May 11, 2023

Consolidated Financial Results of the Year Ended March 31, 2023 (IFRS)

Corporate Name: NIKON CORPORATION
Securities code number: 7731 Stock exchange listings: Tokyo
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TEL: +81-3-6433-3626 URL: https://www.nikon.com
Date for the annual general shareholders' meeting: June 29, 2023
Date for the filing of the Annual Securities Report: June 29, 2023
Date of year-end dividend payout: June 30, 2023
Preparation of supplementary materials for financial results: Yes
Information meeting for financial results to be held: Yes (for institutional investors and analysts)

(Amounts are rounded to the nearest millions of yen)

1. Consolidated Results of the Year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)

(1) Consolidated Operating Results (Percentage represents year-on-year changes)

	Revenue		Operating Profit		Profit before Tax		Profit for Year		Profit Attributable to Owners of Parent		Total Comprehensive Income for Year	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended March 31, 2023	628,105	16.4	54,908	10.0	57,058	(0.1)	43,284	2.4	44,944	5.3	60,094	(14.9)
Year ended March 31, 2022	539,612	19.6	49,934	–	57,096	–	42,253	–	42,679	–	70,646	–

	Basic Earnings per Share	Diluted Earnings per Share	Ratio of Profit to Equity Attributable to Owners of Parent	Ratio of Profit before Tax to Total Assets	Ratio of Operating Profit to Revenue
	Yen	Yen	%	%	%
Year ended March 31, 2023	125.46	124.77	7.4	5.5	8.7
Year ended March 31, 2022	116.23	115.58	7.5	5.6	9.3

(Notes) Share of profit of investments accounted for using equity method: Year ended March 31, 2023 2,543 million yen
Year ended March 31, 2022 1,213 million yen

(2) Consolidated Financial Position

	Total Assets	Total Equity	Equity Attributable to Owners of Parent	Ratio of Equity Attributable to Owners of Parent to Total Assets	Equity per Share Attributable to Owners of Parent
	Millions of yen	Millions of yen	Millions of yen	%	Yen
As of March 31, 2023	1,050,267	618,351	614,966	58.6	1,776.47
As of March 31, 2022	1,039,566	599,967	597,681	57.5	1,627.34

(3) Consolidated Cash Flows

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at End of Year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended March 31, 2023	15	(112,146)	(56,210)	211,337
Year ended March 31, 2022	31,351	(385)	(26,151)	370,277

2. Dividends

	Dividend per Share					Total Cash Dividend (Annual)	Dividend Payout Ratio (Consolidated)	Ratio of Dividend to Equity Attributable to Owners of Parent (Consolidated)
	First quarter ended	Second quarter ended	Third quarter ended	Year-end	Annual			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended March 31, 2022	–	20.00	–	20.00	40.00	14,713	34.4	2.6
Year ended March 31, 2023	–	20.00	–	25.00	45.00	15,838	35.9	2.6
Year ending March 31, 2024 (Planned)	–	25.00	–	25.00	50.00		49.5	

3. Consolidated Financial Forecasts for the Year ending March 31, 2024 (From April 1, 2023 to March 31, 2024)

(Percentage represents year-on-year changes)

	Revenue		Operating profit		Profit before tax		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Second quarter ending September 30, 2023	335,000	16.2	20,000	(18.1)	22,000	(15.5)	17,000	(10.0)	49.11
Fiscal year	665,000	5.9	43,000	(21.7)	46,000	(19.4)	35,000	(22.1)	101.11

4. Others

(1) Changes in Significant Subsidiaries during the Current Fiscal Year: Yes

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

Newly included: 1 company (Nikon AM. AG)

Excluded: –

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

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

(3) Number of Shares Issued (Ordinary Shares)

1. Number of shares issued as of the period end (including treasury shares):
   - Year ended March 31, 2023 351,476,686 shares
   - Year ended March 31, 2022 378,336,521 shares
2. Number of treasury shares as of the period end:
   - Year ended March 31, 2023 5,303,396 shares
   - Year ended March 31, 2022 11,062,646 shares
3. Average number of shares during the period (cumulative total):
   - Year ended March 31, 2023 358,234,496 shares
   - Year ended March 31, 2022 367,209,005 shares

(Reference)

1. Non-Consolidated Results of the Year ended March 31, 2023 (April 1, 2022 to March 31, 2023)

(1) Financial Results (Percentage represents year-on-year changes)

	Net Sales		Operating Profit		Ordinary Profit		Net Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended March 31, 2023	411,667	18.1	29,298	285.4	72,139	242.9	57,791	97.0
Year ended March 31, 2022	348,643	15.4	7,602	–	21,040	45.4	29,332	(51.7)

	Basic Earnings per Share	Diluted Earnings per Share
	Yen	Yen
Year ended March 31, 2023	161.32	160.44
Year ended March 31, 2022	79.88	79.43

(2) Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Ordinary Share
	Millions of yen	Millions of yen	%	Yen
Year ended March 31, 2023	701,232	375,518	53.3	1,079.06
Year ended March 31, 2022	721,322	362,281	49.9	980.75

(Reference) Equity: Year ended March 31, 2023 373,541 million yen
Year ended March 31, 2022 360,202 million yen

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

Appropriate use of business forecasts; other special items

Performance forecasts and other forward-looking statements contained in this report are based on information and assumptions at the time of this report's release such as most recent market forecasts and exchange rates. Actual results may differ materially from the forecast due to a variety of risk factors, including, but not limited to the above assumptions. For more information about the Company's business forecasts, please refer to page 8.

Contents of Attached Materials

1. Overview of Consolidated Operating Results and Others

(1) Overview of Consolidated Operating Results

During the fiscal year ended March 31, 2023, the global economy was adversely affected by factors such as the surge in resource prices triggered by the prolonged Ukraine crisis and the rise in policy interest rates in various countries to control the ongoing inflation, despite the reduced impact of COVID-19.

By the business segment, in the Imaging Products Business, shipped quantities of products recovered as the digital camera market saw an improvement in problems with procurement of components due in part to the shortage of semiconductors. In the Precision Equipment Business, capital investments in the field related to FPDs showed a diminishing trend both for mid-to-small size panels and large-size panels. In addition, capital investments in the fields related to semiconductors, which previously remained firm, have entered and remained in a correction phase since the third quarter. In the Healthcare Business, the life science solutions and eye care solutions markets largely remained strong. In the Components Business, the Digital Solutions Business continued a solid trend in the markets related to optical parts & components and encoders. In the Customized Products Business, the EUV-related markets remained brisk.

