Making people’s lives healthier, safer and more fulfilling

OUR PURPOSE

Ever since it was founded one hundred years ago—with the goal of mass-producing microscopes in Japan—Olympus has continued to make great contributions to society through its businesses. Throughout the years, our products and services have not only become essential parts of medicine and life sciences, but have also proved to be indispensable in the fields of manufacturing and infrastructural maintenance, as well as in preserving the precious moments discovered in people’s daily lives.

We have embarked on a journey which will transform Olympus into a global medtech company. Now is the time for us to identify the right path that will lead us to a future in which we continue to make society better.

We invite you to join us on our journey. Please look forward to Olympus delivering on its promises and soaring to new heights.
Changing preconceptions, Olympus is transforming into a global medtech company from a variety of directions.

**Progress in Fiscal Year 2020**
- Achieved significant SG&A efficiency ($32.5 billion reduction, or 7% decrease, from previous year)
- Steadily progressed the corporate transformation plan, Transform Olympus
- Broadened perspectives in management and accelerated management action as a result of diversifying the Board of Directors and migration to a company with Nominating Committee, etc.
- Fast tracked development of next-generation gastrointestinal endoscopy system in the Endoscopic Solutions Division
- Built a business base for the Therapeutic Solutions Division and invested resources in key focus areas
- Integrated global group management, and strengthened business execution (COO Nacho Abia, CTO Akihiro Taguchi, and CFO Chikashi Takeda appointed to further strengthen implementation)
- Established the globally integrated HR management that enables optimal talent allocation at the global level
- Recruited and placed human resources, regardless of nationality, age, or gender, within the Olympus Group, and actively hired external personnel with a wide range of experience, knowledge, and abilities (appointment of CMO, COO, and other global talent from outside Japan)

**Measures to Be Implemented in Fiscal Year 2021**
- Focus our corporate portfolio
- Structural reform of fixed costs
- Successful launch of next-generation GI endoscopy system EVIS X1
- Continued steady investment in product development for future growth
- Driving efficiency in our R&D operations

**Yasuo Takeuchi**
Director, Representative Executive Officer, President and CEO
Message from the CEO

Review of Fiscal Year 2020

It has been a year since my appointment as CEO. Fiscal year 2020 was the year to implement the various plans I had been thinking about. We have introduced several initiatives, including the migration to a company with Nominating Committees, etc., the conversion to a globally integrated HR management, and the relocation of the global division headquarters for the Therapeutic Solutions Division to the United States. For employees, these targets felt daunting, but I thought that it was necessary to shake up the fixed preconceptions of Olympus from all directions, while at the same time proceeding with measures in a way that colleagues could support. In addition, it was a year in which we set a high target for improving profitability. The transformation is not made up of initiatives solely focused on cutting costs, rather it is meant to increase efficiency and effectiveness. We reduced SG&A expenses and achieved significant efficiency in fiscal year 2020. Looking at past trends, SG&A expenses had been increasing every year, but after setting the goal of reducing SG&A expenses to the levels of fiscal year 2016, we were able to reduce them by ¥32.5 billion (a decrease of 7%) compared with fiscal year 2019. Each and every one of our colleagues maintains a strong awareness of costs on a daily basis, and we have advocated the implementation of efficient ways of working, and I think we have achieved the target. I am proud of our colleagues since these results are due to their discipline and dedication to meeting our goals.

Looking back on this first year, I see it as one in which we steadily implemented what we needed to and achieved significant results.

Contributing to Society by Living Our Core Values

The COVID-19 pandemic continues to spread across the globe, and there are still no signs of a return to normal. As a medical device company, Olympus is steadily continuing to conduct business, taking precautions to prevent the spread of infection, and doing everything possible to maintain the supply of products and services while manufacturing, repairing, and shipping medical devices. Currently, procedures and treatments are being performed if the need is severe or urgent, and our Olympus colleagues support the entire value chain through a flawless system so that the necessary medical care can be performed smoothly throughout the medical field.

Faced with the current situation, at Olympus, we embody Our Core Values in every way we do. Striving to provide healthcare professionals with the equipment and service they need whenever they need them, Olympus colleagues come together in unity and carry out their daily work with integrity and agility. In addition to having donated to and supported medical institutions and organizations in China in February and in other countries around the world in June, we are also collecting donations from colleagues to support NGOs. These initiatives truly represent the strong empathy we have for our various stakeholders.

SG&A Efficiency and Revenue and Operating Margin

We received messages of gratitude from many medical institutions, and have paid tribute to the healthcare professionals and various medical professionals who are responding so courageously in difficult times. We were very pleased we could be of help.

Taking a long-term view, we are cooperating with healthcare professionals to determine how we can provide solutions that will allow endoscopy and treatment to be conducted securely moving forward. COVID-19 has forced us to make a major overhaul of our lifestyles and even our business operations, and I would like to take advantage of this change in a positive way. For example, even when we are unable to meet our customers in person, we are holding online training sessions and seminars for healthcare professionals and are starting global sales demonstration activities to showcase the benefits of our products and services. We are working hard to continuously support our customers in creative ways that are always efficient and effective.

Fiscal Year 2021 Presents an Opportunity to Accelerate the Transformation into a Truly Global Medtech Company

Although I recognize that the COVID-19 pandemic will bring about a major shift in values, I believe that demand for Olympus medical devices will remain unchanged over the medium to long term. Looking at the business environment, in addition to the demand for reductions in medical expenses in various countries due to the aging global population, we are seeing increasing healthcare awareness, especially in emerging countries. In this situation, the value of early diagnosis and minimally invasive treatment that we provide, mainly by means of endoscopes and endotherapy devices, enables us to contribute to reducing medical expenses, improving patients’ quality of life (QOL), and the increased efficiency of hospital management. I believe that trends in the business environment will not change even due to COVID-19 and will continue to provide our business with added impetus.

However, in fiscal year 2021 Olympus is being greatly affected by COVID-19. In addition to hospitals being busy dealing with COVID-19 cases, there are many areas where our usual sales activities are not possible, due to restrictions such as the limited access to hospitals. COVID-19 has also caused the postponement or cancelation of procedures and examinations, and the number of elective procedures has decreased, which has also affected sales of our medical devices. For these reasons, I believe that it is difficult to expect sales growth in fiscal year 2021. However, there remains the major goal of achieving an operating margin of over 20% by providing innovative value and continuing to contribute to Our Purpose of “Making people’s lives healthier, safer and more fulfilling.” This target level will continue to be necessary for our company to transform into a truly global medtech company and to further contribute to society. In order to achieve this, it is extremely important for management to determine how to position the current fiscal year and what actions to take.

Even in this uncertain environment, the five executive officers, including Chief Operating Officer Nacho Abia, Chief Technology Officer Akihiro Taguchi, and Chief Financial Officer Chikashi Takeda, who were appointed in April 2020, were more united and able to make steady decisions involving multiple perspectives. This is also due to the migration to a company with Nominating Committees, etc., from June 2019 and authority having been significantly delegated to executive officers. As a result, I believe we are seeing the tangible effects of Transform Olympus.

After a series of discussions with the five executive officers, we have positioned fiscal year 2021 as a year to prioritize long-term growth and accelerate the execution of Transform Olympus. Naturally, as sales are declining, we will continue to focus on keeping SG&A expenses. However, the important initiatives and issues guiding our transformation into a truly global medtech company have not changed, and we will undertake investment in the projects where we anticipate long-term growth and take all necessary measures to be successful.

Measure to Be Implemented in Fiscal Year 2021

- Focus our corporate portfolio
- Structural reform of fixed costs
- Successful launch of next-gen GI endoscopy system EVIS X1
- Continued steady investment in product development for future growth
- Driving efficiency in our R&D operations
Message from the CEO

I believe that we have great potential and the ability to realize it.”

Major Progress in Fiscal Year 2021

I would like to explain the areas in which there is already progress along with my thoughts on these subjects.

First is the divestiture of our Imaging business. This is one of the efforts under “focus our corporate portfolio,” and the definitive agreement regarding the divestiture of the Imaging business was signed with Japan Industrial Partners Inc. (JIP) on September 30, 2020. Since commencing the manufacture and sale of cameras using the photographic lens “Zuiko” in 1936, Olympus has operated its Imaging business based on innovative technology and unique product development capabilities—including the original Olympus PEN half-sized camera, the Zuiko Pearlcorder (the world’s first micro-cassette tape recorder), and the Olympus OM-D mirrorless interchangeable-lens camera—while aiming to make people’s lives more fulfilling. This is a business with a history of more than 80 years, with various stakeholders involved, and many customers who have loved its products for a long time. I wanted to continue the Imaging business and these brands, such as OM-D and PEN in some way, and I wanted to avoid a withdrawal from the business. While searching for a company that would guide the future of the Imaging business over the medium to long term, we decided to transfer the business to JIP. They possess a strong track record of strategic carve-outs that realize growth potential and encourage autonomous growth, and we had previously transferred our information and communication business to JIP. I sincerely hope that the Imaging business will become a compact and agile organizational structure and undergo further development.

We have also concluded an agreement on the transfer of the Norwalk facility in the United States to Nishi Medical Technologies. Engaging in efforts to optimize our global organizational structure, we are steadily proceeding with initiatives designed to improve profitability.

Next, we launched the long-awaited, next-generation gastrointestinal endoscopy system, the EVIS X1, in EMEA, Australia, India and Hong Kong from April 23 and in Japan from July 3. A globally unified platform and an endoscopy system that will set new standards for endoscopic diagnosis and treatment, the EVIS X1 is equipped with three new imaging technologies, including Extended Depth of Field (EDOF). The system was released amidst the COVID-19 pandemic, but thanks to colleagues who tried various forms of promotion, we have received many inquiries. The EVIS X1 system has been very well received by customers in the regions where it has already been introduced, so we are expecting the system to drive the growth of the Endoscopic Solutions Division and, by extension, Olympus as a whole. In the months and years to come, we will be making preparations to enable the system to be introduced globally, including in North America, which is our largest market.

Transforming into a Truly Global Medtech Company

It has been over a year and a half since we announced Transform Olympus. We have implemented many initiatives and are steadily moving forward to becoming a truly global medtech company, but I would like to review slightly and tell you what I have observed.

First, I think that the speed of management action is improving. Under our medium-term management plan 16CSP, we recognized that we were not in the optimal condition to accelerate growth as a truly global company. Based on the belief that it was necessary to achieve faster management action and adopt a more global perspective, we formulated Transform Olympus, our corporate transformation plan. In particular, I think that the migration to a company with Nominating Committee, etc., which allows greater delegation of authority to executive officers and speeds up decision-making, has been key to faster management action. Although changing the design of the engine does not mean that all the issues have been resolved, prompt decisions and execution have resulted in faster management action.

Currently, we are engaging in constant trial and error with the Board of Directors on how to realize even more effective corporate governance in a company with Nominating Committee, etc. The best state of corporate governance is an ongoing theme for management, and we will continue to work on it. I also feel that the HS system is becoming more appropriate for a global medtech company by actively hiring talented people with global experience, mainly for the Therapeutic Solutions Division. These colleagues understand what Olympus must do to become a global medtech company, and while understanding Olympus’ history and positive qualities, I feel that they are bringing with them a breath of fresh air.

In addition, it has become necessary for the global team to respond to issues by appointing people of all nationalities to key positions and implementing Transform Olympus initiatives. Now that most of the meetings are held in English, I feel that we are able to run our business from a global perspective.

Providing safe products is the top priority for medical device companies. We have strengthened employee training on compliance with laws and regulations and our response to customers on a global basis. Furthermore, to shift from traditional value provision centered on products and technological capabilities to value provision based on medical evidence and medical data, Dr. Ross D. Segan was appointed as Chief Medical Officer (CMO) and Daniel Khalil was brought in as Chief Quality Officer (CQO) to enable us to strengthen quality and regulatory functions and to continue to provide safe and high-quality products. We have also established a system to respond to regulatory authorities from a more global perspective.

Then there is corporate culture, which is not something that changes overnight, and seems like a road that goes on forever. The ideal is for colleagues to be able to work energetically and with a sense of satisfaction in contributing to society through products that are highly safe and that are backed by innovative technologies. To achieve this, I am constantly thinking about the best solution—questioning how I can motivate colleagues or what kind of measures I should undertake—because there is more than one correct answer.

We have reached the end of my retrospective. Since assuming the post of director and financial officer in 2012, I have had numerous dialogues with various stakeholders, including those in the capital markets. The most important thing I have done is to openly convey my thoughts based on my beliefs, even if they are sometimes difficult to say. I will continue to actively communicate with many individuals, express my thoughts, and utilize the opinions and advice I receive for further improving management.

As we aim to become a global medtech company, there is still a lot of room for improvement, but I believe that we have the ability to realize it. I am unable to cover everything that has been achieved under the corporate strategy here, but I feel that our efforts are steadying progress. Through various opportunities for dialogue, we would like to share the results with everyone, so I appreciate your continued trust in our ability to further grow our corporate value.
Transform Olympus

Olympus is striving to become a truly global medtech company. Under the Transform Olympus which we announced in January 2019, the entire Olympus organization is working to improve business operation efficiencies and speed up our daily work processes. In November of the same year, we announced our corporate strategy in which we presented our goal of achieving an operating margin of over 20%—a level equivalent to that of competitor global medtech companies. Olympus shall continue to provide new value through innovative products and solutions, thus realizing sustainable growth into the future.

Sequencing of Our Growth and Transformation Initiatives in Our Corporate Strategy

Focus and Simplify

to have immediate, early impact on corporate performance

- Targeted acquisitions to fill portfolio gaps in TSD therapeutic areas
- Transform Olympus quick wins: — Early procurement impact — R&D portfolio and SKU rationalization

3 years

Sequencing of Our Growth and Transformation Initiatives in Our Corporate Strategy

Compete to Grow

to capture growing value pools that drive long-term sustainability

- Larger M&A activities
- Fully operational, at scale single-use business
- At scale investment, potentially including larger M&A deals in therapeutics and next-generation MIS

(As of November 2019)

Performance impact in 3 years

> 20% by margin

*Adjusted for extraordinary items

CHAPTER 01

Our Company

This chapter gives an overview of the past and present of Olympus, as well as our vision for the future.

CHAPTER 02

Our Strategy

This chapter describes the progress of our corporate strategy toward sustainable growth.

CHAPTER 03

Our Setup

This chapter describes corporate governance, which provides the foundation for improving corporate value over the medium to long term.

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Editorial Policy

The Olympus Group strives to conduct disclosure in a manner that meets the information needs of its stakeholders. Starting in fiscal year 2018, its annual reports are being compiled as an integrated report. With the foremost aim of deepening understanding with regard to the Olympus Group, this report contains the management strategy, business activities, financial, and other information traditionally disclosed in our annual reports while also including non-financial information on social contribution, environmental, and other activities necessary to explaining the Group’s efforts to create value. In constructing this year’s report, we referenced the International Integrated Reporting Framework of the International Integrated Reporting Council (IIRC). The Olympus Group CSR Data Book presents our detailed ESG data, while the Company’s corporate website provides up-to-date information on a variety of topics.

Forward-Looking Statements

This integrated report contains forward-looking statements that reflect management’s current views, plans, and expectations based on information available at the time of preparation. These forward-looking statements are subject to future performance and involve known and unknown risks, uncertainties, and other factors beyond the Group’s control, which could cause the Company’s actual results, performance, achievements, or financial position to be materially different from any future results expressed or implied by these forward-looking statements.

About the Corporate Strategy

The corporate strategy contained in this integrated report was announced on November 6, 2019, and does not account for the impact of the COVID-19 pandemic.
In this chapter, we look back on our 100-year history and present our business overview and our competitive advantages in the mainstay medical field. In addition, the CFO discusses Olympus’ financial strategy for becoming a truly global medtech company.

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12 Overview
20 Message from the CFO
Olympus was born in 1919 with the purpose of manufacturing gastrocameras domestically. The Company succeeded in developing the world’s first practical gastrocamera roughly 30 years later. For 100 years from the delivery of its first product, Olympus has continued to create new value for society.

