units is presented as sales revenue.

The relationship between the disclosure of disaggregated revenue into geographical regions based on customer's location and revenue information that is disclosed for each reportable segment are as follows.

The reportable segments have been changed from the fiscal year ended March 31, 2021. Accordingly, segment revenues for the fiscal year ended March 31, 2020 have been prepared based on the revised business segments. It is described in “6. Segment Information” refers for more details.

Millions of yen

For the year ended March 31, 2020	Imaging Products	Precision Equipment	Healthcare	Industrial Metrology and Others (Note 1)	Total
Japan	26,238	23,729	8,647	29,205	87,819
United States	63,685	96,339	28,610	12,111	200,745
Europe (Note 2)	55,067	17,356	10,033	5,098	87,553
China	25,024	79,640	6,437	4,120	115,222
Others (Note 2)	55,880	27,965	8,296	7,530	99,672
Total	225,894	245,029	62,024	58,065	591,012
Revenue from contracts with customers	225,615	245,029	58,614	58,065	587,323
Revenue from its other sources (Note 3);	279	—	3,409	—	3,688

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. Except for Japan, the United States, and China, the countries or regions are primarily categorized as follows:
1) Europe: United Kingdom, France, and Germany
2) Others: Canada, Asia other than Japan and China, the Middle East, Oceania, and Latin America
3. Revenue from other source includes revenue such as leases based on IFRS 16.

Millions of yen

For the year ended March 31, 2021	Imaging Products	Precision Equipment	Healthcare	Industrial Metrology and Others (Note 1)	Total
Japan	16,524	19,720	9,795	26,590	72,629
United States	34,750	42,203	27,244	10,589	114,786
Europe (Note 2)	41,015	13,265	12,168	4,938	71,386
China	23,404	86,423	6,801	4,430	121,058
Others (Note 2)	34,524	23,166	6,841	6,833	71,364
Total	150,218	184,777	62,848	53,381	451,223
Revenue from contracts with customers	149,984	184,777	59,009	53,381	447,151
Revenue from its other sources (Note 3);	234	—	3,839	—	4,073

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. Except for Japan, the United States, and China, the countries or regions are primarily categorized as follows:
1) Europe: United Kingdom, France, and Germany
2) Others: Canada, Asia other than Japan and China, the Middle East, Oceania, and Latin America
3. Revenue from other sources includes lease income 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 for imaging and its peripheral domain, such as digital SLR cameras, compact digital cameras, and interchangeable camera 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, as such data, legal title, physical possession, and significant risks and rewards of ownership of products have been transferred to the customer, 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 bioscience and ophthalmic diagnosis fields, such as biological microscopes, cell culture observation systems, and ultra-wide field retinal imaging devices.

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 entity 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.

(Industrial Metrology and Others)
Industrial Metrology and Others provides products for 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 for the digital solutions business, such as optical materials and components, encoders used as an essential device for robotics, and optical processing machines that facilitate high-precision metal processing; products for the glass business such as photomask substrates; products for customized product businesses such as space -related products; and others.

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 entity 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 entity determines the Group is entitled to receive the payment of consideration from the customer.

(ii) Rendering of Services

The Group renders services related to Group products, such as warranty, repair, and services related to FPD lithography systems and semiconductor lithography systems, such as relocation services. 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 with variable amounts of consideration are rebates and discounts based on sales volume and sales amount, sales of products with a right of return, and expenses, such as sales promotion expenses provided to end users for 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 a refund is recognized as assets by reference to the former carrying amount of the product less any expected costs to recover those products.

For expenses such as sales promotion expenses provided to end users for sales of the Group products, the consideration is deducted from revenue when the Group pays the amount of consideration to the customers and cannot estimate the fair value.

If a warranty or a service-type warranty in addition to the assurance-type warranty is provided to a customer, the warranty is determined as a 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 consideration is usually within 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 receivables.

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

(2) Contract Balances

The balances of receivables arising from an entity’s contracts with customers and advances received are as follows:

	Millions of yen	
	2020	**2021**
Receivables arising from an entity’s contracts with customers	76,877	**60,839**
Advances received	175,894	**163,110**

For significant changes in advances received during the year ended March 31, 2020, the amount increased ¥213,328 million by receipt of cash based on contracts, and decreased ¥228,664 million by revenue recognition. The amount of revenue recognized from advances received which existed at the beginning of the period was ¥133,519 million.

For significant changes in advances received during the year ended March 31, 2021, the amount increased ¥150,297 million by receipt of cash based on contracts, and decreased ¥164,077 million by revenue recognition. The amount of revenue recognized from advances received which existed at the beginning of the period was ¥110,116 million.