Under the medium-term management plan announced in April 2022, the Group put its efforts into securing stable revenues from its main businesses, consisting of the Imaging Products Business and the Precision Equipment Business, by increasing touchpoints with customers and delivering, among other things, products and services that accurately reflect the needs of customers. Meanwhile, in order to scale earnings in its strategic businesses, consisting primarily of the Healthcare Business and the Components Business, the Group worked to deliver solutions aimed at creating new value in promising markets as well as to expand new business domains and contract businesses. In addition, the Group also committed to M&As and alliances, including one that made SLM Solutions Group AG (hereinafter, “SLM”) a consolidated subsidiary to expand the Digital Manufacturing Business. Furthermore, the Group focused on sustainability strategy, human capital management, and DX strategy for customers and employees to strengthen its management base.

Under these circumstances, during the fiscal year ended March 31, 2023, revenue increased 88,494 million yen (16.4%) year on year to 628,105 million yen, operating profit increased 4,974 million yen (10.0%) year on year to 54,908 million yen, profit before tax decreased 37 million yen (0.1%) year on year to 57,058 million yen, and profit attributable to owners of parent increased 2,265 million yen (5.3%) year on year to 44,944 million yen.

Performance by segment is as follows.

Note that as stated in “4. Consolidated Financial Statements (5) Notes to Consolidated Financial Statements (Segment Information),” the reportable business segments have been changed from the fiscal year ended March 31, 2023. Accordingly, the operating results for the previous fiscal year used in the year-on-year comparisons below have been reclassified in line with the revised business segments.

[Imaging Products Business]
The Group focused on expanding sales of mid- to high-end products and interchangeable lenses targeted for professionals and hobbyists. Sales of the flagship model, Z 9 full-frame mirrorless camera, and interchangeable lenses for mirrorless cameras remained strong.

As a result, in the Imaging Products Business segment, the Group recorded revenue of 227,100 million yen (up 27.4% year on year) and operating profit of 42,213 million yen (up 121.4% year on year) because of higher average unit selling prices and the positive effects of the yen depreciation.

[Precision Equipment Business]
The FPD lithography systems field recorded year-on-year decreases in both revenue and profit due to decreased unit sales of the systems for both mid-to-small size panels and large-size panels.

The semiconductor lithography system field recorded increases in both revenue and profit owing to increased unit sales of new systems.

As a result, in the Precision Equipment Business segment, the Group recorded revenue of 203,262 million yen (down 3.8% year on year) and operating profit of 24,386 million yen (down 38.2% year on year).

[Healthcare Business]
The life science solutions and eye care solutions fields saw strong orders and product shipments carried forward from the previous fiscal year due to the impact of COVID-19 and a tight supply and demand balance for electronic and other components, as well as the positive effects of the yen depreciation. Against such a backdrop, the business segment as a whole recorded significant year-on-year increases in both revenue and profit.

As a result, in the Healthcare Business segment, the Group recorded revenue of 99,394 million yen (up 35.7% year on year) and operating profit of 11,582 million yen (up 164.1% year on year).

[Components Business]
In the Digital Solutions Business, sales of optical parts & components and encoders remained brisk. Likewise, the Customized Products Business recorded increases in both revenue and profit, backed by strong sales growth of EUV-related components.

As a result, in the Components Business segment, the Group recorded revenue of 53,967 million yen (up 32.0% year on year) and operating profit of 14,671 million yen (up 15.3% year on year), despite the recording of impairment losses on non-current assets and others of Morf3D Inc., a US-based subsidiary engaged in additive manufacturing (hereinafter, “AM”).

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

Due also to an increase in revenue as a result of making SLM a consolidated subsidiary, in the Industrial Metrology and Others segment, the Group recorded revenue of 44,382 million yen (up 23.1% year on year) and operating profit of 3,626 million yen (up 22.4% year on year).

(2) Overview of Financial Position

The balance of total assets as of March 31, 2023 increased by 10,701 million yen from the end of the previous fiscal year to 1,050,267 million yen. This was mainly due to increases of 103,578 million yen in property, plant and equipment, right-of-use assets, goodwill, and intangible assets as a result of an increase in goodwill and other assets associated with making SLM a consolidated subsidiary; 38,331 million yen in inventories; 23,668 million yen in trade and other receivables; and 5,044 million yen in deferred tax assets, despite a decrease of 158,940 million yen in cash and cash equivalents.

The balance of total liabilities as of March 31, 2023 decreased by 7,683 million yen from the end of the previous fiscal year to 431,917 million yen. This was primarily due to a decrease of 39,464 million yen in advances received, despite increases of 12,028 million yen in deferred tax liabilities, 4,075 million yen in income taxes payable, and 3,958 million yen in bonds and borrowings.

The balance of total equity as of March 31, 2023 increased by 18,384 million yen from the end of the previous fiscal year to 618,351 million yen. This was mainly due to increases of 26,236 million yen in retained earnings primarily as a result of the recording of profit attributable to owners of parent, and 20,793 million yen in other components of equity primarily as a result of an increase in exchange differences on translation of foreign operations, as well as a decrease of 9,686 million yen in treasury shares, despite a decrease of 39,430 million yen in capital surplus mainly as a result of cancelling treasury shares.

(3) Overview of Cash Flows

During the current fiscal year ended March 31, 2023, for the cash flows from operating activities, net cash of 15 million yen was provided (31,351 million yen provided in the previous fiscal year). This was mainly attributable to the recording of profit before tax of 57,058 million yen, depreciation and amortization of 29,056 million yen, and impairment losses of 4,389 million yen, despite a decrease of advances received and increases of inventories and trade and other receivables.

For the cash flows from investing activities, net cash of 112,146 million yen was used (385 million yen used in the previous fiscal year), primarily attributable to purchase of shares of SLM of 76,877 million yen upon making it a consolidated subsidiary; purchase of property, plant and equipment of 23,139 million yen; and purchase of intangible assets of 9,884 million yen.

For the cash flows from financing activities, net cash of 56,210 million yen was used (26,151 million yen used in the previous fiscal year), primarily attributable to purchase of treasury shares of 30,001 million yen and cash dividends paid of 14,522 million yen.

In addition, the effect of exchange rate changes on cash and cash equivalents increased by 9,401 million yen.

As a result of the above, the balance of cash and cash equivalents as of March 31, 2023 decreased by 158,940 million yen from the end of the previous fiscal year to 211,337 million yen.