Overview

Our History

1919–1950s

From the Founding of Olympus and the Path to Business Modernization

1919 Established Takahito Sinzaya to manufacture microscopes in Japan
1921 Registered Olympus as a company name
1929 Name changed to Olympus Optical Co., Ltd. Company listed on Tokyo Stock Exchange (TSE)

1950 Developed world’s first practical gastrocamera

1955 Established Olympus Optical Co., Ltd.

1956 Acquired German rigid endoscope manufacturer Winter & Ibe GmbH in Darmstadt

1964 Introduced GTF camera business

1965 Introduced first half-size SLR camera, PEN-F

1967 Launched Olympus’ first biopsy scope and endoscopy devices

1968 Launched Olympus’ first endoscope

1970 Launched LUCERA, the world’s first HD endoscopic system

1973 Developed world’s first medical surgical endoscopic field

1978 Launched EVIS LUCERA II surgical endoscopy system

1982 Introduced video system

1987 Expanded business into the surgical endoscope manufacturer Winter & Ibe GmbH in Germany

1990–2010

Evolution as an Integrated Optical Manufacturer and Expansion of Overseas Sales Networks

1984 Established Olympus Europe

1985 Developed world’s first industrial-use endoscopic camera

1986 Pioneered Olympus model LPS-I, the world’s first submersible medical endoscope

1987 Expanded sales to Europe and established European sales companies

1988 Acquired image processing technology from Sony Corporation

1990 Established Tokyo National Hospital

1997 Acquired Celon AG Corporation

1999 Announced corporate transformation plan, Transform Olympus

2002 Acquired Image Stream Medical, Inc., a Medtech Company

2004 Introduced VANTA, a handheld X-ray analyzer

2006 Launched 3D laparoscopy system

2007 Launched VISERA ELITE surgical endoscopy system

2011–2015

Unveiled “Back to Basics” Slogan and Began Shifting Resources to Medical Field

2011 Diversified its product and capital alliance with Sony Corporation

2012 Appointed new management team

2013 Deferred recording of past losses discovered

2014 Acquired Image Stream Medical, Inc., a Medtech Company

2015 Acquired Image Stream Medical, Inc., a Medtech Company

2016–2018

Transition from Stage of Reconstructing Management to Stage of Sustainable Growth and Development

2016 Increased production capacity (completed construction of new buildings at medical equipment development and production sites (Alice, Shinkawa, and Aomori) in the United States)

2017 Launched EVIS EXERA III endoscopy system

2018 Introduced new Corporate Philosophy

2019–

Aiming to Become a Truly Global Medtech Company

2019 Announced corporate transformation plan, Transform Olympus

2020 Launched EVIS XL, next-generation gastrocamera endoscopy system

Scientific Solutions and Imaging Products

1920 Launched first microscope

1935 Launched Asahi 600x microscope

1963 Launched the Olympus Pen F, the world’s first half-size SLR camera

1966 Launched Olympus Corporation

1967 Launched Olympus’ first industrial-use microscope

1969 Launched Olympus’ first video microscope

1980 Launched the first industrial-use microscope with autofocus functionality

1990 Launched the first Olympus microscopes

1993 Launched the first Olympus microscopes

2000 Introduced first Olympus microscopes

2006 Introduced first Olympus microscopes

2013 Launched first LRF-P2

2016 Launched PXL-NX industrial videoscope

2019 Launched VISERA ELITE surgical endoscopy system

2019 Launched VISERA ELITE II surgical endoscopy system compatible with 3D and 4K observation functions

2020 Launched VISERA ELITE II surgical endoscopy system compatible with 3D and 4K observation functions

Development of Endoscopic Surgery

1998 Developed world’s first eyepiece device

2006 Introduced first Olympus endoscopy system

2007 Introduced video system

2009 Developed world’s first endoscopic non-destructive testing instrument

2010 Introduced first Olympus endoscopy system

2011 Introduced first Olympus endoscopy system

2013 Introduced first Olympus endoscopy system

2016 Introduced first Olympus endoscopy system

2019 Introduced first Olympus endoscopy system

2020 Launched EVIS XL, next-generation gastrocamera endoscopy system
The Scientific Solutions Division provides microscopes which Olympus has been manufacturing since its inception. These microscopes are used in various fields, whether for conducting blood tests or pathological examinations related to cancer diagnosis in hospitals and other facilities, assisting advanced research in the life science and medical fields, or performing quality control on manufacturing lines. Furthermore, the industrial videoscopes and ultrasonic flaw detectors offered in this division are used in inspections and examinations underpinning the safety of social infrastructure.

The Imaging Division provides Olympus brand cameras, which boast unparalleled image quality realized through world-leading lens processing technologies and have won the hearts of photographers around the world. We continue to introduce the world to such unique cameras as our compact, lightweight mirrorless cameras and our Tough series of dustproof, waterproof cameras that are ideal for outdoor use.

In Others, we provide filler material for artificial bone and other biomaterials. In addition, this segment is responsible for seeking out new businesses and conducting R&D activities in relation to such businesses. To develop future pillars supporting the Company, we are searching for new business opportunities and advancing R&D and discovery activities for acquiring technologies.
Olympus provides two kinds of value, through Early Diagnosis, particularly in terms of gastrointestinal endoscopes, and Minimally Invasive Treatment with emphasis placed on surgical products. Through this, we hope to contribute to improvements in the quality of life of patients while also helping to address the worldwide trend of rising healthcare costs.

**Early Diagnosis**
- By incorporating technology aimed at improving the quality of lesion detection, diagnosis, and treatment, as well as examination efficiency, gastrointestinal endoscopes, which are one of Olympus’ mainstay products, contribute to the early detection of lesions from gastrointestinal diseases such as cancer.
- Gastrointestinal endoscopes enable various procedures to be conducted, including the removal of suspicious lesions detected in pathological examinations, extracting accidentally ingested foreign objects, and removing polyps.

**Minimally Invasive Treatment**
- Olympus’ surgical endoscopes are used for laparoscopic surgery, which offers a variety of benefits. This type of surgery does not require large abdominal incisions, so unlike conventional open abdominal surgery, patients are expected to feel relatively little post-surgical pain, spend shorter times in hospital and return to normal life more quickly.

**Examples of laparoscopic surgical equipment**
- **Trocars / Trocar sheaths**
  - Used to create a small incision in the abdomen for inserting the scope, forceps, or other instruments.
- **Multiple energy devices**
  - Integrated surgical device with advanced bipolar and ultrasonic energy.
  - Includes devices such as laparoscope with distal and bending section, Electrosurgical Device, Forceps, Surgical Endoscopes.

**Examples of early diagnosis of lesions with gastrointestinal endoscopes and minimally invasive treatment with endotherapy devices**
- **Video Endoscope System**
  - LCD monitor
  - Scope
  - Suction valve
  - Air / water valve
  - Instrument channel port
  - Endotherapy Devices
    - Angulation control knob
    - Adjusts the angle of the scope tip to view the interior of stomach.
    - Light guide lens
    - Supplies water for cleaning the objective lens and air to inflate the stomach.
    - Objective lens
    - Image sensor
    - Captures color images of the stomach interior via objective lens.
    - Instrument channel outlet
    - Instruments for collecting tissue or performing procedures enter through this channel as well as suction.

**Used in Organs**
- Esophagus
- Stomach
- Colon
- Duodenum

**Scope Types**
- **Flexible Endoscopes**
  - Suitable for examination and treatment of internal organs by utilizing the flexibility of the insertion tube and distal end to insert the scope through the mouth or nose, for example.

**Hospital Department**
- Gastrointestinal surgery
- Bronchial surgery
- Urology
- ENT
- Gynecology
Our Market Share

Endoscopic Solutions Division

Gastrointestinal Endoscopes

"More than 70%"

Gastrointestinal Endoscopes

FUJIFILM
HOYA

Market Scale (Growth Forecasts)
¥350 ~ ¥370 billion
(CAGR: 4~6%)

Surgical Endoscopes

STOPZ
Storz
Richard Wolf
Arthrex

Market Scale (Growth Forecasts)
¥260 ~ ¥290 billion
(CAGR: 2~4%)

Therapeutic Solutions Division

GI-Endotherapy

Boston Scientific
Cook Medical

~25%

Market Scale (Growth Forecasts)
¥300 ~ ¥350 billion
(CAGR: 5~7%)

ERCP*1 and ultrasound products
(Balloon with knife)

Single-use aspiration needle

Laser and stone disposables

Flexible cystoscope

Urology

Boston Scientific
Cook Medical

~20%

Market Scale (Growth Forecasts)
¥300 ~ ¥350 billion
(CAGR: 5~7%)

EFCP™ and ultrasound products
(Balloon with knife)

Hemostasis and stricture dilation
products (Hemostasis clip)

Resection electrodes

Flexible cystoscope

Other Therapeutic Areas

Johnson and Johnson
Medtronic

~30%

Market Scale (Growth Forecasts)
¥30 ~ ¥45 billion
(CAGR: 8~11%)

EMR and ESD*2 products
(Knife, snare)

Resection electrodes

Flexible hysteroscope

Note: Market share, market scale, and growth forecast information for this page come from the Company’s research. Market share and market scale are as of March 31, 2020. Growth forecasts are projected for the fiscal year ending March 31, 2020 through March 31, 2023.

*1 ERCP: Endoscopic Retrograde Cholangiopancreatography
*2 EMR: Endoscopic Mucosal Resection
*3 ESD: Endoscopic Submucosal Dissection

*3 THUNDERBEAT™ Bipolar & ultrasonic generators™
*4 THUNDERBEAT™ for laparoscopic surgery and open surgery
Message from the CFO

“We are transforming into a global medtech company through long-term oriented resource allocation.”

Chikashi Takeda
Executive Officer and Chief Financial Officer

Review of Fiscal Year 2020

Looking at the results for fiscal year 2020, the effects of the COVID-19 pandemic were seen in the fourth quarter, but we finished the year with increased revenue and profit, consolidated revenue having increased 0.4% year on year to ¥797.4 billion, while operating profit surged by 195% to ¥83.5 billion. On an organic basis, excluding any foreign exchange impact, consolidated revenue grew 4% year on year, and operating profit was up 232%.

In terms of consolidated revenue, the medical field, which combines the Endoscopic Solutions Division and the Therapeutic Solutions Division, achieved record high revenue for three consecutive years and led overall revenue. In the medical field, sales of gastrointestinal endoscopy systems were particularly strong in China, and sales increased by 22% on an organic basis, excluding the effect of foreign exchange, compared with the previous fiscal year. We aim for high growth in China going forward. There was a significant increase in profit compared with the previous fiscal year, as in addition to the optimization of expenses, which included those for R&D, sales promotion, and travel, there were none of the extraordinary items (loss related to securities litigation, the restructuring costs for the Imaging business’ manufacturing subsidiary, etc.) that had been incurred under other expenses in the previous fiscal year.

Although the results visible in the financial statements are still limited, we conducted a number of initiatives under Transform Olympus to optimize costs and improve operational efficiency. We have selected over a thousand themes, but here I would like to take this opportunity to introduce two finance function initiatives.

The first is the setup of a global cash management system. We have established a global cash pooling system by strengthening and expanding cash pooling, which had previously been concluded in each region, and consolidating funds in a financial subsidiary (Olympus Global Treasury Services Limited) located in the United Kingdom. Taking advantage of this mechanism, we have also introduced settlement netting for intragroup transactions among Japan, the United States, and Europe. As a result of these moves, “borders” will be removed in terms of cash, and we can expect strengthening of capital efficiency and financial management.

The second initiative is the setup of a framework and organization that will carry out procurement activities globally. We will also install a range of tools to completely change the way we purchase and manage inventory. In the United States, and Europe. As a result of these moves, “borders” will be removed in terms of cash, and we can expect strengthening of capital efficiency and financial management.

Ensuring Liquidity on Hand

Financing for the coming year. To ensure the necessary working capital, we then issued ¥60 billion in commercial paper by the end of the March and raised ¥150 billion in long-term funds from April onward. This financing has enabled us to continue supplying our products and services to the patients and healthcare professionals who need them as well as to secure future business opportunities.

Next, we conducted a review of expenditures on a zero basis to ensure operating cash flow even in a business environment that we were expecting would be harsh.

Global Cash Management System

From April 2020 Expanding cash pooling to a global level

Global cash pooling

Cash pooling between Japan and China

Local pooling

Group companies in each region

Global Cash Pooling System

From April 2020 Expanding cash pooling to a global level

Olympus Global Treasury Services Limited

USD

JPY

EUR

USD

USD

Japan

Europe

United States

China

Purpose

Ensuring Liquidity on Hand

FY2023 Financial Guidance and Supporting Financial Indicators

FY2023 Targets

Operating margin*1

Free cash flow growth*1

ROIC*2

EPS growth**

> 20%

> 25%

> 20%

> 20%*2

*1 Adjusted for extraordinary items
*2 CAGR from FY2020

Response to COVID-19 and Moving toward Achievement of Financial Guidance for Fiscal Year 2023

We shared some financial targets in the corporate strategy announced in November 2019. In the current fiscal year ending March 31, 2021, which is the first year for promoting various activities toward these targets, we started by responding to the unprecedented situation of the COVID-19 pandemic. In addition to revise the annual business plan, which had been temporarily formulated in mid-March 2020, we undertook initial measures by focusing on two points: ensuring liquidity on hand and strictly controlling expenditures. With regard to ensuring liquidity on hand, we performed financial simulations on the assumption that the impact of COVID-19 on business performance would continue for the coming year. To ensure the necessary working capital, we then issued ¥60 billion in commercial paper by the end of March and raised ¥150 billion in long-term funds from April onward. This financing has enabled us to continue supplying our products and services to the patients and healthcare professionals who need them as well as to secure future business opportunities.

Next, we conducted a review of expenditures on a zero basis to ensure operating cash flow even in a business environment that we were expecting would be harsh. Each
Message from the CFO

Olympus Integrated Report 2020

Maximize Corporate Value and Shareholder Value through Resource Allocation

I think that the most important mission of a CFO is resource allocation. A CFO must optimally allocate the resources that a company has at its disposal and maximize its corporate value. Olympus’s business is characterized by the fact that, while product development (investment) takes time, we can expect the effect of these returns to span several years. For that reason, investment evaluations from a medium- to long-term perspective are important. Also, an important requirement in discussing and considering where and how much to allocate is that the analysis methods and evaluation criteria be unified. Of course, it goes without saying that you need to have a good understanding of projects.

Under the corporate strategy, in addition to the financial guidance of “operating margin of over 20%,” return on invested capital (ROIC), cash flow, and earning per share (EPS) have also been adopted as supporting financial indicators. In particular, ROIC is positioned as a major indicator for us to distinguish our company from our competitors, the system emphasizes a shared interest. Linking management compensation to TSR, which compares our stock price performance compared with those of our competitors and investors. To fill a gap between stakeholders’ demands and our disclosure in the months and years to come, we will, for example, further expand the disclosure of information on product pipeline that are the growth drivers for a medtech company. In that sense, it is a resource of which I am particularly aware.

Optimal Capital Structure Policy

With regard to capital structure, I aim to optimize the cost of capital. In 16CSP, the previous medium-term management plan, we set an equity ratio target figure of 50% or more. This took into consideration the risks that were present when 16CSP was formulated, and I think it was the required level at that time. At the present time, however, the risks that we had at that time have been eliminated, and underpinned by the solid Endoscopic Solutions Division, so we now expect the generation of a stable operating cash flow. I think it is time to focus on exercising leverage and move to management policies that give more consideration to the optimization of capital costs.

Specifically, we will pursue a balance between financial soundness and capital efficiency while remaining aware of the importance of taking both into consideration. For example, further expand the disclosure of information on product pipeline that are the growth drivers for a medtech company, and, at the same time, more actively engage in dialogues with all relevant parties in the capital markets.

Meeting Shareholder Expectations by Growing the Business

I think that what shareholders and investors expect from us is to invest in the business opportunities that only Olympus can, to deliver innovative solutions that benefit patients, healthcare professionals, payors and providers and to achieve returns. The top priority is investing in business. We would like to grow our business and meet the expectations of our shareholders.

As a guide, the total return ratio is being maintained at 30% until fiscal year 2021. We will pay dividends in a stable and continuous manner. With regard to the buyback, we will actively consider any surplus funds after having secured a certain amount of liquidity on hand for working capital and investment.

We are currently considering the future direction of shareholder returns so that they will be at a level commensurate for the type of global medtech company to which we aspire.

Management Team Evaluations Are Judged by the Market

I believe that management evaluations are what the market judges, or in other words, what appears in the stock price. In the executive compensation system newly introduced this year, the ratio of long-term incentives to compensation has almost doubled, and Total Shareholder Return (TSR) has been adopted as one of the evaluation indices for long-term incentives. Shareholders choose to invest in our company from among a variety of investment targets in the market, and our stock price performance compared with those of our competitors also leads to profit for our shareholders. By linking management compensation to TSR, which compares us to competitors, the system emphasizes a shared interest.

Working so that the stock price evaluates at a proper value is one of the CFO’s missions. We may not be fully conveying its value to our shareholders. It is possible that we are not ascertaining the matters of concern and interest to our various stakeholders, such as shareholders and investors. To fill a gap between stakeholders’ demands and our disclosure in the months and years to come, we will, for example, further expand the disclosure of information on product pipeline that are the growth drivers for a medtech company and, at the same time, more actively engage in dialogues with all relevant parties in the capital markets.
This chapter focuses on our corporate strategy announced in November 2019 and reviews its progress. Olympus aims to become a truly global medtech company through implementing this strategy.

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We strive to realize better health and happiness for people by being integral members of society, sharing common values, and proposing new values through our business activities.

As a leading global business, Olympus is committed to nurturing world-class corporate responsibility. We are proud to have provided significant value to society for more than 100 years, making people’s lives healthier, safer and more fulfilling around the world through our innovative range of products and services.

In particular, we have delivered benefits to the global healthcare community with solutions that have improved clinical outcomes for patients, boosted the quality of life and patient experience, and created economic value throughout the medical and scientific communities.

By taking a proactive approach to Environmental, Social and Governance (ESG) perspective, we believe we can play an essential role in helping to create a sustainable society. In doing so, we will also improve our economic value and fuel sustainable growth.

**ESG Engagement**

To better understand ESG considerations most relevant to the organization and identify the material topics, we regularly engage with a diverse selection of internal and external stakeholders. These include our customers, employees and their families, shareholders and investors, suppliers, communities, as well as the international governments and regulators.

As a result of these comprehensive discussions, we were able to extract six important ESG areas pinpoint four distinct ESG topics on which we focus:

**We will Actively Engage on Six ESG Areas:**

1. Corporate governance
2. Economic sustainability
3. Product sustainability
4. Environment
5. People
6. Society

**Olympus will Focus on Improving:**

- Healthcare access and outcomes
- Compliance, product quality and safety
- Responsible supply chain
- Diversity and inclusion

**STEP 01**

- Creating a list of candidate issues

**STEP 02**

- Verification of the importance of each element from inside and outside perspectives

**STEP 03**

- Derivation of ESG items
- Identified 4 ESG topics

**STEP 04**

- Collect opinions of external experts and extract 6 important ESG areas

We strive to provide medical information and educational opportunities for early detection and treatment of diseases to people globally. We also support disease awareness through social campaigns, including cancer awareness initiatives, broadly to the many local societies across the world.