The amount of revenue recognized in the reporting period 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 ¥266,940 million for the year ended March 31, 2020. These performance obligations will be recognized as revenue from the Precision Equipment Business mainly within two years.

The transaction price allocated to performance obligations that were unsatisfied (or partially unsatisfied) was ¥203,207 million for the year ended March 31, 2021. These performance obligations will be recognized as revenue from the Precision Equipment Business mainly within two years.

As a practical expedient, the amount does not include transactions, for the original expected term of the contract is one year or less.

There are also no significant amounts that are not included in transaction prices in the consideration from contracts with customers.

27. Selling, General and Administrative Expenses

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

	Millions of yen	
	2020	**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**

28. Other Income and Expenses

(1) Other Income

The breakdown of other income is as follows:

	Millions of yen	
	2020	**2021**
Income from insurance	478	**446**
Grant income	301	**1,184**
Income from rents	204	**261**
Gain on sales of non-current assets (Note 1)	4,140	**345**
Others	1,324	**1,127**
Total	6,447	**3,363**

(2) Other Expenses

The breakdown of other expenses is as follows:

	Millions of yen	
	2020	**2021**
Impairment losses (Note 2)	10,413	**25,931**
Loss on sales of non-current assets	17	**204**
Restructuring costs (Notes 2, 3 and 4)	4,573	**4,343**
Land improvement costs (Note 5)	–	1,398
Others	1,029	**2,295**
Total	16,032	**34,170**

Notes: 1. For the year ended March 31, 2020, gains on sales of non-current assets include gains from sales of land of ¥3,929 million, mainly from the sales of idle land located in Takatsu-ku, Kawasaki, Kanagawa, Japan by the Company.

2. With regard to impairment losses and restructuring costs, please see Note 14. Impairment Losses of Non-financial Assets.

3. Restructuring costs for the year ended March 31, 2020 are as follows:

For the year ended March 31, 2020, restructuring costs of ¥4,573 million are recognized as the below table.
For the Imaging Products Business, restructuring costs of ¥2,737 million 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 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 are recognized related to the cumulative translation differences reclassified to profit or loss due to the liquidation of a foreign subsidiary.

Breakdown	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

4. Restructuring costs for the year ended March 31, 2021 are as follows:

For the year ended March 31, 2021, restructuring costs of ¥4,343 million are recognized as the below table.
For the Imaging Products Business, restructuring costs of ¥3,527 million 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 are recognized, due to factors such as additional retirement benefits that ensued the reorganization of production bases.

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

5. For the year ended March 31, 2021, land improvement costs of ¥1,398 million are recognized as expenses incurred by Hikari Glass Co., Ltd., a consolidated subsidiary, for improvement of its own land located in Yotsukaido City, Chiba Prefecture.

29. Finance Income and Finance Costs

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

	Millions of yen	
	2020	**2021**
Finance income:		
Dividend income		
Financial assets measured at fair value through other comprehensive income (Note 1)	1,647	**1,414**
Interest income		
Financial assets measured at amortized cost	2,264	**1,313**
Foreign exchange gains	82	**612**
Others (Note2)	1,211	**7,828**
Total	5,204	**11,167**
Finance costs:		
Interest costs		
Financial liabilities measured at amortized cost	1,721	**1,246**
Loss on remeasurement of derivatives (Note 3)	8	**800**
Others	179	**192**
Total	1,908	**2,238**

Notes: 1. Dividend incomes arising from financial assets measured at fair value through other comprehensive income that were derecognized in the years ended March 31, 2020 and 2021 were ¥73 million and ¥199 million, respectively. With respect to financial assets measured at fair value through other comprehensive income, please see Note 10. Other Financial Assets.
2. Gain on valuation of securities of ¥5,796 million was recognized as a result the initial public offer of Berkeley Lights, Inc. (Headquartered: United States of America), one of the Group's investees. Consequently, the Group recorded gain on valuation of securities of ¥7,686 million including the above gain and included it in "Others."
3. Loss on remeasurement of derivatives was recognized in respect of foreign currency forward contracts, interest rate and currency swaps, and currency options.

30. Earnings per Share

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

	2020	**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 per (loss) 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 (loss) per share (millions of yen)	7,693	**(34,497)**
Adjustments to profit for year (millions of yen)	—	—
Profit for year used in the calculation of diluted earnings (loss) 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	—	—

Note: 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 the years ended March 31, 2020 and 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.