(4) Future Outlook

Regarding the business environment for the fiscal year ending March 31, 2024, in the Imaging Products Business, the digital camera market for mid-to high-end products is expected to remain solid.

In the Precision Equipment Business, capital investments in the field related to FPDs, including both mid-to-small size panels and large-size panels, are expected to decrease. Capital investments in the semiconductor field are also likely to decrease, following the slowdown in the semiconductor market.

In the Healthcare Business, although there are concerns over the impact of a tight supply and demand balance for electronic components and others in the fields of life science solutions and eye care solutions, the markets for these fields are expected to largely remain steady.

In the Components Business, target markets for the Digital Solutions Business, including the semiconductor-related markets and the factory automation market, are expected to be in the correction phase for a certain period of time. On the other hand, the Customized Products Business could be affected by a slowdown in EUV-related markets.

In the Digital Manufacturing Business, the metal AM market for the Advanced Manufacturing Business is expected to grow.

Effective from the fiscal year ending March 31, 2024, the Group established a new reportable segment, the Digital Manufacturing Business. In this segment, the Group has integrated departments, subsidiaries, and other sections engaged in the AM and other businesses, including Industrial Metrology Business and SLM previously included in the Industrial Metrology and Others; part of the AM business previously included in the Components Business; and part of the Next Generation Project Division previously included in corporate profit (loss) that cannot be attributed to any segments.

Under the medium-term management plan, the Group will continue to strive to strengthen the profitability of the Imaging Products Business and the Precision Equipment Business in order to secure stable revenues from its main businesses, while focusing on scaling earnings in strategic businesses, especially in the Digital Manufacturing Business, which we have positioned as a growth area. In addition, to strengthen the management base, we will continue to work on our sustainability strategy that is linked with our business strategies, human resource development for achieving the medium-term business plan, and DX strategy for customers and employees. Moreover, we will seek to further enhance our “growth investment” and “shareholder return” in accordance with the capital allocation policy set forth in the medium-term business plan.

(5) Shareholder Return Policy and Dividends

The Company’s fundamental policy on shareholder returns is to distribute a steady dividend that reflects the perspective of shareholders, and simultaneously realizing appropriate capital allocation flexibly from a mid to long-term perspective, while strengthening investments (including strategic investments, R&D, and capital expenditures) to ensure sustainable growth. Based on this policy, during the cumulative period of the new medium-term management plan for the year ended March 31, 2023 to the year ending March 31, 2026, the Company will return to shareholders targeting a total return ratio of 40% or more.

For the year ended March 31, 2023, the year-end dividend is 25 yen per share, and the full-year dividend will be 45 yen per share, including the interim dividend of 20 yen.

The full-year dividend for the year ending March 31, 2024 is forecast to be 50 yen per share (including the interim dividend of 25 yen per share), an increase of 5 yen over the current fiscal year.

(6) Business and Other Risks

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

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

Matters concerning the future as stated herein are based on the Group’s estimations as of Mach 31, 2023.

(i) Rapid changes in the business environment

As for digital cameras, the leading products of the Imaging Products Business, the mirrorless camera market is seeing fierce competition. In addition, the business is adversely affected by the rising prices and delays in the procurement of components. This may lead to future deterioration in the market conditions. In response to this, the Group continues to strengthen the earnings structure of the business by taking steps such as optimizing production and sales processes, reforming supply chain and logistics, thoroughly reducing cost, reinforcing digital marketing, and increasing development efficiency.

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

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

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

(ii) Revenue expansion of the growth drivers

In the new medium-term management plan (FY2022–FY2025) released in April 2022, the Group has positioned Material Processing and Robot Vision under the Digital Manufacturing Business, our strategic business, as medium-term growth drivers. If the transformation in the whole manufacturing industry is slow, the business may not grow to the expected scale by the end of the medium-term management plan, which is the fiscal year ending March 31, 2026.

In order to minimize the possibility of this risk materializing, the Group will provide the unique value to the manufacturing industry that has been embracing digitalization, to create a new market. As part of strategic investment, the Company made a public takeover offer for SLM Solutions Group AG, a global provider of integrated metal additive manufacturing solutions based in Germany, and made it its consolidated subsidiary. The Group will continue to take a range of measures on strategic investment to contribute to expanding the business.

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

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

(iv) Regulations and other rules

As it develops its business on a global scale, the Group is required to apply various laws and regulations, including import and export regulations, competition laws, labor laws, anti-corruption, and transfer price taxation, and fulfill its corporate social responsibility in many countries. These laws and regulations and what the Group is required to do to fulfill its social responsibility could change significantly. Such changes may have adverse effects on the Group business, such as increasing business activity costs, imposing constraints on its business, and posing reputation risk.

In response to this, while the Group organizes and manages risks through the Risk Management Committee, its three subordinate committees, the Quality Committee, the Export Control Committee, and the Compliance Committee, address risks requiring specialized knowledge. At the same time, the Sustainable Committee also monitors and addresses risks, especially those defined as materialities, from a sustainability point of view.

(v) Procurement

In recent years, the supply and demand balance of components has been disrupted by various factors, including infectious diseases, global abnormal weather and natural disasters, geopolitical impacts, and international conflicts, resulting in significant fluctuations in energy and raw material prices. In addition, our stakeholders have become more interested in social issues such as on human rights and the environment in the supply chain. As such, the Group is considered to face increasing uncertainty and risks associated with supply chain.

The current uncertainty and volatility are likely to continue also in component procurement and logistics. Against this background, the entire Group is making efforts to build a resilient supply chain that allows us to address these social issues by sharing the same vision not only within the Group but also with procurement partners and working together with them, while reflecting the views of society as a whole. Specifically, the Group is working to build strong relationships with procurement partners, visualize its supply chains, and, together with procurement partners, formulate and enhance a business continuity plan (BCP), monitor CO_2 emissions, and strengthen responses to human rights due diligence. By doing so, the Group is building relationships and systems that enable us to assess supply chain risks and take immediate action during emergencies.

(vi) Securing of human resources and outflow of information

The Group is supported by diverse human resources, such as employees who possess advanced technical expertise and other skills, and securing such human resources is becoming increasingly more crucial in order to overcome intense competition in the market. If the Group fails to secure or develop talented personnel, or if key personnel resigns, this may adversely affect its business or result in an outflow of expertise and know-how. In response to this, the Group has clearly presented a direction it is heading to and organizational goals to achieve the Group’s vision and is executing its human resource strategy that is linked with such direction and goals. The Group has also established a specific curriculum and is promoting to standardize, share and hand on proprietary technologies and skills.