Meanwhile, we are active in providing hands-on training opportunities for physicians, surgeons and other healthcare professionals in both urban and rural areas. Our support is made possible by our strong connections with medical societies and healthcare professional groups in local communities, and through our ongoing and wide range of educational grants.

In April 2020, we established a new Medical and Scientific Affairs department and appointed Dr. Ross D. Segan, MD, MBA, FACS, as Chief Medical Officer to lead the unit. You can read more about Dr. Segan on page 28.

**Compliance, Product Quality and Safety**

We are committed to a robust corporate compliance program, and we are focused on maintaining rigorous levels of product safety and quality across the entire value chain. To support this, we employ a set of rigid internal rules to ensure we are compliant with regulators in each of the jurisdictions in which we operate. Through regular training and a culture of transparency, we seek to build greater awareness of the subject for all our stakeholders.

**Healthcare Access and Outcomes**

We believe that by promoting diversity and inclusion across the organization, we are creating a more engaging, competitive and innovative business. In doing so, we provide meaningful employment for a diverse workforce—irrespective of sex, disability, nationality, or race—enabling us to thrive professionally and grow sustainably.

To support this, we are active in providing training for employees in unconscious bias and collaborating with other businesses around the world to nurture best practice.

**Responsible Supply Chain**

By ensuring responsible and robust supply chain management (SCM), we foster sustainable value creation across the entire organization. Our systems and standards address environmental and social problems, including human rights, throughout our supply chain.

We strive to create and strengthen our relationships with suppliers by working in a fair, just and transparent way. We also continuously monitor and enhance product sustainability to benefit all parties.

**Diversity and Inclusion**

We believe diversity and inclusion are essential to our success. By fostering a diverse and inclusive culture, we can attract and retain top talent, create innovative solutions, and make our business more resilient. We are committed to promoting diversity and inclusion across our organization and have implemented various initiatives to support our goals.

**OCA’s Colleague Affinity Networks (CANs)**

Special interest group activities, which celebrate our commonalities and increase our understanding of our differences.

**Work-life balance and employee welfare initiatives**, such as comprehensive health benefits for employees globally, including special support for those with medical, parental, and social needs.
Meet the Chief Medical Officer

Dr. Ross D. Segan, MD, MBA, FACS, was appointed as Chief Medical Officer for Olympus in April 2020. A seasoned clinician with a solid international reputation, he took up his global role at a critical time in Olympus’ transformation, as the company strives to become a leading global medtech player. Here he talks about his new role and how Olympus is evolving as a leading global medtech company.

What is Medical and Scientific Affairs (MSA)?

MSA is a global, integrated group of critical professional capabilities across the following areas: Medical Sciences & Patient Safety, Clinical Research Sciences, Professional Affairs, Professional Education, Health Economics, Policy & Market Access, Healthcare Provider Grants & Contracting, and Infection Prevention & Control.

We serve patients, Olympus and each other by bringing our medical, scientific and professional capabilities to help ensure we deliver a portfolio of products and solutions that provide benefit to the global healthcare community by meaningfully and measurably:

- Improving the most important clinical outcomes for patients
- Improving quality of life and the patient experience
- Creating economic value for patients and the healthcare system

We will always advocate from the patient’s point of view and base that advocacy on validated science, supported with evidence and delivered with sound judgment.

Tell us a bit about yourself and your background.

I first encountered Olympus medical devices early in my career as a surgeon in the military. I was excited about the ability to perform minimally invasive procedures because even at that early stage the benefits were clear—faster recovery time, lower risk of infection and less time in hospital, which not only reduces cost but also frees-up recovery time, lower risk of infection and less time in the healthcare environment following hospitalization.

One of the ways we are helping to do this is through the enormous progress we have made in providing virtual consultancy, service and training. More healthcare providers joined virtual trainings and webinars than we would have otherwise reached via physical face-to-face training. Over 112,000 doctors participated in 430 training sessions globally in April and May. I am looking forward to building on the opportunities we can provide in this area.

What changes have you seen in the healthcare environment following COVID-19?

There have been so many—and some of the changes will have a lasting impact on the way we all interact with the healthcare system. One of the biggest considerations for me is how we help our partners to tackle the enormous backlog of procedures that were canceled or postponed as a result of the pandemic.

One study by the British Journal of Surgery estimates that more than 28 million procedures were postponed worldwide over a 12-week period since COVID-19 was declared a pandemic. While this helped to minimize the risk of infections and freed up resources, the risk now is that we will have a surge in undiagnosed cases of diseases like colon cancer and other related conditions. That is why it is so important that elective procedures get back on schedule.

How do you see Olympus developing as one of the world’s leading medtech companies?

We have an unrivalled history of product innovation and I’d like to continue to build on that. As we continue to broaden our portfolio of products and solutions to meet more challenging unmet needs, it will enable us to bring greater value to even more patients and support healthcare systems worldwide.

To my mind there has never been a more exciting time in the medtech industry. There has been a seismic shift in the way companies are operating. Historically, the focus for medtech has always been on engineering excellence, harnessing the latest innovations in imaging and technology to bring benefit to patients. Around the globe, health authorities are demanding ever-increasing levels of objective evidence regarding safety and effectiveness of our products. Also, objective measures demonstrating differentiation and value against important unmet needs are required for physician adoption, reimbursement and pricing. Decision-making is increasingly influenced by economic buyers at the provider and government level.

In this competitive environment, the need has never been greater for effective collaboration with researchers and clinicians as well as the availability of high-quality education and training. Most global medtech companies can move the research and development function very fast, and can do effective strategy and portfolio management across its businesses. The way we are operating has made great progress towards those, but we still have opportunities to be stronger.

To be a leader in the medtech space, you have to be number one or two in the markets you serve. I am delighted that Olympus is number one in the endoscopic field, and I am confident we can also achieve a similar lead across a broader portfolio to ensure our long-term success.

I am excited by the opportunities we have before us and very glad to be a small part of a dynamic, high-performance organization that thrives on challenge and has a clear strategic focus.

What is your plan to pursue your strategy across the group?

The most important thing for me is that we will ensure a proactive, patient-centered risk management and patient safety approach across Olympus.

Secondly, we will generate and disseminate high-quality clinical and scientific insight. The world is best served when we can objectively measure the value we create, and that comes from the skill sets necessary to generate and disseminate valid scientific evidence.

Finally, we need to identify unmet medical needs and use those insights for shaping our portfolio, business strategy and decision-making.

Why do you feel ESG is important to Olympus?

ESG is critical for every business, no matter which sector they operate in. From our point of view, and as we are a significant force in the healthcare sector, let me put it this way: ESG is a measurement of our vital signs. Being a responsible business that is committed to creating long-term, sustainable value for all our stakeholders is about ensuring we are doing everything we can to deliver best practice when it comes to the environment, society, and how we run our organization. Our commitment to continuously monitor and improve ESG issues reflects on our reputation and signals to our customers that they can trust and rely on the products and services we provide.

For a Sustainable Society and Company Development
Four Key Components of Our Corporate Strategy

Progress of the Four Key Components

“Our aspiration is to become a globally-leading medtech company contributing to people’s lives by delivering innovative solutions that benefit patients, healthcare professionals, payors and providers.” This is Olympus’ strategic aspiration under the corporate strategy, which aims to achieve an operating margin of over 20% for the fiscal year 2023. To achieve this target, we are promoting various initiatives.

**A Focus Our Corporate Portfolio**

**Concentrating Management Resources in Medical Field**

Olympus is aiming to grow into a truly global medtech company. Through continuous reassessment of our portfolio based on our corporate strategy, we will focus on investments in corporate resources for our growth area of medical. In our scientific solutions division, our policy will be to maintain firm control of profit from continuing operations.

**Divestiture of Imaging Business**

Olympus initiated the process to split off the Imaging business and transfer it to a special purpose company managed and operated by Japan Industrial Partners Inc., and a final agreement was concluded on September 30, 2020. Olympus’ Imaging business began with the manufacture and sale of a camera using the photographic lens Zuiko in 1936. Olympus has developed and launched various products, aiming to contribute to make people’s lives more fulfilling. In recent years, finding itself engulfed by the extremely severe digital camera market, Olympus had made efforts to improve profitability by creating a structure that could continue generating profit. Despite all these efforts, Olympus’ Imaging business recorded operating losses for three consecutive fiscal years up to the period ended March 2020. Under such circumstances, Olympus considers that, by carving-out the Imaging business and by operating the business with JIP, the Imaging business’s corporate structure will become more compact, efficient and agile and it is the most appropriate way to realize its self-sustainable and continuous growth and to bring values to the users of our products as well as our employees working in the Imaging business. Olympus is aiming to complete the divestiture on January 1, 2021.

**Transfer of Norwalk Facility in United States**

The Norwalk facility in the United States is one of the manufacturing sites for therapeutic devices under Olympus Surgical Technologies America. On August 6, 2020, an agreement was concluded with Nissha Co., Ltd., on the transfer of the Norwalk facility to Nissha Medical Technologies (NMT), a wholly owned subsidiary of Nissha. Under the contract, the transfer of the facility to NMT is scheduled to be completed by the end of December 2020. Olympus is moving forward with Transform Olympus, a multi-faceted plan aimed at making changes for sustainable growth as global medtech company. This transfer concerning our manufacturing functions is part of the overall efforts to optimize our global organizational structure. Production of the medical devices for urology and gynecology and components for therapeutic medical devices will remain at the Norwalk facility. Employees will become members of NMT.

Moving forward, we will partner with NMT, whose strengths lie in contract design and manufacturing of medical devices, as we undertake to provide high-quality products that meet the needs of our customers.
Four Key Components of Our Corporate Strategy: Component B

Further Strengthen Leadership in Endoscopy

We aim at creating innovative ‘see and treat’ endoscopy solutions that support the quadruple aim and optimize health system performance.”

Hironobu Kawano (left), Frank Dreawalowski (right)
Co-heads of Endoscopic Solutions Division

Operating Environment / Priorities for Business Growth

S Strengths

- More than 10% share of global gastrointestinal endoscopic market
- Technological capabilities that led to development of world’s first practical gastroscope and have continued to lead innovation, such as NBI/FEAR/EDOF
- Network of approx. 200 repair and service sites worldwide
- WC-1, and other products differentiated with high resolution and quality for surgical imaging
- Manufacturing techniques that realize high-mix, low-volume production
- Strong integrated system solution around all endoscopic needs
- Comprehensive training facilities and programs

W Weaknesses

- Position as follower in surgical imaging field after European and U.S. companies
- Limited systems for acquiring clinical evidence on medical and economic benefits
- Strong reliance on in-house innovation

O Opportunities

- Growing healthcare awareness, rising demand for early diagnosis due to spread of cancer prevention enlightenment
- Insufficient number of physicians trained in endoscopic procedures and space to improve medical techniques in emerging countries
- Rise in illness cases due to aging populations
- Increased demand for the commercial model toward procedure-based offerings
- Market of single-use endoscopes with significant growth
- Demand of AI/CAD technology from market
- More stringent cleaning, disinfection and sterilization requirements

T Threats

- Strengthening medical equipment regulations worldwide
- Downward pressure on selling prices due to increased influence of GPOs and 3rd parties
- Appearance of overseas rivals due to reorganization of medical equipment industry
- Erosion in the reusable endoscope market in line with growth in the disposable endoscope market
- More stringent cleaning, disinfection and sterilization requirements

Priorities for Business Growth

- Maintenance of endoscope market share and improvement of profitability
- Establishment of new de facto standard in surgical endoscopic market
- New products in single-use endoscope
- Evolve the commercial model of endoscopes (from high value-based payment)
- Contributions to development of endoscopic medicine

Target and Measures (FY2021–FY2023)

Consolidate Leadership in Reusable Endoscopes

- Maintain Leadership in Reusable Endoscopes
- Build value proposition by clinical evidence to demonstrate the positive impact of new Olympus product features on the quality of endoscopic diagnosis
- Continue to grow the pool of qualified HCPs in underpenetrated high-growth markets

Complement Portfolio with Single-Use Endoscopes

- Prioritizing Focus Areas
- Target scopes for duodenal, biliary duct and urinary duct
- Strategic investment in R&D and manufacturing for single-use endoscopes

Evolve the Commercial Model of Endoscopes

- Initiate trials of evidence or procedure-based payment models for targeted products and regions
- Scale up pilot programs of wrap-around services

Future Priority Measures

- Complement our portfolio with single-use endoscopes to provide a comprehensive set of product offerings
- Evolve the commercial model towards service-based and procedure-based offerings
- Enable cloud based data collection from wide range of installed devices for improved service contract offers
- VISERA ELITE II launch in the United States and China market

Revenue Growth CAGR

<table>
<thead>
<tr>
<th>Results</th>
<th>FY2019</th>
<th>FY2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>(%)</td>
<td>6.7</td>
<td>6.4</td>
</tr>
<tr>
<td>(¥ Billion)</td>
<td>489.4</td>
<td>425.7</td>
</tr>
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Chapter 02
Business Strategy

Introduction of Next-Generation EVIS X1 Endoscopy System

The launch of the EVIS X1 system further strengthens Olympus’ leadership in endoscopy, as the Company aims to continue contributing to society by making people’s lives healthier, safer and more fulfilling.

Olympus launched the EVIS X1 endoscopy system in EMEA, Australia, India and Hong Kong in April 2020 and commenced sales in Japan in July 2020. Our most advanced endoscopy system to date, EVIS X1 has undergone a model change from the previous EVIS EXERA III and EVIS EXERA series, while the ultra high-magnifying Endocytoscope was available only with the LUCERA series. This makes it possible for physicians to use scopes that were not previously available in their regions and had been deployed to other regions. For example, the PowerSpiral small intestine endoscope system was available only with the EXERA series, while the ultra high-magnifying Endocytoscope was available only with the LUCERA series. This is because we selected the products to introduce to meet the different needs of each region. However, to meet endoscopists’ needs, which have been diversifying in recent years, we will develop a rich product portfolio based on a globally unified platform.

EVIS X1

Olympus has been developing technologies that contribute to improving the quality of endoscopy, such as narrow band imaging (NBI). This time, we have developed three new imaging technologies that support the provision of new diagnoses and treatments: Texture and Color Enhancement Imaging (TXI), Red Dichromatic Imaging (RDI), and Extended Depth of Field (EDOF). Going forward, we will strengthen activities to pursue clinical usefulness by adapting these technologies to each stage, such as detection, characterization, staging, and treatment. Specifically, we will use TXI for detection and the combination of EDOF and NBI for characterization and staging, as the gold standard procedure to contribute to endoscopy medical services around the world.

Creating Clinical Value with the New Features of EVIS X1

EVIS X1 is a system that achieves global integration while maintaining compatibility with existing systems. Olympus provides a wide variety of scopes by maintaining compatibility with scopes developed for existing endoscopy systems, in addition to the special scopes for EVIS X1, by utilizing the globally unified platform of EVIS X1. This makes it possible for physicians to use scopes that were not previously available in their regions and had been deployed to other regions. For example, the PowerSpiral small intestine endoscope system was available only with the EXERA series, while the ultra high-magnifying Endocytoscope was available only with the LUCERA series. This is because we selected the products to introduce to meet the different needs of each region. However, to meet endoscopists’ needs, which have been diversifying in recent years, we will develop a rich product portfolio based on a globally unified platform.

HISTORY

Through the introduction of EVIS 1, our first production model, we found that the needs of endoscopists differ by country. We have subsequently been meeting the needs of each country with two systems: the 100 series, which prioritizes real-time images and the reproduction of smooth and natural movements; and the 200 series, which prioritizes color reproducibility and the highest quality still images. The EVIS X1 is a model that meets these needs in one product.

1985

EVIS 1

Introduction of First Olympus Video Endoscopy System*1

*1 A video endoscope is a system whereby a charge-coupled device (CCD) is used to convert images into electrical signals transmitted to the monitor. The video camera was connected to the monitor while looking at the endoscope.

1989

EVIS 100/130 series

Introduction of 100/200 Series Equipped with Different Image Sensors to Meet Local Needs

100 Series: Simultaneous method

Excellent real-time images, smooth, and natural movements reproduced

200 Series: Sequential-frame method

Excellent image reproducibility, high-quality still images

2006–2007

100 Series EVIS EXERA II

200 Series EVIS LUCERA SPECTRUM

Introduction of Image-Enhanced Endoscopy (IEE) with Spectroscopic Imaging Technology

• Narrow band imaging (NBI)

• Autofluorescence imaging (AFI)

2010–2012

100 Series EVIS EXERA III

200 Series EVIS LUCERA ELITE

• IEE: NBI with enhanced brightness

• Improved optical technology (magnified imaging)

• Evolution of operability technologies

STRATEGY

Developing a Rich Product Portfolio Based on a Globally Unified Platform

EVIS X1 is a system that achieves global integration while maintaining compatibility with existing systems. Olympus provides a wide variety of scopes by maintaining compatibility with scopes developed for existing endoscopy systems, in addition to the special scopes for EVIS X1, by utilizing the globally unified platform of EVIS X1. This makes it possible for physicians to use scopes that were not previously available in their regions and had been deployed to other regions. For example, the PowerSpiral small intestine endoscope system was available only with the EXERA series, while the ultra high-magnifying Endocytoscope was available only with the LUCERA series. This is because we selected the products to introduce to meet the different needs of each region. However, to meet endoscopists’ needs, which have been diversifying in recent years, we will develop a rich product portfolio based on a globally unified platform.