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

The breakdown of other comprehensive income for the years ended March 31, 2020 and 2021, including the reclassifications and the impact of corporate income taxes is as follows:

	Millions of yen	
	2020	**2021**
Items that will not be reclassified to profit or loss:		
Net changes in fair value of financial assets measured at fair value through other comprehensive income		
Amount arising during the period	(7,975)	**37,406**
Corporate income taxes	2,276	**(13,372)**
After corporate income taxes	(5,699)	**24,034**
Remeasurement of defined benefit pension plans		
Amount arising during the period	(2,884)	**1,717**
Corporate income taxes	886	**(482)**
After corporate income taxes	(1,998)	**1,235**
Share of other comprehensive income of investments accounted for using the equity method		
Amount arising during the period	3	**67**
Corporate income taxes	(1)	**(20)**
After corporate income taxes	2	**47**
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations		
Amount arising during the period	(13,772)	**13,551**
Reclassification adjustments	1,753	**—**
Effective portion of changes in the fair value of cash flow hedges		
Amount arising during the period	372	**(616)**
Reclassification adjustments	(326)	**202**
Before corporate income taxes	46	**(414)**
Corporate income taxes	(14)	**132**
After corporate income taxes	32	**(282)**
Share of other comprehensive income of investments accounted for using the equity method Amount arising during the period	(129)	**93**
Total other comprehensive income (loss)	(19,811)	**38,678**

32. Changes in Liabilities Arising from Financing Activities

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

For the year ended March 31, 2020

Millions of yen

	As of April 1, 2019	Adjustment for application of IFRS 16 (Note 2)	As of April 1, 2019 (after adjustment)	Cash flows	Non-cash changes				As of March 31, 2020
					Newly recognized lease contracts	Foreign exchange movement	Fair value changes	Others	
Bonds and borrowings (Note1)	126,410	—	126,410	(2,250)	—	(470)	—	38	123,728
Lease obligations	2,582	16,975	19,557	(7,194)	4,138	(334)	—	(759)	15,408
Derivative financial assets	(1,721)	—	(1,721)	—	—	—	704	—	(1,017)

Note 1: The amount is the sum of "Bonds and borrowings" of current and non-current liabilities under the consolidated statement of financial position.

Note 2: The amount in the row "Adjustment for application for IFRS 16" is not related to cash flow.

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

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

For the year ended March 31, 2021

Millions of yen

	As of April 1, 2020			Cash flows	Non-cash changes				As of March 31, 2021
					Newly recognized lease contracts	Foreign exchange movement	Fair value changes	Others	
Bonds and borrowings (Note 1)	**123,728**			**9,894**	**—**	**409**	**—**	**42**	**134,073**
Lease obligations	**15,408**			**(7,448)**	**3,830**	**402**	**—**	**1,362**	**13,555**
Derivative financial assets	**(1,017)**			**—**	**—**	**—**	**(561)**	**—**	**(1,578)**

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

The change in cash flows of “Bonds and borrowings” is the net amount of “Proceeds from issuance of bonds” and “Redemption of bonds” under the consolidated statement of cash flows. “Others” includes items such as interest expenses.

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

33. Share-based Payment

The Group has a stock option share-based payment scheme and performance- and share-based payment scheme aiming to improve performance and enhance corporate value in the medium and long term.

(1) Stock Option Share-based Payment Scheme

1) 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 the equity settlement type of share-based payment.

Details of stock option schemes that are outstanding for the years ended March 31, 2020 and 2021 were as follows:

No.	Number of shares (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

2) Fair Value Measurement of Stock Options

Stock options granted are measured at fair value using the Black–Scholes model.

Expected volatility is calculated based on recent historical data of the share prices.

The basic data and assumptions used in the Black–Scholes model are mainly as follows:

	2020	2021
	No.17	**No.18**
Share price at the date of grant (Yen)	1,569	**959**
Exercise price (Yen)	1	**1**
Expected volatility (%)	38.085	**38.235**
Expected remaining option life (Years)	15	**15**
Expected dividends yield (Yen)	52	**60**
Risk-free rate (%)	0.177	**0.251**

3) Number of Stock Options and Average Exercise Prices

Details of stock options are as follows:

	2020		2021	
	Number of options (Shares)	Weighted average exercise price (Yen)	Number of options (Shares)	Weighted average exercise price (Yen)
Opening outstanding balance	1,301,600	1	**1,450,800**	**1**
Granted during the period	220,900	1	**473,800**	**1**
Forfeited or expired during the period	–	–	–	–
Exercised during the period	71,700	1	**70,200**	**1**
Ending outstanding balance	1,450,800	1	**1,854,400**	**1**
Exercisable outstanding options at the end of the years	1,450,800	1	**1,854,400**	**1**

Stock options exercised during the year ended March 31, 2020 were as follows:

No.	Number of options exercised (Shares)	Exercise period	Weighted average share price at the date of exercise (Yen)
6	23,500	April 1, 2019 to March 31, 2020	1,284
7	8,300	April 1, 2019 to March 31, 2020	1,089
8	2,900	April 1, 2019 to March 31, 2020	1,083
9	15,700	April 1, 2019 to March 31, 2020	1,127
10	16,000	April 1, 2019 to March 31, 2020	1,090
11	5,300	April 1, 2019 to March 31, 2020	931
Total	71,700		1,150

Stock options exercised during the year ended March 31, 2021 were as follows:

No.	Number of options exercised (Shares)	Exercise period	Weighted average share price at the date of exercise (Yen)
5	1,400	April 1, 2020 to March 31, 2021	975
6	19,800	April 1, 2020 to March 31, 2021	887
8	1,600	April 1, 2020 to March 31, 2021	761
9	5,700	April 1, 2020 to March 31, 2021	823
10	5,900	April 1, 2020 to March 31, 2021	959
11	13,400	April 1, 2020 to March 31, 2021	959
12	3,800	April 1, 2020 to March 31, 2021	938
13	14,500	April 1, 2020 to March 31, 2021	886
14	4,100	April 1, 2020 to March 31, 2021	950
Total	70,200		907

The exercise price of the outstanding options for the year ended March 31, 2020 was ¥1. The weighted average remaining option life for the year ended March 31, 2020 was 25.1 years.

The exercise price of the outstanding options for the year ended March 31, 2021 was ¥1. The weighted average remaining option life for the year ended March 31, 2021 was 25.5 years.

(2) Performance- and Share-based Payment Scheme

1) Outline of Performance- and Share-based Payment Scheme

The performance- and share-based payment scheme is the incentive plan granting the shares of the Company or the equivalent cash as the granted shares that would be sold as directors' remuneration in the last year of three-year medium-term management plans depending on the achievement of business performance for each of the three years. This compensation scheme is known as executive compensation BIP Trust (hereinafter referred to as "BIP Trust"). Each incentive plan formulated based on this scheme applies to every three years, commencing in the year when a trust is established or a trust period is extended. Under BIP Trust, the shares of the Company acquired by BIP Trust are granted to executive directors of the Company based on the attainment of performance targets, which are recognized as an equity-settled share-based payment.

Points calculated in accordance with the standard points calculation formula will be granted to the Directors as of June every year. The Company's shares will be granted to the Directors in accordance with the number of points which is calculated as of June after the end of the final fiscal year of the Medium-Term Management Plan to be resolved per each three fiscal years by multiplying the performance-based coefficient to the three-year cumulative Standard Points. One Share Granting Point equals one share.

Along with the implementation of the fundamental restructuring announced in November 2016, the Company has decided to discontinue the Medium-Term Management Plan covering the period from the fiscal year ended March 31, 2016 to the fiscal year ended March 31, 2018 and thereafter engaged in the restructuring up to the year ended March 31, 2019, which resulted in that the performance-and share-based payment was not granted. On the other hand, the Company formulated the new Medium-Term Management Plan in May 2019, covering the period from the fiscal year ended March 31, 2020 to the fiscal year ended March 31, 2022 and resumed the incentive plan to further enhance the incentive of the Directors toward achieving the plan.

2) Number of Points Granted during the Period and Weighted Average Fair Value of Points

The fair value of the shares granted in accordance with the number of points is measured by adjusting the market price of the Company's shares taking expected dividends into account. The number of points granted during the period and the weighted average fair value of the points are as follows:

	2020	**2021**
Number of points granted during the period	143,535	117,472
Weighted average fair value (Yen)	1,278	1,278

(3) Share-based Compensation Expenses

	Millions of yen	
	2020	**2021**
Stock option share-based payment	211	**177**

Performance- and share-based payment	183	**(17)**
Total	394	**161**

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

As a result of the recalculation of the amount of expenses recognized for the year ended March 31, 2021 under the performance- and share-based payment scheme approved at the 155th Annual General Shareholders’ Meeting held on June 27, 2019, taking into account the latest performance, an aggregate amount of ¥17 million was reversed.

34. Financial Instruments

(1) Capital Management

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

The Group aims to improve its capital structure by setting return on equity (ROE) (ROE attributable to owners of the parent) targets as its key performance indicator and pursuing capital efficiency.

		(%)
	2020	**2021**
ROE	1.3	**(6.4)**

ROE is computed by dividing profit for the year attributable to owners of the parent by the equity attributable to owners of the parent (average of opening and closing balances).
The Company is not subject to any external capital regulations except for the requirements of retained earnings in accordance with the Companies Act of Japan.