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

(vii) Environmental issues

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

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

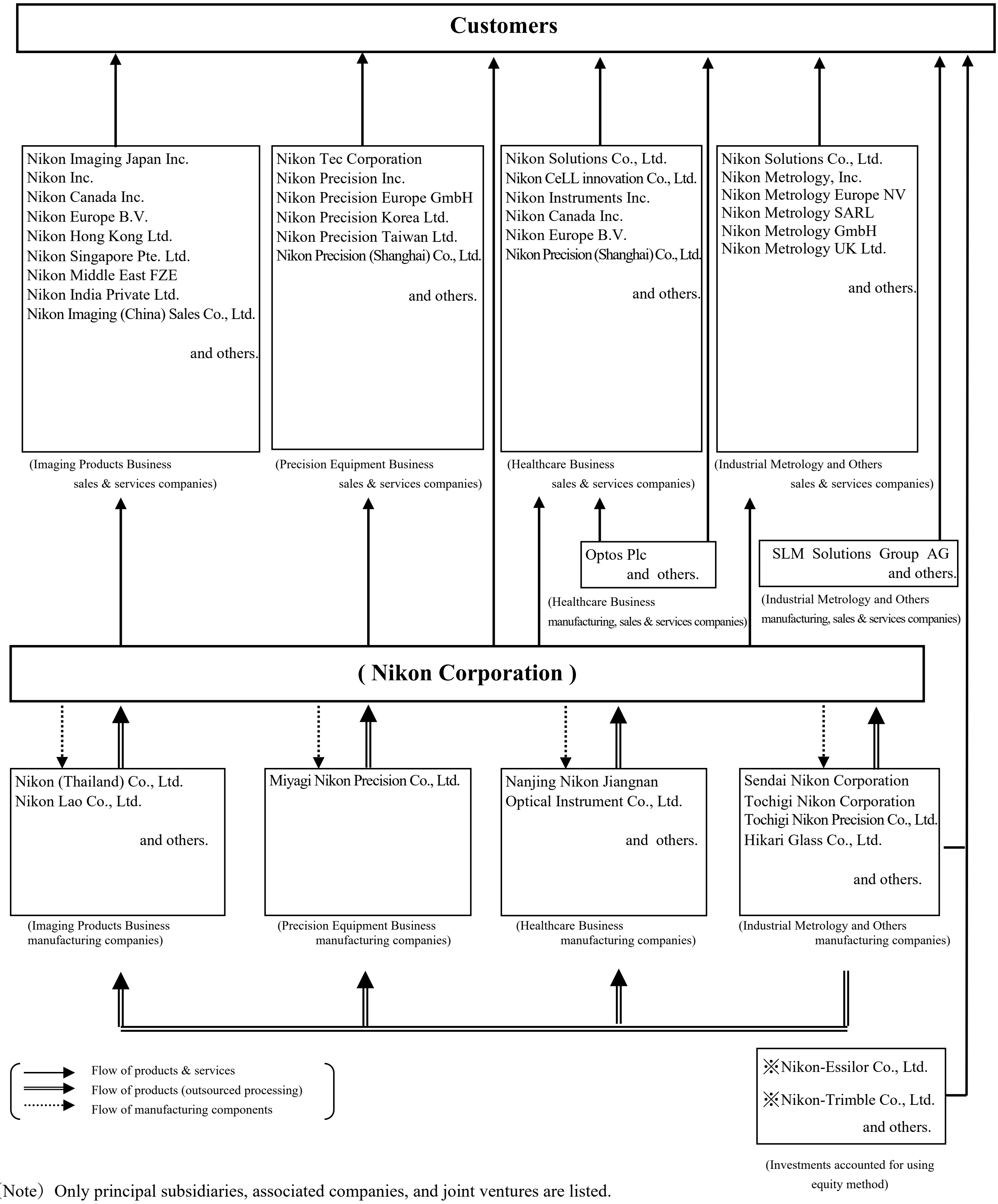
Companies are now required by environmental policies and laws and regulations to take actions such as compliance with standards and information disclosure. As such policies and laws and regulations have been increasingly tightened year by year, inadequate compliance may result in an impact on production, surcharges, or loss of social credibility due to administrative sanctions, which can seriously damage corporate management. In particular, tightening of laws and regulations relating to chemical substances could make it more difficult to procure necessary materials and auxiliary materials. The Group therefore views them as risks that it is currently facing. In order to ensure compliance with these laws and regulations, the Group has established internal rules and conducted training for relevant employees, so as to strengthen its management system, including its supply chain, and is also striving to, among other efforts, track regulatory changes in a timely manner. The Group is also working to prevent environmental pollution by establishing voluntary standards that are more rigorous than statutory requirements.

2. Status of Nikon Group

The Nikon Group is comprised of NIKON CORPORATION (the "Company"), its 80 consolidated subsidiaries, and 12 investments accounted for using the equity method, running the Imaging Products Business, Precision Equipment Business, Healthcare Business, Components Business, and businesses such as Industrial Metrology.

The structure of the Group is shown as below:

In the Components Business, NIKON CORPORATION is mainly responsible for production, sale and service.



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

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

3. Basic Policy on the Adoption of Accounting Standards

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

4. Consolidated Financial Statements

(1) Consolidated Statement of Financial Position

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023	Changes
ASSETS			
Current assets			
Cash and cash equivalents	370,277	211,337	(158,940)
Trade and other receivables	90,571	114,239	23,668
Inventories	238,950	277,281	38,331
Other current financial assets	948	1,242	294
Other current assets	13,467	13,781	314
Total current assets	714,214	617,880	(96,333)
Non-current assets			
Property, plant and equipment	88,956	101,553	12,597
Right-of-use assets	22,310	23,195	885
Goodwill and intangible assets	49,379	139,476	90,097
Retirement benefit asset	8,685	8,474	(211)
Investments accounted for using equity method	10,702	10,308	(394)
Other non-current financial assets	93,308	92,200	(1,108)
Deferred tax assets	51,610	56,654	5,044
Other non-current assets	403	528	124
Total non-current assets	325,353	432,387	107,034
Total assets	1,039,566	1,050,267	10,701