Chapter 02
Innovative Imaging Technologies

TXI Texture and Color Enhancement Imaging

TXI supports better visibility of potential lesions (such as areas of inflammation, flat or depressed lesions, or even tiny precursor lesions) through enhancing texture, brightness, and color to define subtle tissue differences more clearly. With its advanced imaging technology, TXI holds the potential to prevent white light in endoscopy. By supporting better visibility of potential and extant lesions, TXI aims to contribute to higher detection rates and improve qualitative diagnosis.

RDI Red Dichromatic Imaging

Gastrointestinal bleeding is a serious challenge, potentially involving considerable mortality risks and management costs. RDI enhances the visibility of deep blood vessels and gastrointestinal bleeding sources, thereby helping to identify blood vessels that could require immediate treatment. It utilizes green, amber, and red wavelengths to visualize deep blood vessels. Easier identification of bleeding spots makes hemostasis quicker and easier while potentially improving the efficiency of any corresponding treatment. This minimally invasive technology could also be expected to help reduce physician stress during endoscopic therapy.

EDOF Extended Depth of Field

EDOF combines two images at different focus distances into one perfect image to help aid diagnosis and confident decision-making. It delivers observational excellence through continuous broad focus and seamless magnification. At the same time, the established Dual Focus function provides high magnification, which can be activated by the push of a button. This improved visibility and continuously sharp image has been developed to reduce the necessity for focal adjustments and could be expected to improve efficiency and decrease the oversight rate.

TXI

- Texture
- Brightness enhancement/correction

RDI

- Texture and Color Enhancement

EDOF

- Dual Focus
- Image Wellness"
Leveraging Long-standing Relationships of Trust while Strengthening Business Foundations

In 1972, the year when diplomatic relations between Japan and China were normalized, an Olympus endoscope was first used in China, and in the almost 50 years since, Olympus has been strengthening its business base in China ahead of other companies. As we expanded our business, it was very important to increase the number of doctors who could operate endoscopes. Since endoscopes are difficult to operate and training is essential, we utilized our own training centers, supported the training of endoscopists and actively cooperated with hospitals and academic societies in the effort to make endoscopy procedures and treatment more widespread. By setting up service sites and strengthening the after-sales services, we also responded to the demand for endoscope maintenance and repair services. In the years to come, we would like to achieve growth in our business domain by continuing to strengthen these efforts.

In recent years, the market is expanding with strong growth in China. The Chinese government has implemented a variety of measures with the aim of resolving this situation. For example, according to the “12th Five-Year Plan” announced in 2011 and the “Healthy China 2030” agenda, as well as the “13th Five-Year Plan” announced in 2016, policies have been adopted for the standardization of local medical institutions, for improvements in medical standards, and to strengthen preventive medicine. In 2019, a working plan for improving the comprehensive capabilities of county-level hospitals was released. This plan aims to raise the healthcare standards of 500 county-level hospitals and 500 Traditional Chinese Medicine (TCM) hospitals to the same level as a class II hospital or class III TCM hospital. In line with this trend to strengthen preventive healthcare, new budgets have been allocated to these class II hospitals, and construction of new hospitals and capital investments are being actively carried out. As a result, Olympus sales have increased, and remarkable growth has been achieved in recent years. (Growth rate by local currency in Endoscopic Solutions Division for FY2020 +28%)

Achieved High Growth with Strong Sales to Class II Hospitals

In China, healthcare standards vary according to the classification of hospitals, and patients tend to concentrate in large hospitals, or class I hospitals. The Chinese government has implemented a variety of measures with the aim of resolving this situation. For example, according to the “12th Five-Year Plan” announced in 2011 and the “Healthy China 2030” agenda, as well as the “13th Five-Year Plan” announced in 2016, policies have been adopted for the standardization of local medical institutions, for improvements in medical standards, and to strengthen preventive medicine. In 2019, a working plan for improving the comprehensive capabilities of county-level hospitals was released. This plan aims to raise the healthcare standards of 500 county-level hospitals and 500 Traditional Chinese Medicine (TCM) hospitals to the same level as a class II hospital or class III TCM hospital. In line with this trend to strengthen preventive healthcare, new budgets have been allocated to these class II hospitals, and construction of new hospitals and capital investments are being actively carried out. As a result, Olympus sales have increased, and remarkable growth has been achieved in recent years. (Growth rate by local currency in Endoscopic Solutions Division for FY2020 +28%)

Business Strategy for the Future

In China, the early detection and treatment of gastric and esophageal cancers, which have high incidence and mortality rates, can contribute significantly to improving the quality of life of patients and reducing medical costs. Therefore, Olympus is focusing on early-stage cancer diagnosis, which has led to the purchase of high-end equipment for Class II hospitals, and believes that there is considerable room for future market growth. To meet the needs of the healthcare professionals in each region, we have launched a dedicated website for products and procedures and are strengthening the provision of online information. In the years to come, we will continue to provide consistent value, from early detection and early diagnosis with endoscopes to minimally invasive treatments by endoscopy and laparoscopy through collaboration with hospitals and academic societies.

Olympus’ Response to COVID-19

COVID-19 spread rapidly beginning late January 2020. In Wuhan, China, a hospital was built in just 10 days to accommodate COVID-19 patients. To install an endoscopy system at this hospital, Olympus dispatched employees and created an environment in which examinations and treatment could be performed with endoscopes. For the purpose of providing training suitable to the “new normal,” we are strengthening our support system so that hospital staff can receive training on the safe and effective use of equipment in a timely manner by establishing a room for online training in our training center and connecting it with hospitals.

Business Growth in Endoscopy

Driven by the Chinese Market

The Chinese market has continued to record double-digit growth in recent years. In this section, we outline Olympus’ strengths and describe the market conditions and future growth potential.

Olympus’ Strengths and Leading Position in China

In 1972, the year when diplomatic relations between Japan and China were normalized, an Olympus endoscope was first used in China, and in the almost 50 years since, Olympus has been strengthening its business base in China ahead of other companies. As we expanded our business, it was very important to increase the number of doctors who could operate endoscopes. Since endoscopes are difficult to operate and training is essential, we utilized our own training centers, supported the training of endoscopists and actively cooperated with hospitals and academic societies in the effort to make endoscopy procedures and treatment more widespread. By setting up service sites and strengthening the after-sales services, we also responded to the demand for endoscope maintenance and repair services. In the years to come, we would like to achieve growth in our business domain by continuing to strengthen these efforts.

Achieved High Growth with Strong Sales to Class II Hospitals

In China, healthcare standards vary according to the classification of hospitals, and patients tend to concentrate in large hospitals, or class I hospitals. The Chinese government has implemented a variety of measures with the aim of resolving this situation. For example, according to the “12th Five-Year Plan” announced in 2011 and the “Healthy China 2030” agenda, as well as the “13th Five-Year Plan” announced in 2016, policies have been adopted for the standardization of local medical institutions, for improvements in medical standards, and to strengthen preventive medicine. In 2019, a working plan for improving the comprehensive capabilities of county-level hospitals was released. This plan aims to raise the healthcare standards of 500 county-level hospitals and 500 Traditional Chinese Medicine (TCM) hospitals to the same level as a class II hospital or class III TCM hospital. In line with this trend to strengthen preventive healthcare, new budgets have been allocated to these class II hospitals, and construction of new hospitals and capital investments are being actively carried out. As a result, Olympus sales have increased, and remarkable growth has been achieved in recent years. (Growth rate by local currency in Endoscopic Solutions Division for FY2020 +28%)

Business Strategy for the Future

In China, the early detection and treatment of gastric and esophageal cancers, which have high incidence and mortality rates, can contribute significantly to improving the quality of life of patients and reducing medical costs. Therefore, Olympus is focusing on early-stage cancer diagnosis, which has led to the purchase of high-end equipment for Class II hospitals, and believes that there is considerable room for future market growth. To meet the needs of the healthcare professionals in each region, we have launched a dedicated website for products and procedures and are strengthening the provision of online information. In the years to come, we will continue to provide consistent value, from early detection and early diagnosis with endoscopes to minimally invasive treatments by endoscopy and laparoscopy through collaboration with hospitals and academic societies.

Olympus’ Response to COVID-19

COVID-19 spread rapidly beginning late January 2020. In Wuhan, China, a hospital was built in just 10 days to accommodate COVID-19 patients. To install an endoscopy system at this hospital, Olympus dispatched employees and created an environment in which examinations and treatment could be performed with endoscopes. For the purpose of providing training suitable to the “new normal,” we are strengthening our support system so that hospital staff can receive training on the safe and effective use of equipment in a timely manner by establishing a room for online training in our training center and connecting it with hospitals.
Reprocessing (CDS: Cleaning, Disinfection, and Sterilization) Enhancements for Reusable Medical Devices to Promote Patient and Healthcare Professional Safety

Olympus has delivered high performance medical devices across multiple diagnostic and therapeutic areas throughout its long history in endoscopy. Further, Olympus believes that advancements in endoscopic technologies play an important role in patient care. As a key component to the safe and effective use of reusable endoscopes, endoscope reprocessing is gathering more attention from regulatory authorities and hospitals owing in large part to reports of infection events associated with endoscopes. Moreover, novel bacteria and viruses, e.g., multidrug-resistant bacteria and the COVID-19 virus, have recently appeared, leading to increasing awareness of, and attention to, infection risks within the medical community. Olympus is committed to playing an important role in infection prevention and pushing ourselves to ensure that safe, effective products reach healthcare professionals.

Nothing Is More Important than the Health and Safety of Patients

Olympus’ number one priority is the health and safety of patients. Infection prevention is a critical challenge not only for healthcare professionals, but also for medical industry societies, and Olympus strives to support the entire process of endoscope reprocessing to help healthcare professionals focus on patient care. Olympus diligently works to provide maintenance service and training for customers so that our products are used safely, effectively, and as intended. Olympus continues to improve reprocessing procedures by enhancing partnerships with medical and industry societies that likewise seek to enhance product safety. Furthermore, Olympus is exploring design innovations for enhanced safety and plans to continue offering innovative and trusted products in future generations.

Sharing Information with Hospitals to Further Improvements

After the commercialization of endoscopes, Olympus conducts its own investigations and surveillance on actual usage and reprocessing in clinical environments. Olympus obtains findings for potential improvements to endoscopes and endoscope reprocessing that enable healthcare professionals to use Olympus products more safely and effectively in order to maximize patient outcomes.

For a class of endoscopes referred to as duodenoscopes, based on an order from the Food and Drug Administration (FDA), a regulatory authority in the United States, Olympus conducted thorough investigations, called post-market surveillance, on endoscope reprocessing by collaborating with 15+ hospitals from throughout the United States over the course of approximately three years, obtaining more than 2,000 samples.

Analyzing Residual Bacteria at Hospitals

The post-market surveillance study confirmed that duodenoscopes are reprocessed to a condition that is considered to be safe in most cases. Further, the analyses of residual bacteria from clinically used and reprocessed duodenoscopes that cultured positive for contamination during the study can contribute to strengthening reprocessing processes to improve infection prevention. While contamination does not mean patient infection, and there was not a single patient infection reported in the post-market surveillance study, detailed analyses revealed that insufficient cleaning was considered to be a cause of the residual contamination in more than 50% of cases.

Bring Improvements Back to Hospitals

Olympus has initiated several affirmative steps to further enhance endoscope reprocessing at hospitals. Examples include an enhanced regular maintenance service program to maintain the endoscope quality and functionality, enhanced reprocessing training to healthcare professionals, improvements on instructions for use, and development of easier-to-clean endoscopes. Olympus is committed to patient safety in endoscopy and will continue closely working with healthcare professionals to achieve our shared goal of improving patients’ lives healthier, safer.

For More Access to the Latest Duodenoscope

Olympus recently launched a new duodenoscope with a removable distal-end cover. This allows healthcare professionals to visualize and access a detailed structure at the distal-end of duodenoscopes more easily. Olympus already introduced this duodenoscope to markets in Europe, Asia, and Japan, but now can offer this in the United States as well after obtaining a 510(k)-clearance from FDA in January 2020. Although Olympus believes existing duodenoscopes can be safely used, in the interest of furthering infection prevention efforts, Olympus has initiated voluntary actions to facilitate duodenoscope upgrades to the new, easier-to-clean duodenoscope by collaboratively working with regulatory authorities in each market.
Focus and Scale Our TSD Business

Our vision is to contribute to society by making people’s lives healthier, safer and more fulfilling through customer-driven MIS therapeutic products and solutions.”

Tomohisa Sakurai (left), Gabriela Kaynor (right)

Co-heads of Therapeutic Solutions Division

Operating Environment / Priorities for Business Growth

- Increased demand for minimally invasive treatments that reduce healthcare expenses and improve patient QOL.
- Risk in procedures in both developed and emerging markets.
- Global organization managed from the United States to operate business more efficiently and improve decision making speed.
- Increased interest in endoluminal surgery, where Olympus has strong right to win.

Priorities for Business Growth

- Aligning our strategy, portfolio, commercial channels, and investments around key areas of focus where we have a right to win.
- Delivering breadth and value through clinically differentiated solutions.
- Operating efficiently to achieve profitable and sustainable growth.

Target and Measures (FY2021-FY2023)

- Expand clinically differentiated product offerings across all key categories, including ERCP*, ESD**, Sclerotherapy, and Hemostasis devices
- Become the global medtech leader in BPH, stone management & NMIBC through relevant differentiation in endoscopy, customer-focused innovation in therapeutic solutions & market development of minimally invasive treatments
- Strengthen leadership by leveraging our strong endoscopy market position to continue expansion in lung cancer portfolio across the continuum of care and capturing and growing the BLVR® (ETV) market
- Establish Olympus as a total energy solution provider. Protect and grow our laryngology, rhinology, and gynecology businesses through investing in solutions that follow market shifts towards minimally invasive procedures across the continuum of care
- Strengthen sales and market development teams across therapeutic areas
- Invest in additional clinical data and reimbursement efforts

Future Priority Measures

- Achieve sustainable growth through strategy execution, focus, and capability enhancement
- Accelerate focus and speed in expanding growth through inorganic opportunities
- Continued profitability improvements taking into account COGS, R&D investments as well as SG&A and commercial efficiencies
- Improve product development speed including on time and budget delivery through commercial launch
- Strengthen skillssets and footprint in United States
Lead in Next-Generation Minimally Invasive Surgery

Aiming to Realize Next-Generation Minimally Invasive Surgery

Practical use of minimally invasive surgery (MIS) is making rapid progress, but there is room for improvement and many unmet needs remain. To satisfy those unmet needs, Olympus will continue to innovate technologically to enhance the performance of instruments, and work toward procedure innovation through cooperation with doctors and academic societies, as part of contributing to the development of MIS.

We intend to pursue innovative product development while actively leveraging partnerships with various stakeholders, and considering acquisitions to gain access to superior technologies.

Focus on Highly Competitive GI-Endotherapy, Urology, and Respiratory-Endotherapy Areas

One year has passed since I was appointed as an outside director, and a large number of reforms are currently in progress with the aim of making Olympus a globally-leading medtech company. The Board of Directors has also discussed at length the corporate strategy that was announced in November 2019. Based on my knowledge and experience I have gained in the healthcare field, I actively provide advice on strategy and other measures to accelerate the growth of TSD. The division comprises a wide range of fields, but its corporate strategy states that its focus should be on highly competitive therapeutic areas, such as GI-endotherapy, urology and respiratory-therapy. Taking into consideration a number of factors, including market scale, market growth rate, and Olympus’ current position, we recognize the importance of focusing on these three areas for business growth. It is our belief that, in these areas, we will be able to draw on the strength of the overwhelming position in the gastrointestinal endoscope segment that Olympus has built up over many years. We have also set up a global business headquarters in the United States, the world’s largest market for therapeutic devices, as well as established the systems to carry out part of the R&D process in the United States, the world’s largest market for therapeutic devices, as well as the world’s largest market for therapeutic devices, as well as the world’s largest market for therapeutic devices.

Going Forward, We Will Further Strengthen Efforts to Improve Profitability

To deliver a consolidated corporate operating margin of over 20%, which is a target of the corporate strategy, it is essential to improve TSD's profitability while increasing its sales. A key to this effort will be increasing our R&D productivity. Olympus has a long history of innovation. In an era when regulatory requirements are increasing and customers have changing expectations, our R&D process and structure must evolve to meet these changing needs. At the same time improved process and structure can also result in faster time to market and lower costs. In the years to come, we will also expand and complement our product portfolio through collaboration and M&A with external partners while accelerating sales growth. As a result, we believe that cost of sales ratio, which we recognize as an issue, will improve and increase profitability. Olympus has been contributing to improvements in the QOL of many patients by providing value in the form of early diagnosis and minimally invasive treatments. I believe, however, that Olympus can come to the assistance of many more patients. By focusing not only on the doctor who uses the product, but also beyond that to the patient’s point of view, the speed of R&D will improve further, and will enable Olympus to launch many more high-quality products onto the global market. I am convinced that this will also lead to the growth of TSD and to Olympus making great strides toward becoming a global medtech company.

The Research and Development of the Advanced Information-Assisted Endoscopic Surgery System

Olympus is developing a digital transformation for surgery: the Advanced Information-assisted Endoscopic Surgery System*, which provides information that helps to ensure safety and consistent quality for surgery by translating the tacit knowledge of skilled physicians in the endoscopic surgery filed into data through AI analysis.

1 Information Rich Platform: Decision Assistance

Adding an information-assisted software library (Information Rich Real-time Library) created for various types of surgical and medical devices allows the endoscopic surgery system to provide visual information to the surgeons and to enable the support of medical teams. Depending on the progress of each surgery, risk factors such as anatomy, blood vessels, tumor position, anatomic landmarks, and bleeding will be displayed using AI and other related technologies. Critical information during the surgery can be shared among the medical team.