(2) Classification of Financial Instruments

Financial instruments are classified as follows:

		Millions of yen
	2020	**2021**
Financial assets:		
Cash and cash equivalents (Note 7)	324,034	**351,798**
Financial assets measured at amortized cost		
Trade and other receivables (Note 8)	87,779	**72,900**
Other financial assets (Note 10)	5,490	**3,847**
Financial assets measured at fair value through profit or loss		
Other financial assets (Note 10)	21,808	**19,658**
Financial assets measured at fair value through other comprehensive income		
Other financial assets (Note 10)	59,672	**68,764**
Total	498,782	**516,968**
Financial liabilities:		
Financial liabilities measured at amortized cost		
Trade and other payables (Note 18)	68,856	**60,615**
Bonds and borrowings (Note 19)	123,728	**134,073**
Other financial liabilities (Note 21)	36,130	**32,757**
Financial liabilities measured at fair value through profit or loss		
Other financial liabilities (Note 21)	168	**701**
Financial liabilities measured at fair value through other comprehensive income		
Other financial liabilities (Note 21)	144	**376**
Total	229,026	**228,522**

(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. The compliance of the Group's policies is being continuously monitored by internal auditors.

(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 netting of income taxes 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	
	2020	**2021**	**2020**	**2021**
Profit before tax	(192)	**(71)**	20	**19**
Other comprehensive income before deferred tax adjustment	(50)	**(14)**	81	**67**

b) Derivatives

Details of currency derivatives are as follows:

Derivative transactions not accounted for using hedge accounting

Millions of yen

	2020			**2021**		
	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	8,682	—	(86)	**11,661**	**—**	**(477)**
EUR	7,890	—	19	**8,171**	**—**	**(87)**
Others	1,830	—	78	**3,708**	**—**	**(135)**
Long position						
USD	13,554	—	85	**5,322**	**—**	**273**
Others	—	—	—	**—**	**—**	**—**
Total	31,957	—	95	**28,862**	**—**	**(426)**

Derivative transactions accounted for using hedge accounting

Millions of yen

	2020			2021		
	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	8,195	—	85	**6,839**	**—**	**(179)**
Others	2,852	—	120	**2,735**	**—**	**(110)**
Long position						
GBP	1,254	—	(8)	**877**	**—**	**40**
Total	12,301	—	197	**10,450**	**—**	**(248)**

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. All the forward exchange contracts in relation to foreign currency-denominated accounts receivable and accounts payable, as well as forward exchange contracts for foreign currency-denominated transactions will mature within one year.

(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 currency derivatives are as follows:

Derivative transactions not accounted for using hedge accounting

Millions of yen

	2020			2021		
	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	22,952	22,952	1,016	**22,952**	**22,952**	**1,578**
Total	22,952	22,952	1,016	**22,952**	**22,952**	**1,578**

Derivative transactions accounted for using hedge accounting

Millions of yen

	2020			2021		
	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	5,800	5,800	(119)	**5,800**	**3,200**	**(85)**
Total	5,800	5,800	(119)	**5,800**	**3,200**	**(85)**

(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, 2020 and 2021, assuming a 5% change in the stock price, other comprehensive income before deferred tax adjustments would fluctuate ¥2,560 million and ¥3,216 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.

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
- 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, 2020	87,211	1,198	88,409
As of March 31, 2021	**72,265**	**1,083**	**73,347**

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

Other receivables are financial assets of which allowance for doubtful accounts are measured based on 12-months expected credit losses. The balance of other receivables as of March 31, 2020 and 2021 were ¥899 million and ¥994 million, respectively.

Other financial assets

Millions of yen

		Financial assets of which expected credit losses are always measured at their expected lifetime as allowance for doubtful accounts		
Carrying amount	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
As of March 31, 2020	181	6	—	187
As of March 31, 2021	**356**	**6**	**—**	**362**

(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, 2019	357	1,230	1,587
Increase during the period	44	249	293
Decrease during the period due to settlement for intended purposes	(1)	(241)	(242)
Decrease during the period due to reversal	(1)	(71)	(72)
Exchange differences on translation of foreign operations	(11)	(27)	(38)
As of March 31, 2020	388	1,140	1,528
Increase during the period	**8**	**177**	**185**
Decrease during the period due to settlement for intended purposes	—	**(137)**	**(137)**
Decrease during the period due to reversal	—	**(178)**	**(178)**
Exchange differences on translation of foreign operations	**12**	**31**	**43**
As of March 31, 2021	**407**	**1,033**	**1,441**

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

There was no allowance for doubtful accounts of other receivables as of March 31, 2020 and 2021.

Other financial assets

Millions of yen

Allowance for doubtful accounts	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: Financial assets whose credit risk increased significantly since initial recognition	Financial assets of which expected credit losses are measured at their expected lifetime as allowance for doubtful accounts: Credit-impaired financial assets	Total
As of April 1, 2019	—	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, 2020	—	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, 2021	—	**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 for by the due dates.