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023	Changes
LIABILITIES / EQUITY			
LIABILITIES			
Current liabilities			
Trade and other payables	65,161	68,026	2,865
Bonds and borrowings	37,347	26,395	(10,953)
Income taxes payable	4,770	8,845	4,075
Advances received	139,300	99,836	(39,464)
Provisions	5,403	5,872	469
Other current financial liabilities	27,424	29,367	1,943
Other current liabilities	34,516	38,962	4,446
Total current liabilities	313,921	277,303	(36,618)
Non-current liabilities			
Bonds and borrowings	92,715	107,625	14,910
Retirement benefit liability	5,543	6,616	1,072
Provisions	5,186	5,372	186
Deferred tax liabilities	3,360	15,388	12,028
Other non-current financial liabilities	16,188	16,836	647
Other non-current liabilities	2,687	2,777	90
Total non-current liabilities	125,679	154,614	28,934
Total liabilities	439,600	431,917	(7,683)
EQUITY			
Share capital	65,476	65,476	–
Capital surplus	46,483	7,053	(39,430)
Treasury shares	(17,395)	(7,709)	9,686
Other components of equity	2,206	22,999	20,793
Retained earnings	500,912	527,148	26,236
Equity attributable to owners of parent	597,681	614,966	17,285
Non-controlling interests	2,285	3,384	1,099
Total equity	599,967	618,351	18,384
Total liabilities and equity	1,039,566	1,050,267	10,701

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

Consolidated Statement of Profit or Loss

	For the year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)		For the year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)		Changes
	(Millions of yen)	Ratio to revenue (%)	(Millions of yen)	Ratio to revenue (%)	(Millions of yen)
Revenue	539,612	100.0	628,105	100.0	88,494
Cost of sales	(303,541)	(56.3)	(338,931)	(54.0)	(35,390)
Gross profit	236,070	43.7	289,174	46.0	53,104
Selling, general and administrative expenses	(189,465)		(231,228)		(41,763)
Other operating income	5,322		3,209		(2,113)
Other operating expenses	(1,994)		(6,247)		(4,254)
Operating profit	49,934	9.3	54,908	8.7	4,974
Finance income	9,592		5,529		(4,063)
Finance costs	(3,643)		(5,921)		(2,278)
Share of profit of investments accounted for using equity method	1,213		2,543		1,330
Profit before tax	57,096	10.6	57,058	9.1	(37)
Income tax expense	(14,843)		(13,775)		1,068
Profit for year	42,253	7.8	43,284	6.9	1,031
Profit attributable to:					
Owners of parent	42,679	7.9	44,944	7.2	2,265
Non-controlling interests	(426)		(1,660)		(1,234)
Profit for year	42,253	7.8	43,284	6.9	1,031
Earnings per share:					
Basic earnings per share (Yen)	116.23		125.46		
Diluted earnings per share (Yen)	115.58		124.77		

Consolidated Statement of Comprehensive Income

(Millions of yen)

	For the year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)	For the year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)	Changes
Profit for year	42,253	43,284	1,031
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Gain (loss) on financial assets measured at fair value through other comprehensive income	7,421	(4,854)	(12,274)
Remeasurement of defined benefit plans	632	(484)	(1,116)
Share of other comprehensive income of investments accounted for using equity method	(34)	138	172
Total of items that will not be reclassified subsequently to profit or loss	8,019	(5,199)	(13,218)
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations	20,331	22,188	1,857
Effective portion of cash flow hedges	(140)	243	382
Share of other comprehensive income of investments accounted for using equity method	183	(421)	(604)
Total of items that may be reclassified subsequently to profit or loss	20,375	22,010	1,635
Other comprehensive income, net of taxes	28,393	16,810	(11,583)
Total comprehensive income for year	70,646	60,094	(10,552)
Comprehensive income attributable to:			
Owners of parent	70,903	61,592	(9,311)
Non-controlling interests	(257)	(1,498)	(1,242)
Total comprehensive income for year	70,646	60,094	(10,552)

(3) Consolidated Statement of Changes in Equity

(Millions of yen)

	Equity attributable to owners of parent					
				Other components of equity		
	Share capital	Capital surplus	Treasury shares	Gain (loss) on financial assets measured at fair value through other comprehensive income	Remeasurement of defined benefit plans	Share of other comprehensive income of investments accounted for using equity method
As of April 1, 2021	65,476	46,419	(17,529)	13,172	–	(873)
Profit for year	–	–	–	–	–	–
Other comprehensive income	–	–	–	7,451	632	150
Total comprehensive income for year	–	–	–	7,451	632	150
Dividends	–	–	–	–	–	–
Purchase and disposal of treasury shares	–	(0)	(2)	–	–	–
Cancellation of treasury shares	–	–	–	–	–	–
Share-based payment transactions	–	61	136	–	–	–
Increase (decrease) by business combination	–	–	–	–	–	–
Changes in ownership interest in subsidiaries	–	2	–	–	–	–
Transfer from other components of equity to retained earnings	–	–	–	(11,285)	(632)	32
Total transactions with owners	–	63	134	(11,285)	(632)	32
As of March 31, 2022	65,476	46,483	(17,395)	9,338	–	(691)
As of April 1, 2022	65,476	46,483	(17,395)	9,338	–	(691)
Profit for year	–	–	–	–	–	–
Other comprehensive income	–	–	–	(4,829)	(484)	(283)
Total comprehensive income for year	–	–	–	(4,829)	(484)	(283)
Dividends	–	–	–	–	–	–
Purchase and disposal of treasury shares	–	(31)	(30,001)	–	–	–
Cancellation of treasury shares	–	(39,121)	39,121	–	–	–
Share-based payment transactions	–	(277)	566	–	–	–
Increase (decrease) by business combination	–	–	–	–	–	–
Changes in ownership interest in subsidiaries	–	–	–	–	–	–
Transfer from other components of equity to retained earnings	–	–	–	3,797	484	(136)
Total transactions with owners	–	(39,430)	9,686	3,797	484	(136)
As of March 31, 2023	65,476	7,053	(7,709)	8,305	–	(1,110)

(Millions of yen)

	Equity attributable to owners of parent					Non-controlling interests	Total equity
	Other components of equity			Retained earnings	Total		
	Exchange differences on translation of foreign operations	Effective portion of cash flow hedges	Total				
As of April 1, 2021	(26,204)	(228)	(14,133)	457,352	537,585	1,141	538,726
Profit for year	–	–	–	42,679	42,679	(426)	42,253
Other comprehensive income	20,131	(140)	28,224	–	28,224	170	28,393
Total comprehensive income for year	20,131	(140)	28,224	42,679	70,903	(257)	70,646
Dividends	–	–	–	(11,016)	(11,016)	(17)	(11,033)
Purchase and disposal of treasury shares	–	–	–	–	(2)	–	(2)
Cancellation of treasury shares	–	–	–	–	–	–	–
Share-based payment transactions	–	–	–	–	198	35	233
Increase (decrease) by business combination	–	–	–	–	–	1,392	1,392
Changes in ownership interest in subsidiaries	–	–	–	–	2	2	4
Transfer from other components of equity to retained earnings	–	–	(11,885)	11,897	12	(12)	–
Total transactions with owners	–	–	(11,885)	881	(10,807)	1,401	(9,406)
As of March 31, 2022	(6,073)	(368)	2,206	500,912	597,681	2,285	599,967