2 Autonomous View Control: Visual Field Control Assistance

In accordance with the surgeon’s progress and the operation’s imaging estimated by the Information Rich Platform, this system will autonomously control endoscopes using AI and other related technologies to secure the visual field that makes it easier for surgeons to conduct surgery.

3 Active Device Control: Surgical Device Control Assistance

This system collects information on the treatment and access to the treatment area during surgery, along with information on surgical progress and the types and conditions of tissues, which are estimated by the Information Rich Platform.

This enables the optimal strength and energy output of surgical devices to be applied to the target tissue. The assistance of AI and other technologies has the potential to reduce risk and better enable safe and smooth treatment during operations.

* This development theme was selected as a subsidized project by the Japan Agency for Medical Research and Development (AMED). The work will be conducted at the latest by 2023 in collaboration with research and development contributors from the National Cancer Center Research Institute, Chiba University’s Faculty of Medicine, Tohoku Institute of Technology, Faculty of Medicine, and the University of Tokyo’s Faculty of Engineering, Graduate School of Engineering. The aim is to practically apply it in 2025 onward.

Three Key Value Areas in MIS in the Future

- Procedure innovation
- Enhanced instruments
- Less invasive endoluminal manipulator

Going Forward, We Will Further Strengthen Efforts to Improve Profitability

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COO and CTO Dialogue

Internal Collaboration and External Adaptation for Future Growth

Olympus is almost two years into its transformation plan Transform Olympus, which includes the centralization of group management to five executive officers. We spoke to the Chief Operating Officer (COO), Nacho Abia, and Chief Technology Officer (CTO), Akihiro Taguchi, about their roles and their insight on Olympus’ future business.

Please share your thoughts on Transform Olympus so far, and your areas of focus as COO and CTO.

Abia: Evidence of the transformation so far can be captured in the sheer number of initiatives and projects underway, and the fact that there are many more global members in those initiatives. The latter is evidence of our progress toward becoming a leading global medtech company.

As COO, I have two priorities. The first is, from a strategic point of view, we have to make sure that our various portfolios are comprehensive, consistent, and competitive. We are continuously reviewing our portfolios under the strategic business planning process. It isn’t something that can be done once. There may be products that need to be accelerated or added, depending on changing environments. This is part of the agility process. We need to move more quickly to better satisfy customer needs.

The second main priority I have is to reengineer our relationships with customers. The way in which we interact with them is changing. This was true in 2019, but with the COVID-19 pandemic it has become even more so. We have to think from a customer-centric perspective, and be ready to redefine our role based on current needs with the understanding that there should be new ways to engage and support customers.

Taguchi: The impact on business results will come later, but I can see many changes in activities in both the Endoscopic Solutions Division (ESD) and Therapeutic Solutions Division (TSD).

In our industry, regulations continue to become stricter, and we undertake Medical Device Regulation (MDR) remediation to ensure that devices are retroactively compliant. This means the engineers address regulation issues, while also developing new products. For my part, I really want to encourage and energize our engineers, especially in Europe. I think we need to improve efficiency and eliminate unnecessary work, so that the engineers have time to focus on value-added development.

With increased efficiency in R&D, my goal is to be able to increase the number of products. One of Olympus’ strengths is derived from the ability to carry out long-term development hand in hand with healthcare professionals. This kind of development requires sustained effort, but they often result in significant returns. I think perhaps if we can improve R&D efficiency, we may be able to reallocate more resources for this long-term technology development. We should also review production technology to maintain the core technology strengths and not lose focus.

Please tell us about the collaboration between marketing and R&D.

Taguchi: In terms of developing new procedures, we need the enthusiasm and commitment of doctors. Our job is to support them, whether from the technology side or the marketing side. Abia: We are always “One Olympus,” and in front of our customers this is especially important. They need someone who listens to them and then is able to develop the product they need. So it’s absolutely essential that the CTO and I, as well as our teams, work very closely together in all areas.

What do you think are Olympus’ next steps to continue leading in next-generation minimally invasive surgery (MIS)?

Abia: This is the simply the next step in a continuum from 1990, when we launched the world’s first practical endoscope. This is not a radical shift for us. Endoscopic mucosal resection (EMR) and all of these procedures are the basis of endoluminal surgery. We helped create those processes, and we will continue to create new devices and work with physicians on the next procedures. We are continuously evaluating our technology, while managing costs.

Under the component of our strategy that aims to “Lead in next-gen minimally invasive surgery,” a strategic exercises to address MIS was initiated last year to look at our main fields of activity in respiratory and gastrointestinal procedures. This ongoing exercise, which will be completed at the end of this year, is intended to narrow the choices we have to make. The existing MIS ecosystem is very broad, so we need to be able to narrow our strategy down to something that is actionable.

Taguchi: As Nacho said, the future of the MIS market is still broad. I think mainly we need to consider the trend from open surgery to endoluminal surgery, and the shift from surgery in a hospital setting to an office setting. Generally, good candidates for office procedures are not procedures for structural disorders1), but for functional disorders2). Very early treatment related to cancer is Endoscopic Submucosal Dissection (ESD) is certainly possible, but treatment for functional disorders are comparatively easier to shift from the hospital to the office.

1) Structural disorder: A disease caused by pathological anatomical or physiological abnormalities in organs, nerves, muscles, or other tissues.
2) Functional disorder: A disease in which no anatomical or pathological abnormalities are found in the tissues of the body, but which is caused by a decrease in the function of the internal organs or nerve tissues.

What are your thoughts on future MIS-related developments in robotics and AI?

Abia: I think the robotics market is interesting, but how it will develop is still pretty unknown. We know a lot about endoscopy, but we need to work with third parties who will complement our know-how with more specific robotic solutions. We have an outline of a robotics strategy that will allow us to invest in that market without hitting levels that will never pay off.

Taguchi: Generally speaking, AI already exists in many areas and I think it will become even more commoditized. In terms of products, we are first concentrating on the area of AI-enabled computer-aided diagnosis (CAD), which we have already introduced in Japan. We are also planning to create a second-generation computer-aided detection (CADe) system for detection in the colon, stomach, and esophagus.

Abia: CADe is the obvious application in the gastroenterologist (GI) space, but there will be others. I think the conversation should be broader than AI alone; we should be talking about the impact of ICT-related technology in general. In that sense, the acquisition of ImageStream Medical in 2017 is providing us a very good platform to connect all of the devices that might be in an operating room setting, and to start utilizing that information. Being able to share information opens doors for additional services that we could offer our customers in the future. So AI is just one element of this new world.

What has been the impact of COVID-19 on your business?

Abia: From a procedure development point of view, there is traditionally a lot of face-to-face interaction. We are considering alternatives like utilizing virtual reality solutions in order to continue our work.

Taguchi: In the “new normal” society, I think we may need to incorporate social distancing along with initiatives to improve manufacturing productivity. This could mean the incorporation of more automation in order to address these two issues.
Scientific Solutions Division

We supply innovative products and services for supporting scientific research, pathology research, and inspections of manufacturing and social infrastructure.13

Yoshitake Saito
Scientific Solutions Division Head

Scientific Solutions Division

Continuous growth of target markets by enhanced investment in life science research, digital pathology, IoT and Industry 4.0 in maintenance and manufacturing fields, etc.

Business growth and market share expansion by transforming into solution business for customers’ workflow

Decreasing of value proposition and increase of new demand by open innovation with digitalization

Operating Environment and Direction of Strategies for the Scientific Solutions Division

Market Environment and Business Opportunities

Due to the environmental change triggered by COVID-19, the market recovery in major regions is expected to be delayed, as it depends on the situation of government budget, hospitals and academic research institutes in the life science segment, also considering the postponement of investments in the industrial segment such as aviation and automotive industries. In the medium to long term, we anticipate the continuous growth of target markets driven by the enhanced investments in the life science segment, digital pathology and the actualization of market supporting regenerative medicine, as well as the market expansion of semiconductor and automotive parts industry contributing to the advanced technologies such as IoT and AI, and also the investments on infrastructures.

Direction of Strategies for the Scientific Solutions Division

- We aim to create values that exceed customers’ expectations by solutions to improve customers’ total workflow, in addition to high-quality products. For the life science segment, in addition to conventional observation functions, we provide solutions optimized for customer workflow. For the industrial segment, we proceed with customer- and new solutions by internal or third-party collaboration, as well as the value proposition for customers’ total workflows.

- Life science segment contributes to fundamental medical research, pathological diagnosis and regenerative medicine. In the industrial segment, maintenance and inspection solutions utilizing advanced technologies are expected to roll out the process and know-how within Olympus.

Market Shares and Portfolios

<table>
<thead>
<tr>
<th>Use</th>
<th>Customers</th>
<th>Share</th>
<th>Suppliers</th>
</tr>
</thead>
<tbody>
<tr>
<td>LS research / Clinical (Pathology research / Regenerative / Medicine Support &amp; Drug discovery support)</td>
<td>Manufacturing / Environment &amp; natural resources / Infrastructure maintenance</td>
<td>40–50%</td>
<td>Nikon, Zeiss, Leica</td>
</tr>
<tr>
<td>Semi-conductor, electronic component, and automotive part inspections, etc.</td>
<td>Resource and environmental surveys, RoHS directive compliance, etc.</td>
<td>30–40%</td>
<td>Nikon, Zeiss, Leica, GE, GE Thermo Fisher</td>
</tr>
</tbody>
</table>

Future Priority Measures

- We aim to create values that exceed customers’ expectations by solutions to improve customers’ total workflow satisfying their true needs, in addition to conventional high quality hardware products.

- In order to achieve our vision of Scientific Solutions Division, we will provide the workflow and platform solutions optimized for customer applications in the life science segment, and the systems- and workflow solutions that fit to individual customer needs in the industrial business segment.

- We will also strengthen our business management capabilities such as business operation platform for sustainable growth, as well as pursuing functional enhancement for further profitability improvement.

<table>
<thead>
<tr>
<th>Results</th>
<th>FY2019</th>
<th>FY2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>¥104.2 bn</td>
<td>¥105.2 bn</td>
</tr>
<tr>
<td>Operating Profit</td>
<td>¥8.1 bn</td>
<td>¥10.0 bn</td>
</tr>
<tr>
<td>Operating Margin</td>
<td>7.8%</td>
<td>9.5%</td>
</tr>
</tbody>
</table>

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13 Life science segment contributes to fundamental medical research, pathological diagnosis and regenerative medicine. In the industrial segment, maintenance and inspection solutions utilizing advanced technologies are expected to roll out the process and know-how within Olympus.
Imaging Division

We will contribute to making people’s lives more fulfilling through the supply of mirrorless cameras and other innovative products.”

Shigemi Sugimoto
Imaging Division Head

- Unique technologies accumulated by concentrating on mirrorless camera
- Competences in designing and manufacturing compact, lightweight, high-performance lenses
- Market share in mirrorless camera market (domestic)

Operating Environment and Forecasts

Facing a rapid decrease of the digital camera market, we proceeded with structural transformation to shift to a more lean structure. We thus sought to realize a business structure that will enable the Imaging Division to continue generating profits, in case of a decrease in sales, by optimizing cost structures and enhancing sales activities pertaining to high-value-added interchangeable lens products.

Market Shares and Portfolios

Domestic Market Share (Mirrorless Cameras)

- Canon, Nikon, Sony, Panasonic, etc.
- Olympus Approx. 20%

Digital Cameras

- Mirrorless interchangeable-lens cameras, compact digital cameras, digital camera-related products
- IC recorders, binoculars

Others

- Olympus
- As of July 2020

Priority Measures

1. Advance Ongoing Business Structure Reforms
   - Focus on the development of high-value-added mirrorless cameras (primarily OM-D series) and interchangeable lenses (PRO series)
   - Develop a business structure that allows for improved efficiency in launching new products and mass production

2. Improve Responsiveness to Market Changes
   - Monitor the market size and our share and respond to changes in environment by improving efficiency in each location and function, and advancing the selection and focus of target market segments throughout our businesses

3. Minimize Inventory Risks
   - Reduce product supply lead times and lower risks associated with unbalanced inventory distribution among local regions to shorten inventory turnover periods

Results

- FY2019: 45.7
- FY2020: 43.8

Measures to Improve Profitability

We are focusing on both the development of interchangeable lenses and high-value-added mirrorless lenses. In July 2020, we disclosed a lens development roadmap, which is mainly focused on the PRO series. We will continue enhancing the lens lineup to make full use of the Micro Four Thirds System’s high image quality and unrivaled portability made possible by its compactness and light weight.

Focal length (35mm equivalent focal length)

- 10mm
- 20mm
- 30mm
- 40mm
- 50mm
- 60mm
- 80mm
- 100mm
- 120mm
- 150mm
- 300mm
- 400mm
- 500mm
- 600mm

Future Lenses

- *Dustproof / Splashproof
Message from the CAO

With the launch of Transform Olympus, a number of initiatives to drive efficiency in our operational and financial performance have been set in motion. We hear from Stefan Kaufmann, Chief Administrative Officer (CAO) and Chief Transformation Officer (CTrO), about the current state of these initiatives and issues to address moving forward.

The overall mission of our company remains to become a leading global medtech company and obviously Transform Olympus must contribute to this ultimate goal.”

Stefan Kaufmann
Director, Executive Officer and Chief Administrative Officer

You started the Transform Olympus process in 2019. What progress has been made over the past year?

I am excited about how much we have achieved in a relatively short time. Importantly, most of our employees understand the purpose and direction of the transformation, and they are fully committed to contributing. To ensure staff are fully engaged, we conducted hundreds of workshops across all regions and businesses to identify areas for improvement. We have identified over one thousand initiatives, and after only one year many have already had a positive impact on our performance. Some very successful bottom-up initiatives have resulted in increased efficiency in our R&D operations and promotional activities that are better aligned globally. In this first year, we focused on initiatives that improved profitability.

In addition to enhanced financial performance, the goal of Transform Olympus is to improve organizational health. Our ability to operate globally and cross-functionally to overcome organizational silos has advanced significantly. As an example, one of the largest activities involves training five to six thousand managers and employees over the transformation period, with the goal of strengthening their ability to execute projects and to manage more efficiently. We also have some small but important changes in the way we appreciate our colleagues. In order to recognize and acknowledge how hard everyone is working, whenever we hold our Transform Olympus review meetings, we always highlight the performance of individuals and teams and announce that within the company.

What are your targets as CTrO for the current fiscal year and the coming three years?

The overall mission of our company remains to become a leading global medtech company and obviously Transform Olympus must contribute to this ultimate goal. A key aspect of the transformation initiatives involves delivering on financial indicators that are on par with our peers, as well as changing our global operating model.

We established several financial targets at the outset, the most prominent being an operating margin of over 20%. I have no doubt that we will accomplish this, but we need to examine the impact of COVID-19.

As part of changing our global operating model, we are working to manage the company in a much more integrated manner. This includes steps to establish global business services (GBS). We are also adapting our approach to be more in tune with patient needs, as well as anticipating changing market demands.

Among the one thousand initiatives, on what areas did you decide to focus?

There are two areas where we have redefined our concept of Transform Olympus. First, the COVID-19 pandemic required us to carefully manage our resources. As a result, we have reprioritized initiatives to focus on the ones that require less investment but deliver early impact. Second, we have started to group initiatives to make a total of seven strategic priorities. These are:

- End-to-End Supply Chain Transformation
- R&D Transformation
- Finance Transformation
- Go-to-Market Transformation
- Global Business Services (GBS)
- Digital Transformation
- Organizational Health

Everything we do is ultimately for the benefit of our customers and patients. When you look at priorities like end-to-end supply chain, one of the goals is to improve customer satisfaction by improving on our delivery promises. This is very much in line with our purpose to make people’s lives healthier, safer and more fulfilling.

What challenges have you encountered in the transformation so far? What has been the effect on employees and how has Olympus kept employee motivation high?

The biggest challenge has been COVID-19, because it has impacted both Transform Olympus and daily operations. It has forced us to act in a very agile manner, adapt our concepts, and set new priorities. On the positive side, COVID-19 has been an accelerator for us to work in a more global and connected way.

Like any company, there are some areas where employee satisfaction is higher than in others. Along with our Transform Olympus initiatives, we have introduced another survey tool to measure organizational health. In addition to general initiatives, we have started taking action to improve satisfaction in areas that are low.

From my perspective, there are three main levers to improve employee motivation. The first is that every employee must understand his or her role and be compensated accordingly. In order to achieve this, we reformed the Japanese HR system last year, with clearly defined job descriptions and appraisal processes. The second is related to leadership. Within Transform Olympus, we have initiated many programs to improve leadership competence, including succession planning and talent development. The third lever for employee motivation is communication. We utilize digital global town hall meetings, digital newsletters, and one-to-one communication to ensure that information is shared at every level.

How has Olympus made progress in the area of employee diversity within Transform Olympus?

One area where we have made rapid progress is the utilization of talent around the globe. An area that needs further work is gender diversity, since the ratio of female leaders in our company is still low. We have made some strategic decisions to improve gender diversity, such as setting a target of gender ratio for the recruitment of new graduates in Japan and, on a senior level, looking to recruit from outside the company.

At the end of the day, everything comes down to the motivation, determination and ability of our employees. It is also a target of Transform Olympus to become an employer of choice. We want to create an environment where the most talented people in the world would like to build their careers with Olympus and be part of our success.

The COVID-19 pandemic has made it clear how important IT is in adapting to new work styles. How is Olympus’ adaption process going?

In general, IT has become a stronger partner for all our businesses and functions, and its role has been broadened significantly over the last six months. No one could have imagined how rapidly all of us have been able to adapt to new work styles. The COVID-19 situation has driven IT utilization like no transformation officer could have done. In a very short time, our IT function has been able to make all the necessary changes to our IT infrastructure to enable us to work remotely. We really appreciate the support of our IT colleagues and we are delighted by how well all of our employees have embraced these changes under difficult circumstances.