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

In addition, the Group has established a global cash management system to work on reducing liquidity risk by centralizing its group wide cash management of 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, 2020					
Non-derivative financial liabilities					
Long-term borrowings (including current portion)	83,820	87,058	1,848	51,716	33,494
Bonds (including current portion)	29,958	30,588	10,270	20,318	—
Short-term borrowings	9,950	9,957	9,957	—	—
Lease liabilities	15,408	15,914	6,423	8,221	1,271
Trade and other payables	68,856	68,856	68,856	—	—
Derivative financial liabilities					
Derivative liabilities	312	312	192	120	—
As of March 31, 2021					
Non-derivative financial liabilities					
Long-term borrowings (including current portion)	**84,249**	**85,039**	**10,478**	**55,272**	**19,289**
Bonds (including current portion)	**39,874**	**40,842**	**10,211**	**20,412**	**10,220**
Short-term borrowings	**9,950**	**9,957**	**9,957**	**—**	**—**
Lease liabilities	**13,555**	**14,025**	**5,525**	**7,920**	**580**
Trade and other payables	**60,615**	**60,615**	**60,615**	**—**	**—**
Derivative financial liabilities					
Derivative liabilities	**1,076**	**1,076**	**1,008**	**67**	**1**

Amounts of gross commitment lines of credit and balances of used borrowings as of March 31, 2020 and 2021 are as follows:

Millions of yen

	2020	**2021**
Gross commitment lines of credit	50,500	**50,500**
Balances of used borrowing	—	**—**
Unused balances	50,500	**50,500**

(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, 2020	Level 1	Level 2	Level 3	Total
Derivatives	—	1,502	—	1,502
Shares	51,198	—	13,113	64,312
Others	—	731	14,935	15,666
Total assets	51,198	2,233	28,048	81,480
Derivatives	—	312	—	312
Total liabilities	—	312	—	312

Millions of yen

As of March 31, 2021	Level 1	Level 2	Level 3	Total
Derivatives	**—**	**1,894**	**—**	**1,894**
Shares	**64,330**	**—**	**4,917**	**69,247**
Others	**—**	**857**	**16,424**	**17,281**
Total assets	**64,330**	**2,751**	**21,341**	**88,422**
Derivatives	**—**	**1,076**	**—**	**1,076**
Total liabilities	**—**	**1,076**	**—**	**1,076**

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, 2020 and 2021 measured at fair value on a recurring basis using Level 3 inputs were as follows:

	Millions of yen	
	2020	**2021**
Opening balance	20,566	**28,048**
Total gain or loss		
In profit or loss (Note 1)	123	**6,763**
In other comprehensive income (Note 2)	(362)	**(641)**
Purchases	7,802	**1,146**
Disposals or settlements	(62)	**(824)**
Effects of exchange rate fluctuations	(18)	**10**
Transfer out of Level 3 to other categories (Note 3)	—	**(13,161)**
Closing balance	28,048	**21,341**

Notes: 1. Gain or loss recognized in profit or loss is generated from the financial assets measured at fair value through profit or loss as of the closing date, 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 as of the closing date, 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, 2021 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 those financial instruments are as follows:

	Millions of yen			
	2020		**2021**	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities				
Bonds	29,958	30,431	**39,874**	**40,170**
Long-term borrowings	83,820	84,740	**84,249**	**84,738**
Total	113,778	115,171	**124,123**	**124,908**

Note: Current portion of bonds and borrowings is included.
With respect to bonds and borrowings, please see Note 19. 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 fair values of financial assets and liabilities are measured at amortized cost, which is approximate to their carrying amounts.

35. Related Party Transactions

(1) Related Party Transactions and Outstanding Balances

For the year ended March 31, 2020

Not applicable.

For the year ended March 31, 2021

Not applicable.

(2) Key Management Personnel Remuneration

Key management personnel remuneration is as follows:

Millions of yen

	2020	**2021**
Basic remuneration and bonuses	419	**369**
Share-based stock options	101	**60**
Performance- and share-based payment	99	**-20**
Total	619	**408**

Note: As a result of the recalculation of the amount of expenses recognized for the year ended March 31, 2021 under the performance and share-based payment scheme approved at the 155th Annual General Shareholders' Meeting held on June 27, 2019, taking into account the latest performance, an aggregate amount of ¥20 million was reversed.

36. Subsidiaries, Associated Companies, and Joint Ventures

Regarding the material subsidiaries, associated companies, and joint ventures of the Group as of March 31, 2021, please refer to the Appendix.