As of April 1, 2022	(6,073)	(368)	2,206	500,912	597,681	2,285	599,967
Profit for year	–	–	–	44,944	44,944	(1,660)	43,284
Other comprehensive income	22,001	243	16,648	–	16,648	162	16,810
Total comprehensive income for year	22,001	243	16,648	44,944	61,592	(1,498)	60,094
Dividends	–	–	–	(14,529)	(14,529)	(21)	(14,550)
Purchase and disposal of treasury shares	–	–	–	–	(30,032)	–	(30,032)
Cancellation of treasury shares	–	–	–	–	–	–	–
Share-based payment transactions	–	–	–	–	289	25	313
Increase (decrease) by business combination	–	–	–	–	–	2,765	2,765
Changes in ownership interest in subsidiaries	–	–	–	–	–	(206)	(206)
Transfer from other components of equity to retained earnings	–	–	4,145	(4,179)	(34)	34	–
Total transactions with owners	–	–	4,145	(18,708)	(44,307)	2,597	(41,710)
As of March 31, 2023	15,928	(125)	22,999	527,148	614,966	3,384	618,351

(4) Consolidated Statement of Cash Flows

(Millions of yen)

	For the year ended March 31 2022 (from April 1, 2021 to March 31, 2022)	For the year ended March 31 2023 (from April 1, 2022 to March 31, 2023)
Cash flows from operating activities:		
Profit before tax	57,096	57,058
Depreciation and amortization	24,857	29,056
Impairment losses	449	4,389
Interest and dividend income	(2,163)	(4,179)
Share of (profit) loss of investments accounted for using equity method	(1,213)	(2,543)
Losses (gains) on sale of property, plant and equipment	(3,537)	(268)
Interest expenses	1,054	1,982
Decrease (increase) in trade and other receivables	(13,321)	(15,501)
Decrease (increase) in inventories	2,181	(28,844)
Increase (decrease) in trade and other payables	3,067	895
Increase (decrease) in advances received	(27,697)	(44,849)
Increase (decrease) in provisions	(699)	(564)
Others, net	(6,234)	10,663
Subtotal	33,840	7,295
Interest and dividend income received	3,920	6,960
Interest expenses paid	(1,123)	(1,769)
Income taxes refund (paid)	(5,285)	(12,471)
Net cash provided by (used in) operating activities	31,351	15
Cash flows from investing activities:		
Purchase of property, plant and equipment	(17,981)	(23,139)
Proceeds from sale of property, plant and equipment	5,484	381
Purchase of intangible assets	(5,844)	(9,884)
Purchase of investment securities	(4,224)	(4,781)
Proceeds from sale of investment securities	20,459	1,265
Acquisition of subsidiaries or other businesses	(378)	(76,877)
Proceeds from sale of subsidiaries or other businesses	–	8
Others, net	2,098	882
Net cash provided by (used in) investing activities	(385)	(112,146)
Cash flows from financing activities:		
Net increase (decrease) in short-term borrowings	13,189	(9,625)
Proceeds from long-term borrowings	–	23,895
Repayments of long-term borrowings	(10,803)	(14,046)
Redemption of bonds	(10,000)	(3,767)
Repayments of lease obligations	(7,438)	(8,045)
Cash dividends paid	(11,024)	(14,522)
Cash dividends paid to non-controlling interests	(17)	(21)
Purchase of treasury shares	(2)	(30,001)
Others, net	(57)	(79)
Net cash provided by (used in) financing activities	(26,151)	(56,210)
Effect of exchange rate changes on cash and cash equivalents	13,664	9,401
Net increase (decrease) in cash and cash equivalents	18,478	(158,940)
Cash and cash equivalents at beginning of year	351,798	370,277
Cash and cash equivalents at end of year	370,277	211,337

(5) Notes to Consolidated Financial Statements

(Going Concern Assumption)
Not applicable

(Basis for Preparation of Consolidated Financial Statements)
(a) Scope of Consolidation

Number of consolidated subsidiaries: 80 companies

Principal subsidiaries:

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

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

Increase: 13 companies (due to share acquisition and other reasons)

Decrease: 4 companies (due to merger and other reasons)

(b) Scope of Equity Method

Number of investments accounted for using equity method: 12 companies

Principal company names:

Nikon-Essilor Co., Ltd., Nikon-Trimble Co., Ltd. and others

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

Increase: 1 company (due to change in investment ratio)

Decrease: 4 companies (due to merger and other reasons)

(c) Accounting Policies

The disclosure of the accounting policies has been omitted as there are no significant changes from the previous Annual Securities Report (submitted on June 29, 2022).

(Segment Information)

(1) Outline of Reportable Business Segments

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

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

The Imaging Products Business provides products and services of imaging products and its peripheral domain, such as digital camera-interchangeable lens type, compact DSC and interchangeable lens. The Precision Equipment Business provides products and services with regard to the FPD lithography system and semiconductor lithography system. The Healthcare Business provides products and services for the life science solutions field such as biological microscopes and cell culture observation systems, for the eye care solutions field such as ultra-wide field retinal imaging devices, and for the contract cell development and manufacturing field. The Components Business provides products and services related to the Digital Solutions Business such as optical components, optical parts, encoders, and material processing; related to the Customized Products Business such as EUV-related components and space-related solutions, and related to the Glass Business such as photomask substrates for FPDs.

(Regarding Revision of Reportable Business Segments)

As of April 1, 2022, the Company transferred the Next Generation Project Division, which was previously included in the Precision Equipment Business, to corporate profit (loss) that cannot be attributed to any segments.

The segment information for the consolidated fiscal year ended March 31, 2022 has been prepared based on the revised business segments.