Having said this, I believe that we cannot and should not continue to work 100% virtually and remotely. What we are striving to accomplish as a company is a blended model. We will promote working from home, but at the same time still encourage personal meetings and exchanges, as those are the only ways to shape a corporate culture.
Transform Olympus Leaders’ Perspectives

Olympus has implemented more than one thousand initiatives on a global basis to improve business operations and performance. We asked four leaders what initiatives they are implementing in each value chain.

01  Strengthen development capabilities to provide the latest healthcare environment

Hiroyuki Kuroda
R&D
Sub-Workstream Leader

Having been able to “frontload” its product development to decrease late-stage product revisions, Olympus is advancing improvements in development speed and R&D efficiency. To introduce high-quality products to the market at the right price and at the right time, our team is working to strengthen cooperation in development, manufacturing, procurement, and quality assurance from the early stages of an endoscope’s development. The act of developing an endoscope is a very unrefined analog process, and I was very concerned that we might be left behind because of changes in the external environment, or that it was an inefficient development process. I am working proactively with other team members, and through the radical reforms carried out under Transform Olympus, I think it is very possible to achieve a 30% improvement in efficiency—the target of the new product development work for which I am responsible—by altering business systems set by precedent. By further strengthening our development capabilities, I would like to not only provide the latest medical environment for healthcare professionals, but also to contribute to protecting the health of people around the world.

To become a truly global medtech company, it is essential that people experience not only the capabilities of Olympus’ medical equipment but also how Olympus is of value to its customers, including in the areas of maintenance and service, and that we remain capable of providing high-quality, total solutions. Our team is making improvements to, for example, contract programs, and increasing the efficiency of endoscope repair costs so that we can provide services that meet needs in each country, while endeavoring to generate profits by improving the value of our medical services. Since both maintenance and repair services are intangible, and because there are many things that customers believe we do as a matter of course, we are working hard while advancing initiatives in each region. Under Transform Olympus, we adopted profit generation as a tangible goal, but we understand this to be a means to an end, and that “transforming the corporate culture” is the true purpose. Recently, the number of new and forward-thinking activities has been increasing as people exchange various opinions, and the team members are coming to feel that we can transform if we carry it out ourselves. We will continue to propose and develop new ways of doing things from a bottom-up perspective in the years to come.

02  Change the corporate culture without being obsessed with the past

Kuniaki Horluchi
Medical, Service
Workstream Leader

I am grateful to be involved in Transform Olympus as the global workstream leader for the Indirect Expense workstream. There are many areas in the organization that need to be reformed in order for us to compete on a global scale within the medtech industry. The transform initiatives we are focusing on will give us the momentum we need to change. Our workstream’s goal is very simple: to help reduce our SG&A expenses by finding savings in all areas. Some of the major global projects we are working on include a new global travel policy, new global real estate guidelines, and forming a new global Indirect Central Purchasing organization. While there have been challenges to implementing these new programs, I am encouraged by the collaboration and openness to change from leadership and employees across the world. I truly believe this transformation will set Olympus up for success in the years to come.

03  Improving digital capabilities to contribute to a bottom and top line growth

Karsten Klose
Digital/IT
Workstream Leader

As a company with deep roots in outstanding technology and innovation to become a global medtech player, I am convinced that we must look thoughtfully into our digital future. As part of Transform Olympus, it is the responsibility of the “Digital/IT” workstream to not only realize and exploit the potential of established as well as of emerging technologies to improve the efficiency of internal operations, but also to create value and solutions for our end customers.

We are coming from a classic and distributed IT organization and are making great strides in becoming a global business partner and enabler that is actively contributing to a bottom and top line growth for Olympus overall. In response to the spread of COVID-19, we are accelerating digitalization, such as by promoting the improvement of the environment for remote work. We have started manifold initiatives that will increase our digital capabilities and also increase the speed and quality delivering digital solutions to our customers and to our company.

I am amazed to see the excitement and innovative drive that I experience in my daily work with the global team. That is only one of plenty reasons why I am personally 100% convinced that Olympus will master the transformational journey with great success.

04  Pursuing the possibility of cost reduction in all areas

Amy Leslie
Indirect Expenses
Workstream Leader

As a company with deep roots in outstanding technology and innovation to become a global medtech player, I am convinced that we must look thoughtfully into our digital future. As part of Transform Olympus, it is the responsibility of the “Digital/IT” workstream to not only realize and exploit the potential of established as well as of emerging technologies to improve the efficiency of internal operations, but also to create value and solutions for our end customers.

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Evolving Our Corporate Culture

Toward the Transformation of Human Resources: To be a Truly Global Medtech Company

History of Olympus’ Human Resource Management

We have a long history of valuing the uniqueness of each region and the independence of their organization by assigning regional managers. As a result, we have developed a significant number of individuals with outstanding management talents all over the world, driving the growth of our business. In Japan as well, we have been working to develop human resources through performance-oriented personnel evaluations, new hires, and progressive overseas assignments.

In competing with other global medtech companies, however, it is essential to not only promote human resources within a region, but also establishing global operation models for governance, daily business and human resource management. It is necessary to improve the management efficiency as a company as a whole. In order to achieve this, it is essential to allocate the right person in the right position, regardless of their country of origin. We have established a new human resource management system that fosters employee motivation to grow, and are promoting a corporate culture that allows our employees to develop their skills and capabilities as much as possible.

Becoming a Truly Global Medtech Company

We have been working on Transform Olympus, a corporate transformation plan, with the aim of becoming a truly global medtech company by incorporating best practices from around the world, while continuing to provide value to our customers and society. Through organization change, we strive to cultivate a high-performance corporate culture with common values while maintaining the Japanese craftsmanship that is the source of our technological capabilities. In HR as well, we are working on various measures that allow employees with diverse abilities to utilize their respective strengths, create synergy while respecting others, and contribute to reaching management goals.

Transform Olympus Initiatives

Globalized HR system to achieve high-performance culture

In April 2019, we changed the personnel evaluation system for managers into a performance-based compensation system. Management positions that have clearly defined job descriptions outline the roles, responsibilities, and authority. The remuneration is determined according to the size and results of the work, and individuals are promoted regardless of factors such as age or nationality. In addition, we implemented a new objective management system to set specific goals in accordance with job descriptions, and evaluate the degree of attainment. In April 2020, we globalized an objective management system and evaluation standards for senior management worldwide, so that responsibilities are more clearly defined. Senior management has set strategic goals and has been working to transform the organization with common global KPIs.

Development of global senior management—the right people to the right positions.

In order to strategically develop global leaders in the medium-to-long-term, we first examined senior managers with talent reviews and systematic development plans based on globalized leadership competency. As a result of promoting assignments based on abilities, regardless of nationality, currently forty percent of business and functional managers are non-Japanese. In order for a corporate culture of “leaders developing leaders” to take root, we will expand the scope of the new talent review system to all managers, and eventually to all employees. In addition, we are working to create a global human resources database as a tool to support global assignments. In order to handle the COVID-19 pandemic, we established a global task force to take necessary measures, with our employees’ safety as the top priority. At the same time, we have adapted work styles around the world to accommodate this “new normal” and are reviewing these new practices.

Global Training in Implementation Skill

We believe that the ability to continuously execute a plan is key to success in our Transform Olympus initiative. In order to improve these abilities, we started implementation skill training on a global basis. This is our first attempt to conduct a globally-aligned training. There are four purposes of this training: (1) To instill a common way of working across all members of the organization, (2) To improve personal effectiveness in daily roles, (3) To build capabilities that employees at all levels can apply, and (4) To provide useful, straight-forward tools directly applicable to the transformation. This training will provide employees opportunities to learn how to solve problems, coach colleagues, and facilitate discussions, so that the trainees can improve their ability to execute any plan.

The training program is provided as both online and in-person workshops. During this fiscal year, we aim to hold this training for about 10% of global employees.

Cultivating a New Corporate Culture

Promoting Our Core Values

We know that a culture is not something that can be created overnight. It takes time and effort. Ever since the foundation of our new corporate philosophy in 2018, we have been taking various measures to have Olympus employees adopt Our Core Values, which are what unite Olympus colleagues all around the world. In addition to local-level grassroots activities executed throughout the year, we hold an annual week-long global event called Our Core Values Week, in which employees participate in globally uniform activities to renew and enhance their understanding of the Core Values. Also, for the annual Global CEO Awards which are presented to the year’s top-performing projects, embodiment of the Core Values has been set as one of the primary evaluation criteria.

Welcome!
In 2019, Olympus transitioned to a company with Nominating Committee, etc., with a Board of Directors that is more focused on making important decisions on core managerial elements and monitoring business management, and in which considerable authority is delegated to the executive officers. This chapter’s special feature is a roundtable discussion by directors that focuses on the effectiveness of the Company’s governance and how it has evolved over the past years. We also introduce the Company’s initiatives, in areas such as internal controls and compliance, that support governance.

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Directors (As of July 30, 2020)

Yasuo Takeuchi
(Date of birth: February 29, 1972)
Apr. 1990 Joined the Company
Apr. 2002 General Division Manager, Olympus Medical Systems Corp.
Apr. 2003 Director, Olympus Europa Holding GmbH
Oct. 2011 Executive Managing Director and Chairman of the Board, Olympus Europa Holding GmbH
Apr. 2012 Director, the Company (present)
Apr. 2013 Director, Corporate Management Office, the Company
Group President of Group Management Office, the Company
Chairman of the Board, Olympus Corporation of Asia (present)
Director, Olympus Corporation of Asia Pacific Limited
May 2013 Administrative Board and Managing Director, Olympus Europa Holding SE
Apr. 2015 Head of Corporate Management Office, the Company
Apr. 2016 Director, Vice President, the Company
Chief Financial Officer (CFO), the Company
Chief Regional Representative Officer, the Company
Apr. 2018 Representative Director, the Company
President, the Company
Chief Executive Officer (CEO), the Company
Jun. 2018 Representative Executive Officer, President, the Company (present)

Stefan Kaufmann
(Date of birth: January 24, 1968)
Sep. 1990 Various roles in operational and strategic HR functions, Kantar AG
Oct. 2000 Head of HR Development, Thomas Cook
May 2003 General Manager, Human Resources, Olympus Europa GmbH (currently Olympus Europe SE & Co. KG)
Apr. 2008 Managing Director Corporate Division, Olympus Europa GmbH
Nov. 2011 Executive Managing Director, Olympus Europa SE & Co. KG
Sep. 2013 Managing Director Consumer Business, Olympus Europe SE & Co. KG
Apr. 2017 Director, Corporate Officer, the Company
Apr. 2018 Chief Administrative Officer (CAO), the Company (present)
Supervisory Board Chairman, Olympus Europa Holding SE (present)
Jun. 2019 Director, the Company (present)
Executives Officer, the Company (present)

Nobuyuki Koga
(Date of birth: September 14, 1955)
Apr. 1978 Joined the Company
Apr. 2002 President and Representative Director, Shinkawas Olympus Co., Ltd.
Apr. 2006 General Manager, Human Resources Dept., the Company
Jun. 2009 Corporate Officer, the Company
Directors, Olympus Medical Systems Corp.
Jun. 2010 Division Manager, Manufacturing Service Divisions, Olympus Medical Systems Corp.
Apr. 2010 President and Representative Director, Abu-Olympus Co., Ltd.
Apr. 2014 Division Manager, Corporate Service Division, the Company
Jun. 2017 Standing Audit & Supervisory Board Member, the Company
Jun. 2019 Director, the Company (present)

Sumitaka Fujita
(Date of birth: December 24, 1960)
Apr. 1985 Joined ITOCHU Corporation
Jun. 1995 Director, ITOCHU Corporation
Apr. 1997 Managing Director, ITOCHU Corporation
Apr. 1999 Representative Managing Director, ITOCHU Corporation
Apr. 1999 Representative Senior Managing Director, ITOCHU Corporation
Jul. 2001 Representative Executive Vice President, ITOCHU Corporation
Apr. 2000 Representative Vice Chairman, ITOCHU Corporation
Jun. 2000 Vice Chairman, ITOCHU Corporation
Jun. 2007 Director, Orient Corporation
Jun. 2008 Senior Corporate Adviser, ITOCHU Corporation
Director, Furukawa Electric Co., Ltd. (present)
Audit & Supervisory Board Member, NIPPONKA Insurance Company, Limited (currently Sampo Japan Insurance Inc.)
Jun. 2009 Director, Nippon Steel Glass Co., Ltd.
Apr. 2010 Director, NSL Holdings, Inc. (currently Sampo Holdings, Inc.)
Jun. 2011 Chairman, Japan Association for CFOs (present)
Apr. 2012 Director, the Company (present)
Important concurrent positions:
Representative Director & Chief Executive, SK Global Advisors Co., Ltd.
Director, DEFIBA Capital Inc.
Chairman, The Japan Institute of Electronics Packaging
Member of the Board, Tony Industries, Inc.

Susumu Kaminaga
(Date of birth: August 2, 1947)
Apr. 1972 Joined Hitachi Construction Machinery Co., Ltd.
May 1985 President, Hitachi Construction Machinery Co., Ltd.
Jun. 1989 Senior Officer and President, Hitachi Construction Machinery Co., Ltd.
Jun. 2001 Executive Officer and General Manager, Hitachi Construction Machinery Co., Ltd.
Jun. 2002 Vice President and Executive Officer, Hitachi Construction Machinery Co., Ltd.
Apr. 2003 Senior Vice President and Executive Officer, Hitachi Construction Machinery Co., Ltd.
Jun. 2003 Senior Vice President and Executive Officer, Hitachi Construction Machinery Co., Ltd.
Apr. 2005 Representative Executive Officer and Executive Vice President, Hitachi Construction Machinery Co., Ltd.
Jun. 2005 Representative Executive Officer, Executive Vice President and Director, Hitachi Construction Machinery Co., Ltd.
Apr. 2008 Representative Executive Officer, President, Hitachi Construction Machinery Co., Ltd.
Apr. 2012 Director, Hitachi Construction Machinery Co., Ltd.
Jun. 2012 Chairman of the Board, Hitachi Construction Machinery Co., Ltd.
Director, Hitachi, Ltd.
Jun. 2014 Consultant to the Board of Directors, Hitachi Construction Machinery Co., Ltd.
Director, the Company (present)

Michijiro Kikawa
(Date of birth: June 2, 1956)
May 1983 Joined Sumitomo Precision Products Co., Ltd.
Mar. 1995 Representative Director, Surface Technology Systems Ltd.
Jun. 2000 Director, Sumitomo Precision Products Co., Ltd.
Jun. 2002 Managing Director, Sumitomo Precision Products Co., Ltd.
Jun. 2004 President, Sumitomo Precision Products Co., Ltd.
Jun. 2012 Adviser to the Board, Sumitomo Precision Products Co., Ltd.
Oct. 2012 Representative Director & Chief Executive, SK Global Advisors Co., Ltd. (present)
Dec. 2012 Director, DEFIBA Capital Inc. (present)
Jun. 2016 Director, the Company (present)
May 2017 Chairman, The Japan Institute of Electronics Packaging (present)
Jun. 2020 Member of the Board, Tony Industries, Inc. (present)
Important concurrent positions:
Representative Director & Chief Executive, SK Global Advisors Co., Ltd.
Director, DEFIBA Capital Inc.
Chairman, The Japan Institute of Electronics Packaging
Member of the Board, Tony Industries, Inc.

Our Setup

Chapter 03

Olympus Integrated Report 2020
Corporate Governance to Enhance Management Capabilities

In executing the corporate strategy, Olympus is also focusing on strengthening its corporate governance. For this special feature, four directors held a discussion on the current situation.

Governance Roundtable Discussion

Yasu Takeuchi
Director, Representative Executive Officer; President and CEO (Member of the Nominating Committee)

Susumu Kaminaga
Outside Director (Chairman of the Compensation Committee)

D. Robert Hale
Outside Director (Member of the Nominating Committee)

Faster Management Action Enabled by the Transition to a Company with Nominating Committee, etc.

Takeuchi: Corporate governance is essential for ensuring the sustainable growth of a company, but I think there has been a tendency recently to equate the strengthening of the Board of Directors’ monitoring function to ensuring corporate governance. In corporate governance, however, business execution plays just as important a role as monitoring. In line with this, I believe that a combination of execution and monitoring ensures corporate governance. In June 2019, Olympus transitioned to a company with Nominating Committee, etc. One of our major management issues is to think about management from a global perspective in order for us to compete with global medtech companies. We recognized that the speed of management action in particular was an issue. To ensure these factors in corporate governance, I thought that a company with Nominating Committee, etc., would be suitable as the form for the Board of Directors for Olympus.

Fujita: When developing as a global medtech company, management capabilities are key. I have come to think that it is important for the Board of Directors to focus on monitoring.
Olympus is strengthening both execution and monitoring to ensure corporate governance.”

Yasuo Takeuchi

and for the executive team to strengthen its executive management capabilities and emphasize speed in execution. With that in mind, I think that a company with Nominating Committee, etc., is suitable as a governance structure for Olympus. Kaminaga: I also think that corporate governance’s most important point is the executive team’s ability to take action quickly. The idea of transitioning to a company with Nominating Committee, etc., did not come about suddenly. In 2012, the Board of Directors had switched to a framework in which more than half of its members were outside directors, and the executive team had improved its executive management capabilities, so the next step was to move to a company with Nominating Committee, etc. I think this is a timely decision and fits the purpose of Olympus. With the adoption of a company with Nominating Committee, etc., the role of the executive team takes on a new importance. Since the transition, the executive team has been making great efforts and meeting the purpose for which the change was originally intended.