37. Contingent Liabilities

(1) Guarantee Obligations

Guarantee obligations have mainly arisen due to guarantees for bank borrowings, and the details are as follows:

Millions of yen

	2020	2021
Employees (for their mortgage loans and others)	102	**84**
Total	102	**84**

(2) 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 to 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.

38. Significant Subsequent Events

The Group has evaluated subsequent events from March 31, 2021 through June 29, 2021. There were no significant subsequent events that would require recognition or disclosure in the consolidated financial statements.

Appendix

Information on Subsidiaries and Associates

Company name	Location	Main Business	Voting right ownership (%)
(Consolidated Group companies)			
Tochigi Nikon Corporation	Japan	Manufacture of interchangeable lenses, optical lenses and optical components	100.0
Tochigi Nikon Precision Co., Ltd.	Japan	Manufacture of devices for FPD/semiconductor lithography systems	100.0
Sendai Nikon Corporation	Japan	Manufacture of cameras	100.0
Miyagi Nikon Precision Co., Ltd.	Japan	Manufacture of devices for FPD/semiconductor lithography systems	100.0
Nikon Tec Corporation	Japan	Sales of used equipment and maintenance service for FPD/semiconductor 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 ultra-wide field retinal imaging device; and sales and servicing of microscopes, measuring instruments and X-ray inspection equipment	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.	U.S.A.	Import, sales, maintenance and servicing of semiconductor lithography systems	100.0 (100.0)
Nikon Inc.	U.S.A.	Import, sales and servicing of cameras	100.0 (100.0)
Nikon Instruments Inc.	U.S.A.	Import, sales, maintenance and servicing of microscopes	100.0 (100.0)
Nikon Americas Inc.	U.S.A.	Centralized supply, administration and management of funds of affiliates in the United States	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 lithography systems	100.0 (100.0)
Nikon Europe B.V.	The Netherlands	Import, sales and servicing of cameras	100.0 (100.0)
Nikon Instruments Europe B.V.	The Netherlands	Import, sales, maintenance and servicing of microscopes	100.0 (100.0)
Nikon France S.A.S.	France	Import, sales and servicing of cameras and microscopes	100.0 (100.0)
Nikon GmbH	Germany	Import, sales and servicing of cameras and microscopes	100.0 (100.0)
Nikon CEE GmbH	Austria	Import, sales and servicing of cameras and microscopes	100.0 (100.0)

Company name	Location	Main Business	Voting right ownership (%)
Nikon Metrology NV	Belgium	Management of group companies in Americas and Europe for Industrial Metrology	100.0
Nikon Holdings Europe B.V.	The Netherlands	Centralized supply, administration and management of funds of affiliates in Europe	100.0
Nikon (Russia) LLC.	Russian Federation	Import, sales and servicing of cameras	100.0 (99.0)
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 (100.0)
Nikon Holdings Hong Kong Limited	China	Promotion of CSR and Internal Audit to affiliates in Asia and Oceania	100.0
Nikon Singapore Pte. Ltd.	Singapore	Import, sales and servicing of cameras, microscopes and measuring instruments	100.0 (1.4)
Nikon Australia Pty Ltd.	Australia	Import, sales and servicing of cameras	100.0 (100.0)
Nikon India Pvt Ltd.	India	Import, sales and servicing of cameras, and maintenance and servicing of measuring instruments	100.0 (100.0)
Nikon (Thailand) Co., Ltd.	Thailand	Manufacture of cameras, interchangeable lenses, and camera components	100.0
Nikon Precision Korea Ltd.	South Korea	Maintenance and servicing of FPD/semiconductor lithography systems	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 FPD/semiconductor lithography systems	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	Maintenance and servicing of FPD/semiconductor lithography systems	100.0 (100.0)
Nikon Lao Co., Ltd.	Lao P.D.R.	Assembly of camera units	100.0 (100.0)
Nikon Middle East FZE	UAE	Import, sales and servicing of cameras	100.0 (100.0)
Others (39 Companies)			
(Investments accounted for using the 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 (14 Companies)			

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

Deloitte.

Deloitte Touche Tohmatsu LLC
Marunouchi Nijubashi Building
3-2-3 Marunouchi, Chiyoda-ku
Tokyo 100-8360
Japan

Tel: +81 (3) 6213 1000
Fax: +81 (3) 6213 1005
www.deloitte.com/jp/en

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of NIKON CORPORATION:

Opinion

We have audited the consolidated financial statements of NIKON CORPORATION and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as of March 31, 2021, 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 year then ended, and notes to the consolidated financial statements, including a summary of significant 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, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were 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 these matters.