(2) Information on Reportable Business Segments

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

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

For the year ended March 31, 2022 (From April 1, 2021 to March 31, 2022) (Millions of yen)

	Imaging Products	Precision Equipment	Healthcare	Components	Industrial Metrology and Others (Note1)	Total	Reconciliation (Note2)	Consolidated
Revenue								
External customers	178,234	211,216	73,243	40,869	36,050	539,612	–	539,612
Intersegment	720	157	189	9,793	65,381	76,240	(76,240)	–
Total	178,954	211,373	73,432	50,662	101,431	615,851	(76,240)	539,612
Segment profit (loss)	19,069	39,468	4,385	12,721	2,964	78,607	(28,673)	49,934
Finance income								9,592
Finance costs								(3,643)
Shares of profit of investments accounted for using equity method								1,213
Profit before tax								57,096
Segment assets	79,984	190,362	102,209	41,989	72,078	486,622	552,944	1,039,566
Other items:								
Impairment losses	2	–	447	–	0	449	–	449
Depreciation and amortization	3,088	3,793	4,116	2,382	5,105	18,483	6,374	24,857
Increase in property, plant and equipment, right-of-use assets, goodwill and intangible assets	4,564	6,396	4,949	9,142	6,440	31,490	14,367	45,857

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

2. Regarding segment profit (loss), reconciliation is made between segment profit (loss) and operating profit reported in the consolidated statement of profit or loss. Reconciliation of segment profit (loss) includes elimination of intersegment transactions of 1,216 million yen, cumulative translation on differences of (56) million yen reclassified to profit or loss due to the liquidation of a foreign subsidiary, and corporate profit (loss) of (29,833) million yen that cannot be attributed to any segments. The main components of corporate profit (loss) include expenses related to investment in growth of (21,834) million yen, which are related to basic research, creation of new business, and manufacturing innovation, and expenses for administration department of (7,999) million yen, which add up general and administrative expenses of headquarter functions and other operating income or expenses that cannot be attributed to any segments. Out of the expenses for administration department of (7,999) million yen, gains from sale of land of 2,352 million yen are recognized in other operating income reported in the consolidated statements of profit or loss.

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 562,953 million yen that is not attributed to any segments, and elimination of intersegment transactions of (10,009) million yen. Principal components of corporate assets are surplus funds (cash and cash equivalents) held by the Company and its consolidated subsidiaries; long-term investments (shares); deferred tax assets; and some fixed and right-of-use assets used in common.

For the year ended March 31, 2023 (From April 1, 2022 to March 31, 2023) (Millions of yen)

	Imaging Products	Precision Equipment	Healthcare	Components	Industrial Metrology and Others (Note 1)	Total	Reconciliation (Note 2)	Consolidated
Revenue								
External customers	227,100	203,262	99,394	53,967	44,382	628,105	–	628,105
Intersegment	1,545	153	247	10,174	75,124	87,242	(87,242)	–
Total	228,644	203,415	99,641	64,141	119,506	715,348	(87,242)	628,105
Segment profit (loss)	42,213	24,386	11,582	14,671	3,626	96,479	(41,571)	54,908
Finance income								5,529
Finance costs								(5,921)
Shares of profit of investments accounted for using equity method								2,543
Profit before tax								57,058
Segment assets	105,177	196,730	117,377	47,804	185,183	652,270	397,997	1,050,267
Other items:								
Impairment losses	5	10	22	3,997	354	4,389	–	4,389
Depreciation and amortization	3,723	4,129	5,000	3,222	6,552	22,627	6,429	29,056
Increase in property, plant and equipment, right-of-use assets, goodwill and intangible assets	6,396	6,946	4,530	8,398	97,738	124,008	11,539	135,547

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

2. Regarding segment profit (loss), reconciliation is made between segment profit (loss) and operating profit reported in the consolidated statement of profit or loss. Reconciliation of segment profit (loss) includes elimination of intersegment transactions of (2,602) million yen, and corporate profit (loss) of (38,969) million yen that cannot be attributed to any segments. The main components of corporate profit (loss) include expenses related to investment in growth of (23,180) million yen, which are related to basic research, creation of new business, and manufacturing innovation, and expenses for administration department of (15,789) million yen, which add up general and administrative expenses of headquarter functions 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 410,730 million yen that is not attributed to any segments, and elimination of intersegment transactions of (12,732) million yen. Principal components of corporate assets are surplus funds (cash and cash equivalents) held by the Company and its consolidated subsidiaries; long-term investments (shares); deferred tax assets; and some fixed and right-of-use assets used in common.

(3) Geographic Information

Revenue from external customers (Millions of yen)

	For the year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)	For the year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)
Japan	98,382	122,947
United States	129,274	159,757
Europe	72,203	106,814
China	153,471	129,042
Others	86,282	109,546
Total	539,612	628,105

(Note) Revenue is based on the geographic locations of customers, which are categorized either by country or region.
Except for Japan, the United States and China, the countries or regions are primarily categorized as follows:
1. Europe: The United Kingdom, France and Germany
2. Others: Canada, Asia other than Japan and China, Middle East, Oceania and Latin-America

Non-current assets (Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Japan	93,042	99,541
North America	12,926	14,319
Europe	45,231	140,028
China	3,192	3,372
Thailand	3,944	5,005
Others	2,713	2,487
Total	161,048	264,751

(Note) Non-current assets are based on the geographic locations of assets, which are categorized either by country or region.
Except for Japan, China and Thailand, the countries or regions are primarily categorized as follows:
1. North America: The United States and Canada
2. Europe: The United Kingdom, France and Germany
3. Others: Asia other than Japan, China and Thailand, Middle East, Oceania and Latin-America
Financial instruments, deferred tax assets and retirement benefit asset are not included in the above.

(4) Information about Major Customers

There was no customer group who contributed 10% or more to the consolidated revenue; therefore, the information is omitted.

(Business Combinations and Others)

The details of a business combination occurred in the year ended March 31, 2023 is as follows.

(1) Summary of Business Combination

The Company has acquired the majority shares of SLM Solutions Group AG (“SLM”), listed on the Frankfurt Stock Exchange in Germany, through its direct wholly-owned subsidiary, Nikon AM. AG on January 27, 2023. Upon completion of the settlement, SLM became the Company’s consolidated subsidiary.

(a) Name of Acquired Company and its Business Outline

Name of acquired company: SLM Solutions Group AG
Business outline: Manufacturing and sales of metal 3D printers (additive manufacturing)

(b) Primary Reasons for Business Combination

SLM, headquartered in Lübeck, Germany, is a world-leading provider of integrated metal Additive Manufacturing solutions (aka metal 3D printing). SLM’s portfolio includes the world’s fastest metal Additive Manufacturing machines boasting up to 12 lasers and enabling the highest build rates in the industry paving the way of Additive Manufacturing in industrialized metal manufacturing processes across industries.