Hale: I agree the current structure of the Board of Directors at Olympus is part of a long evolution. I think that moving to a company with Nominating Committee, etc., has made management’s roles clearer and the discussions at Board of Directors’ meetings more focused on key strategic issues. Governance structure is important, but from a shareholder perspective what really matters is whether there is proper leadership and stewardship.

Fujita: I have also sensed a change in the executive team. Since last year, the five executive officers (SEOs) have established the Group Executive Committee (GEC) in which they deliberate important matters. President Takeuchi has held GEC meetings on a regular and necessary basis, and I think that the SEOs have improved the speed of execution, enhanced their abilities to plan and formulate strategies, as well as to execute them effectively with each meeting.

Takeuchi: I have been chairing the GEC since April 2019. The first thing I did was to shift from having the secretariat serving as the moderator to a style in which the chairperson would distribute and advance all agendas. In a sense this was the biggest change. I thought it would probably be better for ensuring speed and that the SEOs would make firm decisions. At first, there were times when we lost our bearings, but now the discussions have become dramatically more productive.

Fujita: The year 2019 marked an offensive phase for changing the governance structure and formulating a strategy, but in 2020 an unexpected situation arose with the spread of COVID-19. During the pandemic, I appreciate that the executive team quickly analyzed and responded to the problem. I believe that the system of SEOs has been able to respond to the situation well as a result of sharing an awareness of the issues and accelerating the speed of executive management.

Kaminaga: In the past, I think Olympus was not necessarily strong at sharing and instilling an awareness of issues across the company. Since President Takeuchi assumed the position of CEO, and the new corporate strategy was formulated, I feel that Olympus has improved more on that point than ever before. Hale: During the pandemic in 2020, management needed to adjust plans quickly given the uncertain environment. I think that they were able to react with immediate consensus on priority actions because the strategy approved by the Board in 2019 has a sharp focus on the company taking steps to become a leading global medtech company. When a company is hit by any crisis, it must immediately determine the most important priorities to meet the expectations of stakeholders. This is much easier when there is a sharp strategic focus already in place.

Takeuchi: We are proud that, up to now, we have been able to move quickly and systematically, and respond appropriately. However, I believe that we were able to control the situation effectively because COVID-19 presents clear risks. Since sources of risk can be somewhat abstract and latent, in normal times certain risks are responded to on an individual basis, without a sense of urgency. Drawing on our experience with COVID-19, we will further strengthen risk management so that we can appropriately deal with a wide range of risks.

Promoting Diversity for Both the Board of Directors and the Executive Team

Fujita: An evolving task in corporate governance is to speed up and strengthen execution capabilities as a company with Nominating Committee, etc. On the other hand, the Board of Directors has outside directors with experience, qualities, and knowledge that are not available within the Company who monitor executive management. It is therefore necessary to secure a wide range of diverse directors in the composition of the Board of Directors. In terms of becoming more global, three non-Japanese nationals have been in director positions since June 2019, but gender is an ongoing issue. The Nominating Committee is always considering the composition of the Board of Directors—and its subsequent composition—according to the management phase of the Company. We are also discussing other matters, such as the ideal status of the SEOs, and management succession plans.

Hale: The Nominating Committee is always looking to improve the composition of the Board of Directors from a diversity perspective. There have already been significant changes to the diversity of nationality. Our committee is particularly focused on the Board of Directors’ gender diversity next. We would like to add a female director to the Board of Directors in the future. Also, one of the most important transformations we are pursuing is our focus on becoming a global medtech company. For that reason, I expect that the Board of Directors will add more members with medtech and healthcare knowledge over time.

Kaminaga: With regard to gender diversity, Olympus had a female director in the past and we understand the benefits. We consider the current structure of the Board of Directors to be in line with the current state of corporate strategy promotion, but I think it will be necessary for Olympus to strategically promote the active participation of women in the years to come.

Takeuchi: I am a member of the Nominating Committee as the executive team’s representative. Given the challenge of enhancing the expertise of executives, I think the current composition of the Board of Directors is appropriate, but it cannot be defined as a singular issue. If no progress is made with the diversity of the executive team, further diversity of the Board of Directors will not make things function better.

Hale: We are focused not only on the diversity of the Board of Directors, but also on the diversity of the executive team. We are pursuing a high-performance corporate culture as one aspect of our transformation, and we have already hired many talented people globally for various functions at the manager level from outside the company to make sure the company has the right skills and diverse perspectives.

Takeuchi: At Olympus, we often choose people from the perspective of who has the best skills rather than gender, and it is a fact that gender has not always been a high priority.

However, our awareness has changed considerably from the past, and although that change may be hard to see with regard to gender diversity, I think that we are heading in the right direction with the introduction of initiatives like training programs for female managers.

Execution of Transform Olympus and the Corporate Strategy

Takeuchi: In 2016, Olympus announced its medium-term management plan 16CSP (2016 Corporate Strategic Plan) and also...
Governance Roundtable Discussion

stated that it would strengthen the medtech business field under that plan. However, when things did not go according to plan, and the actual situation deviated from what was in 16CSP, the executive team was unable to respond promptly to achieve the plan, which revealed there was a structural problem. For that reason, Transform Olympus and the corporate strategy were designed to have specific requirements and structures to be implemented in order to become a global medtech company. Of these, the main points are to achieve business growth, to improve the operating margin, and to increase efficiency from more directions than we have ever done before.

Kaminaga: 16CSP was a good plan, but to be frank, I had the impression that Olympus did not seem to be acting as a unit for the growth of the crucial medical field. In particular, we were not able to unify our thinking behind the process of connecting our lifetime of R&D to commercialization and launch. Transform Olympus addresses these fundamental challenges and its focus is on evaluating them under an ongoing but more specific plan.

Hale: Constructive discussions were taking place at Board of Directors’ meetings prior to the announcement of the corporate strategy. So far many actions have been taken to start deploying the new strategy, and I feel that a lot of progress has been made.

However, in a rapidly changing environment, we must always pay attention to how the changes affect our strategy.

Fujita: Generally, when companies have hammered out a corporate strategy, I think that there are many instances when the target alone is considered sufficient. At Olympus as well, it is necessary for our leader, President Takeuchi, to strongly persevere in instilling values on a global basis for our corporate strategy to reach fruition.

Takeuchi: As you all have pointed out, I think that the focus on medtech has been insufficient so far, but I believe that you can feel that we are now focusing on medtech through various changes. There is, however, a difference between merely implementing a strategy and becoming a truly global medtech company. The important thing is to create a corporate culture in which everyone who works for Olympus can truly believe that we are a medical company and are always thinking about the patients. This is the ultimate goal, and I would like for us to take the time to reinforce this concept.

Introduction of New Executive Compensation System Emphasizing Long-term Incentives

Kaminaga: To achieve the corporate strategy of becoming a global medtech company and enhance corporate value, it is necessary to secure talented management personnel and create an environment in which they can fully demonstrate their capabilities. For that reason, in April 2020, the Compensation Committee introduced a new executive compensation system that emphasizes long-term incentives. We thoroughly discussed how to increase the motivation of executive officers and corporate officers and what incentives there should be. In addition, the degree of contribution to society through ESG initiatives will also be an important element in the years to come, so that has been factored into the evaluation criteria.

Fujita: It has been generally said that the executive compensation system of Japanese companies offers low incentives. It is true that this situation has been changed by the governance reforms of recent years, but prior to those, the fixed portion of compensation was extremely large, and the performance-linked concept was reflected in executive bonuses over a rather short period of time. Our thoughts on executive compensation include performance-linked as well as medium- to long-term perspectives, and I think that this is in conformance with our corporate strategy.

Kaminaga: The executive compensation system will be reviewed every year in light of changes in the environment. What we will continue to consider is a global compensation system. Since the situation differs depending on the region, we think that it will be necessary to have one basic stance globally and then adjust the system to an appropriate level commensurate with each region.

Hale: With more than half of Olympus employees based outside Japan, I think the compensation system takes into account the cultural backgrounds of the United States, Asia and Europe as well as of Japan specifically. I think one of the factors that enables this is that the members of the Compensation Committee are people who also possess global management experience. I see the compensation system as one of the Board’s communication tools which clearly communicate the goals to management. In my experience, competitive employers want to live up to the expectations set for them. I hope that our compensation system will be able to measure up to that way of thinking in the years ahead.

Fujita: The compensation system is important as a factor that reflects management’s thoughts. To become a global medtech company, the compensation system is important not only for directors, but also for the executive team.

Takeuchi: As diversity within organizations increases, ways of thinking about incentives will also become more diverse, and in my view compensation will remain an important issue. To execute the corporate strategy, it is important to secure talents who will hold important positions. I also believe that close cooperation between the Board of Directors and the executive team will continue to be necessary going forward to reflect the perspective of the executive team.

Rapid Environmental Changes as Opportunities for Transformation

Takeuchi: An organizational issue we recognized is the harmful effect of a regionally split organizational culture. For example, when we started working from home across the company to deal with COVID-19 infections, we found that there was a problem with the operational efficiency of back office functions. We are therefore accelerating the development of infrastructure to streamline operations that collaborate on a global basis. Seeing this sudden environmental change as an opportunity, we will take measures in areas where internal issues have appeared and promote transformation.

Kaminaga: I think that the true value of companies comes into question in situations like being forced to respond to COVID-19. If the management foundation is not strong, it will become a weakness when aiming to become a global company. The Board of Directors, as well as the executive team, was able to recognize issues that had not been seen before, so I think this is a good opportunity for transformation.

Hale: Like many other companies, we have tried to prioritize employee safety and business continuity during this pandemic. In their response to COVID-19, I think the executive team responded promptly with crisis management during a crisis environment. I am also proud that Olympus products have contributed to people’s health during the global health crisis. From this standpoint, business continuity is especially critical for a medtech company like Olympus.

Fujita: As it is being said that the world has entered a “new normal,” rapid environmental changes are expected, and I think that companies will be required to respond to those changes. At present, we are facing a variety of issues, such as ensuring business continuity and employee safety. However, under such circumstances when management judgments and decisions are difficult, I think that the fact we are steadily executing the corporate strategy, such as the launch of next-generation gastrointestinal endoscopy system and thedivestiture of the Imaging business, provides proof of our executive management capabilities being strengthened.

“”

During the pandemic in 2020, management needed to adjust plans quickly given the uncertain environment.”

D. Robert Hale
Corporate Governance

Overview of the Corporate Governance Structure

The Board of Directors is composed of 12 members, of whom 9 are outside directors (8 are independent outside directors). The term of directors is for one year. The Board of Directors convenes at least once every three months, and when needed, to determine basic management policies, matters relating to the internal control system, and other important matters, and monitors the execution of the duties of directors and executive officers, etc. The Board of Directors is chaired by Sumitaka Fujita, who is an independent outside director. In exercise of supervisory functions at the Board of Directors, the 9 outside directors are expected to bring their specialist knowledge to bear on management.

Olympus proactively provides directors with information to enable the effective execution of their roles and duties. Outside directors of Olympus may sit at times when needed or when considered appropriate to require clarifications and reports or the submission of internal documents from internal directors, executive officers, and employees, so as to strengthen the functions of information transmission and supervision and to create systems to ensure the soundness of management.

The three committees comprised of the Nominating, Compensations, and Audit Committees, each consisting of the majority of independent outside directors, determine director candidates (Nominating Committee) and the remunerations of directors and executive officers (Compensation Committee), and audit the execution of duties of directors and executive officers (Audit Committee).

The articles of incorporation stipulate that directors of Olympus are appointed by a majority vote of the General Meeting of Shareholders with at least one-third of shareholders eligible to exercise voting rights in attendance and that resolutions on appointments are not adopted by cumulative voting.

Overview of Each Board and Committee

<table>
<thead>
<tr>
<th>Board of Directors</th>
<th>Independent outside director</th>
<th>Directors</th>
<th>Chairperson</th>
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<tr>
<td>Nominating Committee</td>
<td>Independent outside director</td>
<td>The Nominating Committee deliberates matters related to the appointment and dismissal of directors. The Nominating Committee consists of three or more committee members selected from among the directors by the Board of Directors, and independent outside directors constitute the absolute majority thereof. An independent outside director serves as the chairperson.</td>
<td></td>
</tr>
<tr>
<td>Compensation Committee</td>
<td>Independent outside director</td>
<td>The Compensation Committee deliberates matters related to compensation of directors and executive officers, and prescribe policy in relation to determining the details of compensation, etc., in accordance with the policy, determine the contents of compensation, etc., for individuals. The Compensation Committee consists of three or more committee members selected from among the directors by the Board of Directors, and independent outside directors constitute the absolute majority thereof. An independent outside director serves as the chairperson.</td>
<td></td>
</tr>
<tr>
<td>Audit Committee</td>
<td>Independent outside director</td>
<td>The Audit Committee carries out the following duties: 1) Auditing the execution of duties by executive officers and directors, and creating audit reports; 2) Determining the content of proposals relating to the appointment, dismissal, and non-reappointment of accounting auditors; 3) Other duties prescribed by law or by the Articles of Incorporation, and other matters recognized as necessary by the Audit Committee. The Audit Committee consists of at least three individuals selected from among the directors by the Board of Directors, and independent outside directors constitute the absolute majority thereof. Moreover, at least one member shall be an individual who possesses extensive knowledge related to finance and accounting.</td>
<td></td>
</tr>
</tbody>
</table>

Overview of Corporate Governance Structure

As of July 30, 2020

| Directors | 12 |
| Of whom, outside directors | 9 |
| Of whom, appointed as independent outside directors | 8 |
| Term of directors | 1 year |
| Executive officers | 5 |
| Adoption of corporate officer system | Yes |
| Performance-linked remuneration | Yes |

Basic Concept of Corporate Governance

All our activities are based on our corporate philosophy, “Making people’s lives healthier, safer and more fulfilling.” Following this philosophy, we aim to improve our company’s continuous development and medium- and long-term corporate value for all stakeholders, including shareholders. This philosophy also drives us to establish, implement, and continuously improve systems for ensuring the effectiveness and efficiency of operations and the appropriateness and reliability of financial reports. We are continuously strengthening our corporate governance system, positioning this task as a top management priority. In addition, we endorse the goals of Japan’s Corporate Governance Code, which was formulated in March 2015 (revised in June 2018), and, in principle, we are complying with and have implemented measures based on the principles of the code. Through such efforts, we seek to ensure an effective corporate governance structure based on our fiduciary duty to shareholders; our responsibilities to customers, employees, communities, and other stakeholders; and the aforementioned corporate philosophy.

Corporate Governance Policy (Basic Concept)

https://www.olympus-global.com/company/governance/policy.html

Basic Corporate Governance Policies

Olympus transitioned from a company with Audit & Supervisory Board to a company with Nominating Committees, etc., in June 2019 in order to accelerate decision-making in business execution, strengthen corporate governance, and further enhance transparency. In order to enhance the oversight functions of the Board of Directors, which is comprised of a majority of independent outside directors, we fill the position of chairperson of the Board of Directors with an independent outside director in order to establish a clear divide between business execution and oversight functions. In addition, the Nominating Committee, Compensation Committee, and Audit Committee consist of a majority of independent outside directors and are also chaired by such directors.

With regard to the composition of the Board of Directors, we consider the diversity of experience, knowledge, and skills of the Board of Directors, regardless of the nationalities, ethnicities, and genders of its members. We also secure sufficient time for meetings of the Board of Directors to ensure that all directors are able to fulfill their duties and responsibilities.

Corporate Governance Structure

Our Setup

Chapter 03

Olympus Integrated Report 2020

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Olympus Directors

Olympus has strengthened the corporate governance structure by appointing 9 outside directors, representing more than half of its 12 directors, and utilizing their objective standpoint, wealth of experience, and extensive knowledge of management. Furthermore, 8 of the 9 outside directors are independent officers.

Support Systems for Directors

Olympus established the Board of Directors Office as a dedicated organization to support the execution of duties of outside directors as well as the effective and vigorous activities of the Board of Directors, Nominating Committee and Compensation Committee.

To support the effective execution of the roles and duties of outside directors, Olympus works proactively to provide outside directors with information and distributes documents prior to Board of Directors’ meetings while setting an opportunity for the explanation of agendas in advance as necessary and working to stimulate discussions in Board of Directors’ meetings.

Olympus provides training for newly inaugurated outside directors, including outside directors, comprising visits to major business bases such as business offices and factories, etc., and business study sessions such as briefing sessions, directors presentations, and technical result presentations to promote the acquisition of knowledge concerning Olympus. Furthermore, Olympus arranges for, and covers the cost of, external training sessions for directors to acquire basic knowledge necessary for the performance of directors’ duties with a view to deepening directors’ understanding of their roles and responsibilities.

Process for Appointment of Directors

The Nominating Committee shall deliberate director candidates while making reference to the selection criteria, hold interviews, and determine the content of proposals submitted to the General Meeting of Shareholders in relation to the appointment and dismissal of directors.

Development and Selection of Successors for the President

The Nominating Committee establishes a succession plan for the President (or her independence).

For determining the successor, the Nominating Committee discusses whether the candidates, including outside candidates, have qualifications that are suitable for the President, and provides opinions and advice to the Board of Directors. Thereafter, the successor is decided by the Board of Directors.

Independence Criteria

Olympus has established its “Criteria for Independence of Outside Officers” as described below in order to clarify its policy on the independence of outside officers.

[Criteria for Independence of Outside Officers]

1. If the outside officer has not directly received more than ¥10 million in remuneration (excluding remuneration from Olympus to officers) or other assets from Olympus or Olympus affiliates (hereafter, collectively, the “Group”), if the outside officer is not a consultant, accounting expert or legal expert, the organization to which he or she belongs has not received more than ¥10 million in remuneration or similar from Olympus group.