Item	Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
Recoverability of deferred tax assets (consolidated)	As described in Note 17. "Income Taxes (1) Deferred Taxes" to the consolidated financial statements, deferred tax assets as of March 31, 2021, were 62,956 million yen. A deferred tax asset is recognized to the extent that it is probable that taxable profit will be available against which a deductible temporary difference and unused tax losses can be utilized. Due to the deteriorating market conditions and the acceleration of shrinkage in the digital camera market caused by COVID-19, the Group is accelerating restructuring measures. The evaluation of recoverability for deferred tax assets is based on estimates of future taxable income made by management and actual taxable income levels in the past. Revenue growth forecasts that form the basis of future taxable income, which are included in future business plans, involve uncertainties of future predictions such as market trends for all businesses, the timing of containment of COVID-19, and market recovery after the containment. Therefore, revenue growth forecasts involve significant assumptions associated with management's judgement. In light of these facts, we have determined that future business plans of each business, and the forecast of future market size and market share, and the unit sales and sales prices included therein, which constitute significant management assumptions in determining deferred tax asset recoverability, are particularly significant for the audit of the consolidated financial statements for the current fiscal year, thus we have deemed them to be a key audit matter.	Our audit procedures for testing future business plans of each business which constitute significant management assumptions pertaining to deferred tax asset recoverability included the following, among others: • Tested the design and operating effectiveness of internal controls over the process of determining deferred tax asset recoverability, including the approval process of business plans which form the basis of future taxable income forecasts. • Evaluated the recoverability of the deferred tax assets, based on the deductible temporary differences and the carry forward of unused tax losses balances, timing of its reversal, and the future taxable income forecasts. • Tested the business plans used for evaluating deferred tax asset recoverability by assessing the consistency with the mid-term business plans approved by the Board of Directors as well as evaluating the preciseness of estimates based on retrospective review of the degree of achievement of the business plans for the past fiscal years. • Inquired of management about the impact of COVID-19 and evaluated their assumptions regarding when the virus would be contained and the market recovery post containment. • Evaluated the prediction of future market size and market share included in the future business plans which constitute significant management assumptions by assessing the consistency with the market forecasts and other publicly available information. Also tested the assumptions for the unit sales and sales prices by assessing the consistency with the future sales plans, and other relevant documents.

Item	Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
Impairment of non-financial assets in the imaging product business (consolidated)	As described in Note 14. "Impairment Losses of Non-financial Assets (2) Impairment Losses Recognized and the Underlying Events that Led to the Recognition of Impairment Losses" to the consolidated financial statements, in consideration of the acceleration of shrinkage in the digital camera market due to COVID-19 during the first half of the current fiscal year, the Group has revised its future business plans for its imaging business. The Group estimated the recoverable amount of the assets and cash-generating units (CGUs) for which indications of impairment have been identified, and as a result, has recognized a total of 16,513 million yen in impairment losses in the "imaging product business." The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs of disposal and its value in use. The Group primarily obtains appraisals from external appraisal companies, then uses these as the basis to measure fair value after evaluating the reasonableness of the assumptions used in the appraisals and its valuation method. Expertise is necessary to perform such examination of the appraisals. The value in use is calculated by discounting estimated future cash flows to the present value, and the future cash flows are based on business plans developed by management. As these business plans involve uncertainties such as estimates of the future market size of the camera business, sales volume predictions by product category, predictions of when COVID-19 will be contained and market recovery after the containment, the estimated future cash flows are impacted by significant assumptions associated with management judgements. In light of these facts, we have determined that the valuation premises of the appraisals and its valuation process which were used in measuring fair value, as well as business plans and estimates of the future market size of the camera business and sales volume predictions by product category included therein, which constitute significant management assumptions are particularly significant for the audit of the consolidated financial statements for the current fiscal year, thus we have deemed them to be a key audit matter.	Our audit procedures for testing the appraisals used for measuring fair value as well as business plans which constitute significant management assumptions included the following, among others: • Tested the design and operating effectiveness of internal controls over the following processes: —The approval process when using appraisals to estimate fair value —The approval process for business plans used to estimate value in use • Tested the valuation premises of the appraisals and its valuation process which form the basis of fair value less costs of disposal with the assistance of our valuation specialists. • Tested the estimated future cash flows used to calculate value in use by assessing the consistency with the business plans developed by management that form the basis of the estimated future cash flows. • Inquired of management about the impact of COVID-19 and evaluated their assumptions regarding when the virus would be contained and the market trends that would exist post-containment. • Evaluated the prediction of future market size of the imaging business included in the future business plans which constitute significant management assumptions by assessing the consistency with the market forecasts and other publicly available information. Also tested the assumptions for the unit sales by product category by assessing consistency with the future sales plans and other relevant documents.

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 IFRSs, 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 IFRSs and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. 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. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- 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 IFRSs, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

• Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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.

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.

Deloitte Touche Tohmatsu LLC

June 29, 2021