The Company set out its Vision 2030 statement in its April 2022 Medium-Term Management Plan that it aims to become a key technology solutions company in a global society where humans and machines co-create seamlessly. The Company is emphasizing its strategic focus on its digital manufacturing business, which is positioned by the Company as one of the strategic businesses, to bring innovation to the world of mass-production with applied optical technology. The Company sees material processing and robot vision as key growth drivers for its Digital Manufacturing Business to deliver customers end products, components, and contract processing services. The adoption of additive manufacturing (an industrial process of layering metals, akin to 3D printing), is an area in which the Company expects significant growth.

The Company is pursuing to realize synergies and develop additive manufacturing with growth potential by offering our fundamental technologies such as high-precision measurement and optical technology to SLM, which enables us to provide more comprehensive solutions.

(c) Legal Form of Business Combination

Takeover offer for the SLM shares and convertible bonds in exchange for cash and subscription of new shares through third-party allotment

(d) Date of Business Combination

January 27, 2023

(e) Percentage of Voting Equity Interests Acquired: 92.38%

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

(Millions of yen)

Item	Amount
Cash	81,285
Total acquisition cost	81,285

(3) Details of Major Acquisition-related Costs

Acquisition-related costs for the business combination was 1,964 million yen and recorded as selling, general and administrative expenses in the consolidated statement of profit or loss for the year ended March 31, 2023.

(4) Fair Value of Assets and Liabilities, Non-controlling Interests, and Goodwill as of the Acquisition Date

(Millions of yen)

Item	Amount
Current assets (Note1)	15,345
Non-current assets (Note2)	43,200
Total assets	58,545
Current liabilities	4,937
Non-current liabilities	17,323
Total liabilities	22,260
Net assets	36,285
Non-controlling interests (Note3)	2,765
Goodwill resulting from the acquisition (Note 4)	47,765

Note1: Current assets include trade and other receivables of 4,955 million yen.
Note2: Non-current assets include 33,616 million yen of identifiable intangible assets, consisting of technology-related assets of 33,163 million yen and customer-related assets of 453 million yen.
Note3: Non-controlling interests are measured as the ratio of non-controlling interests to the identifiable net assets of the acquired company.
Note4: Goodwill is the future excess earning power expected from future business development. None of the recognized goodwill is expected to be deductible for tax purposes.

(5) Expenditure to Gain Control of the Subsidiary

The reconciliation of the consideration for acquisition of shares of SLM with the net expenditure for acquisition is as follows.

(Millions of yen)

Item	Amount
Consideration for acquisition of shares of SLM	81,285
Less: Cash and cash equivalents of SLM	(4,408)
Net expenditures for acquisition of SLM	76,877

(6) Impact on Operating Results of the Group

Revenue and loss attributable to owners of parent of SLM recorded in the consolidated statement of profit and loss after the acquisition date are 3,415 million yen and 1,639 million yen, respectively.

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

Consolidated revenue and profit attributable to owners of parent based on the assumption that the business combination had been completed at the beginning of the period are 640,663 million yen and 40,994 million yen, respectively.

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

For the year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)
As a result of an impairment assessment, the Group recognized impairment losses of 4,389 million yen. Impairment losses by asset are as follows.

(Millions of yen)

	For the year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)
Property, plant and equipment	1,289
Right-of-use assets	359
Intangible assets	815
Goodwill	1,781
Other	145
Total	4,389

For the Components Business, impairment losses of 3,997 million yen were recognized. Since the initially anticipated earnings was no longer expected in a manufacturing and sales subsidiary in the United States, Morf3D Inc., the Group assessed impairment of assets based on the revised future cash flow forecasts. As a result, impairment losses of 3,968 million yen were recognized, as the recoverable amount of the cash-generating unit was determined to be lower than the carrying amount of non-current assets including goodwill. The impairment losses include goodwill and identifiable assets of 1,781 million yen and 721 million yen, respectively, and their recoverable amount was measured at value in use. The recoverable amount of other non-current assets were based on the fair value less costs of disposal, and was primarily measured using the income approach and market approach. In addition, as a result of investigating the future use of non-current assets, the Company reduced the carrying amount of its idle assets with no prospect of specific use to their recoverable amount and recognized impairment losses of 29 million yen.
For businesses other than the Components Business, as a result of investigating the future use of non-current assets, the Company and certain subsidiaries in Japan reduced the carrying amount of their idle assets with no prospect of specific use to their recoverable amount and recognized impairment losses of 391 million yen.

(Selling, General and Administrative Expenses)
Selling, general and administrative expenses mainly consist of the following items.

(Millions of yen)

	For the year ended March 31, 2022 (from April 1 2021 to March 31, 2022)	For the year ended March 31, 2023 (from April 1 2022 to March 31, 2023)
Depreciation and amortization	11,321	13,949
Research and development expenses	59,884	67,585
Employee benefit expenses	54,927	66,048
Advertising and sales promotion expenses	13,932	18,131
Others	49,400	65,514
Total	189,465	231,228

(Earnings Per Share)

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

(Millions of yen, unless otherwise indicated)

	For the year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)	For the year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)
Basis for the calculation of basic earnings per share		
Profit for year attributable to owners of parent	42,679	44,944
Profit not attributable to ordinary equity holders of parent	–	–
Profit for year used in the calculation of basic earnings per share	42,679	44,944
Weighted average number of ordinary shares outstanding during the period (thousands of shares)	367,209	358,234
Basic earnings per share (yen)	116.23	125.46
Basis for the calculation of diluted earnings per share		
Profit for year used in the calculation of basic earnings per share	42,679	44,944
Adjustments to profit for year Adjustment for potential shares issued by subsidiaries	–	–
Profit for year used in the calculation of diluted earnings per share	42,679	44,944
Weighted average number of ordinary shares outstanding during the period (thousands of shares)	367,209	358,234
Increase in number of ordinary shares in respect of stock options (thousands of shares)	2,054	1,966
Weighted average number of dilutive ordinary shares outstanding during the period (thousands of shares)	369,263	360,200
Diluted earnings per share (yen)	115.58	124.77

Notes 1. In the computation of basic earnings per share and diluted earnings 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 fiscal years ended March 31, 2022 and March 31, 2023, the number of shares was 576,900 and 217,854, respectively.

2. For the fiscal years ended March 31, 2022 and March 31, 2023, as the stock options that the subsidiaries issued have no dilutive effect; therefore, they are not included in the calculation of diluted earnings per share.

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

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

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

(Significant Subsequent Events)
Not applicable