2. During the past ten-year period, the outside officer has not been an operating director, executive officer, corporate officer or employee of the rank of general manager or above at a company that falls under the following categories:
   (i) In any of the past 10 fiscal years, the monetary amount of the relevant company’s transactions with Olympus Group has been more than ¥5 billion or the consolidated revenue of either Olympus or Olympus group
   (ii) The relevant company is a principal shareholder of Olympus Group (as a main bank, consultant, etc.)
   (iii) Olympus group and the relevant company have a relationship in which they mutually dispatch and appoint directors
   (iv) The outside officer is not a spouse of, or a relative within the third degree of kinship of, a director, operating director, corporate officer or employee of the rank of general manager or above at Olympus group.
   (v) The outside officer does not belong to an auditing firm that conducts statutory audits of Olympus group
   (vi) In addition to each of the above items, the outside officer does not have any significant interest that casts doubt on his or her independence.

Corporate Governance Policy (Corporate Governance Report)

https://www.olympus-global.com/company/governance/policy.html

Policies for Holding Stocks for Purposes Other Than Profit Investment and Exercise of Related Voting Rights

Olympus holds shares of listed stocks for purposes other than pure investment in cases in which such holdings have been deemed viable for contributing to improved corporate value over the medium to long term by verifying the medium to long-term economic rationality of such holdings and the outlook for the future. Each fiscal year, the Board of Directors verifies the appropriateness of individual holdings through a comprehensive evaluation of factors, including the market value of holding and the benefits and risks associated with said holding. Those holdings that are deemed unwise will be downsized.

Olympus exercises its rights as a shareholder in relation to stocks held for purposes other than pure investment by voting on all applicable proposals. In this voting, Olympus decides whether to vote in favor of or against each proposal based on the circumstances of the holding and the management of Olympus in question as evaluated from the perspective of improving the corporate value of Olympus over the medium to long term.
Corporate Governance

Evaluation of Effectiveness of the Board of Directors

Since 2015, we have been conducting evaluation of the effectiveness, etc., of the Board of Directors & the Nominating Committee, Compensation Committee, and Compliance Committee centering on directors’ and Audit & Supervisory Board members’ self-evaluations by way of a questionnaire form, and has been sharing problems to enhance the effectiveness and promoting improvements.

As the fiscal year 2019 evaluation of the Board of Directors’ effectiveness is the first evaluation since the change of the organizational design, we have conducted it in cooperation with an external consulting firm to confirm whether we have established an appropriate governance structure as a company with Nominating Committee, etc., and produced operational results, and to objectively identify matters to be improved, etc., that can enhance the effectiveness of the Board of Directors and each committee (Nominating Committee, Compensation Committee, and Audit Committee).

Evaluation Results for Effectiveness of the Board of Directors

https://www.olympus-global.com/company/governance/board.html

Method of Evaluation

The evaluation was conducted by questionnaires and interviews with 15 directors at the end of 2019, and the Board of Directors held discussions based on the analysis results. The questionnaire was conducted based on the knowledge of the external consultants in order to understand whether or not the directors and committees are aware of the issues regarding the composition, operation, and agenda of the committees. The interview was also conducted by an external consultant with the purpose of objectively grasping the director needed for further improving effectiveness based on the results of the questionnaire. After that, the Board of Directors discussed measures to improve the effectiveness of the Board of Directors, based on the analysis results compiled by the external consultant.

Outline of Analysis and Evaluation Results

As a result of analysis and evaluation results:

1. We have confirmed that the Board of Directors of Olympus shares an awareness of sustainable growth and medium- to long-term corporate value enhancement while directors understand the corporate philosophy and management strategies and hold in-depth and constructive discussions based on a relationship of mutual trust and fairness created with the executive side.

2. One achievement of the governance reform is that Olympus has firmly implemented a structure where 50% or more of the directors are outside directors, one of whom serves as the chairperson, and the Board of Directors effectively fulfills its management supervision functions.

3. Since the transition to a committee system Nominating Committee, etc., a new governance structure has been appropriately constructed and operated with cooperation from outside professionals whenever necessary (e.g., the committees have fulfilled their respective job responsibilities relating to nomination, compensation, and auditing).

4. We have confirmed that efforts have been made to enhance the Board of Directors’ functions through various operational measures and improvement activities, regardless of whether they are related to Board operations (e.g., for feedback [opinions] given by outside directors, the Board chairperson effectively notifies the executive side of the results of discussions at meetings held among outside directors only).

5. In summary, although there are still some issues that the Board of Directors and each committee must solve to further enhance their effectiveness, they are considered to be effectively functioning to help Olympus steadily grow, leap forward, and become a truly global medtech company.

Future initiatives based on the Evaluation Results of the Effectiveness of the Board of Directors

To help Olympus leap forward and become a truly global medtech company and to further contribute to sustainable growth and medium- to long-term corporate value enhancement, the Board of Directors and each Committee of Olympus will implement the following measures.

I. To improve management performance even more in terms of quality and speed by having the executive side better understand the viewpoints of the supervisory side and gain management viewpoints (e.g., clarification of the respective job responsibilities of the executive side and the supervisory side, improvement of the quality of strategic discussions at the Board of Directors’ meetings, and increased opportunities for the executive officers to directly listen to directors’ opinions). Board composition: To consider business strategies from the perspective of long-term, medium- to long-term performance linked stock compensation is paid to directors for creating corporate value. The stock compensation here is to be subsequent grant-type restricted stock compensation (PSU restricted stock unit), and the right to which will be defined at retirement for those directors who live in Japan. Stock rights will be defined on an individual basis in accordance with a general method of stock compensation in each region for those directors who do not live in Japan.

Revision of Officer Compensation System

The Compensation Committee has been advancing discussions based on a direction that will place more emphasis on long-term incentive compensation. In line with the corporate strategy of aiming at a global medtech company announced in November 2019, the Compensation Committee has held numerous discussions on a new executive compensation system.

For the purpose of providing information and supporting discussions from an objective and professional standpoint, Pay Governance LLC, a globally expanding independent compensation consultancy has been hired as an external advisor. We then completed the consideration process for a new executive compensation system that will provide incentives to promote management from a medium- to long-term perspective and continuously improve Olympus’ corporate value.

As a result, we introduced a new officer compensation system, which increases the ratio of long-term incentives (LTI), on April 1, 2020.

Compensation Level

An appropriate compensation level is established commensurate with roles/responsibilities considering objective outside data, evaluation data, economic environment, industry trends, and management status to establish a competitive compensation level that enables Olympus to secure and retain outstanding human resources. Specifically, the compensation levels of global medtech companies and the compensation levels of medtech companies in the country the officer is from are set as benchmarks, and the compensation level will be determined annually by making a relative comparison.

Officer Compensation

Basic Policy for Officer Compensation

At the Company as a company with Nominating Committee, etc., the Compensation Committee, which is composed of a majority of independent outside directors, discusses/determines policy to determine compensations, etc., of the Company’s Directors and Executive Officers on an individual basis, details of compensation, etc. and compensation rules.

Officer Compensation in Fiscal Year 2020

Position Total amount of compensation (¥ billion) Total compensation by type (¥ billion) Number of stock options

<table>
<thead>
<tr>
<th>Position</th>
<th>Total compensation</th>
<th>Bonus</th>
<th>Stock compensation</th>
<th>Number of stock options</th>
</tr>
</thead>
<tbody>
<tr>
<td>Directors</td>
<td>602.3</td>
<td>6</td>
<td>6</td>
<td>12</td>
</tr>
<tr>
<td>Outside directors</td>
<td>131.1</td>
<td>2</td>
<td>2</td>
<td>12</td>
</tr>
<tr>
<td>Executive officers</td>
<td>140.0</td>
<td>12</td>
<td>12</td>
<td>3</td>
</tr>
</tbody>
</table>

Notes:
1. The above table shows a compensation ratio by type for directors who are from Japan.
2. The compensation ratio by type for directors who are from Japan and are not from Japan is different because of differences in local compensation.
3. For those who double as executive officers, each compensation paid for management responsibility is also included in the Officer Compensation for those who are not from Japan.
4. For those who do not reside in Japan, each compensation paid for management responsibility is also included in the Officer Compensation for those who are not from Japan.
5. For those who do not reside in Japan, each compensation paid for management responsibility is also included in the Officer Compensation for those who are not from Japan.
6. For those who double as executive officers, each compensation paid for management responsibility is also included in the Officer Compensation for those who are not from Japan.

Chapter 03
Corporate Governance

Executive Officers

In order to achieve our management strategy and to create corporate value, it is essential that we have a compensation system that ensures that we have capable management personnel and that they can fully demonstrate their abilities. To this end, we have decided on a new compensation system based on the following concepts.

1. Establish a more powerful incentive program which can compete with global medtech companies
2. Establish an incentive program which is consistent with the corporate strategy
3. Establish a program that focuses on value creation and performance evaluation utilizing long-term incentive (LTI) compensation
4. Pay a competitive basic compensation compared to leading Japanese global companies
5. Ensure the sound management of incentives by putting claw-back clauses and shareholding guidelines in place

While a standardized, global compensation system is desirable for compensation design for executive officers that are responsible for global management, differences in compensation levels by region make it difficult to attract and retain talented executives with Japan's pay levels. As such the compensation structure of all executive officers will be the same. However, actual compensation levels are determined by taking into account differences in pay levels in the country of origin of the executive officer.

Compensation for executive officers is to be a combination of basic compensation, a fixed compensation (SBI: base salary), short-term incentive compensation which is linked to business results by every fiscal year (STI: short-term incentive), and long-term incentive compensation (LTI: long-term incentive). LTI consists of subsequent grant-type restricted stock compensation (RSU: restricted stock unit) and performance-linked stock compensation (PSU: performance share unit). The composition ratio is shown in the table to the right.

If an unexpected event significantly affects compensation calculation, the Compensation Committee has the discretion to review or revise the compensation details that contribute to the creation of corporate value. The COVID-19 pandemic is expected to have a significant impact on the company’s medical and other fields and the corporate strategy in fiscal year 2021. Therefore, the Compensation Committee judges that it is necessary to adjust the compensation level described in the preceding paragraph. While the impact of COVID-19 on the corporate strategy and business in fiscal year 2021 becomes more clear, the compensation data for that fiscal year will be considered, and promptly disclosed in an appropriate manner.

Internal Controls

All our activities are based on our corporate philosophy, “Making people’s lives healthier, safer and more fulfilling.”

The Company, based on this basic concept, shall prepare and operate a framework which ensures the effectiveness and efficiency of operations and appropriateness and reliability of financial reporting of the Company and its subsidiaries (hereinafter, “the Olympus Group”), and make continuous improvements.

10 Items for Establishing a Framework as Our Basic Policy on the Internal Control System

1. Framework to ensure the compliance by Executive Officers and employees of the Company and Directors and employees of its subsidiaries, in performance of duties, to applicable laws and regulations as well as the Articles of Incorporation
2. Framework regarding the maintenance of records and management of information in relation to performance of duties by Executive Officers of the Company
3. Regulations and other framework relating to managing risks of loss of the Olympus Group
4. Framework to ensure the effective performance of duties by Executive Officers of the Company and Directors of its subsidiaries
5. Framework for reporting to the Company on matters concerning execution of duties by the Directors and employees of the subsidiaries
6. Framework for matters related to employees whose assignment is to assist in the duties of Audit Committee of the Company, and matters related to the independence of those employees from the executive officers of the Company, and matters related to ensuring the effectiveness of instructions from Audit Committee of the Company to those employees
7. Framework regarding reports by Directors (except those who are members of the Audit Committee), executive officers and employees of the Company to the Audit Committee of the Company, and reports by Directors and employees of the subsidiary the Company or personnel who have received reports from them to the Audit Committee of the Company
8. Framework to ensure that any personnel who have made a report to the Audit Committee of the Company will not be subjected to any unfair treatment due to the report made
9. Matters regarding procedures for advance payment of expenses incurred in connection with execution of duties by the Audit Committee Members of the Company and their reimbursement, and treatment of other expenses or liabilities incurred in connection with execution of the duties
10. Other systems to ensure the effectiveness of audits by the Audit Committee of the Company

https://www.olympus-global.com/company/governance/control.html
Risk Management

Promotion of Risk Management

Based on its Internal Rules on Risk Management and Crisis Response, the Olympus Group manages risk from both the proactive perspective of aggressively taking risks, and the defensive perspective of preventing fraud or accidents that are sound to achieve sustainable growth and create corporate value. A crisis management process has also been established to minimize the impact of unforeseen incidents on corporate value.

Risk Management

The Olympus Group identifies and evaluates, based on uniform processes and standards, the risks that may prevent it from achieving the corporate strategy and fiscal year targets. The aim is to facilitate the efficient and effective formulation of priority measures in line with the degree of importance of each risk factor in order to realize continuous growth.

Based on the roles and relationships of the Board of Directors and executive officers in a company with Nominating Committee etc., starting from the current fiscal year under review we are also strengthening risk management that targets the following points:

1. Establishment of risk assurance originating from the Representative Executive Officer and CEO
2. Achievement of transparent company management by centralizing responsibility management

Major Business Risks

- Risks associated with changes in policy of medical administration and strengthening of representatives of regulatory agencies
- Risks Associated with Business Structure Reform
- Risks Associated with Market Competition
- Risks Associated with Reprocessing Regulations
- Risks Associated with Foreign Currency Exchange Risk Fluctuations
- Risks Associated with Business Collaborations and Corporate Acquisitions
- Risks Associated with Capital Investment
- Risks Associated with Leverage and Restrictions
- Risks Associated with Contingent Liabilities
- Risks Associated with Financial
- Risks Associated with Business Structure Reform

Risk Management Structure (FY2021)

Office of CEO

Executive Officers

Internal Control, Global Risk Management Office

Each Business/Function/Region

Crisis Response Team (activated in the event of a crisis)

Crisis Management

The Olympus Group is continually monitoring the global developments around the COVID-19 pandemic and has set up a global task force to ensure business continuity. The Group has also been taking steps to enable management to ascertain the impact and make swift decisions.

The health and safety of our employees, healthcare professionals and the patients they treat, as well as that of our global communities is our top priority. We will continue to take all the protective measures we can to maintain the supply of our products and services.

Compliance

Promotion of Compliance

The Olympus Group strives to foster an environment of integrity and compliance within the organization. The new Olympus Global Code of Conduct was adopted in September 2019, and sets forth the expectations of the Company. It is available on the Olympus website in 18 languages. More details are available on the website below.

Olympus Global Code of Conduct

https://www.olympus-global.com/company/philosophy/codes.html

Compliance Promotion System (As of July 31, 2020)

Audit Committee

Members: Independent outside directors

Global Compliance Leadership Team (GCLT)

Chairperson: CCO, Members: Regional Compliance Officers, Global Planning and Operations

Chapter 03

Our Setup

Compliance Promotion Structure

Olympus has appointed a chief compliance officer (CCO), reporting to the CEO, whose task is to lead the program in accordance with global standards with high expectations of integrity. The Audit Committee of the Board of Directors, consisting of the outside directors, provides independent oversight. Olympus has established the Global Compliance Leadership Team, chaired by the CCO where Regional Compliance Officers and Global Compliance Department leaders participate. The purpose of the group is to implement compliance-policies and measures, share best practices and engage in continuous improvement both globally and regionally.

Disclosure Program (Whistleblowing System)

The Olympus Group has established a Global Integrity Line which permits and encourages reporters to raise concerns through the web or by phone. The Integrity Line is operated by a third party, thereby ensuring anonymity it sought by the reporter (in accordance with local law). This resource complements a range of regional “helpdesk”, all designed to encourage the raising of concerns. Olympus is committed to assuring that good faith reporters are not the subject of retaliation.

Compliance Training

To raise compliance awareness and encourage an understanding of important laws and internal rules, as well as to ensure consistent compliance with them, we must give our employees the appropriate training. Olympus continues to enhance its compliance training and strives to integrate compliance principles into everyday business process and communications, with the goal of aligning business objectives with the right thing in order to maintain the trust of our stakeholders. We require employees and managers to complete compliance-related training courses regarding topics such as anti-corruption and fair competition. In Japan, for example, training programs for employees are tailored to their areas of responsibility and related compliance risk. In other regions, we undertake compliance training in a similar systematic manner.
Information Security

In recognition of the proper handling and protection of information as a social responsibility, the Olympus Group formulated the Information Security Policy and works to protect information security.

Information Security System

Under the Chief Information Security Officer (CISO) and the division responsible, we are maintaining and upgrading information security levels for the global group by introducing organized and comprehensive global governance in information security. These efforts are targeted at regional headquarters for Japan, the Americas, Europe, China and Asia/Oceania, and other Group companies.

Information Security Management

Specifically, the Olympus Group’s information security system is organized into three focus fields: IT security, confidential information security and product security. In addition to initiatives in each field, the Company has organized a security governance system for the execution and management of measures and programs that coordinate business operations, functions and regions.

IT Security

Sweeping innovations to the existing IT security framework are being implemented through global IT, optimization projects, and the introduction of cloud systems, etc., to create a higher level of IT security.

Confidential Information Security

We are monitoring business processes and internal operations and systems in compliance with the statutory frameworks of various countries, represented by personal information protection laws, the EU’s General Data Protection Regulations (GDPR) and the California Consumer Protection Act (CCPA) of the United States. Security measures are being applied to prevent data leaks and regulatory violations according to each country’s laws and regulations.

Product Security

A global product security policy has been established, and a process put in place to assure product security measures for products and services in order to provide products and services that are both safe and reliable. We are also collecting information on product threats and vulnerabilities, setting up a system to analyze security risks, and working to realize early response security measures.

Information Security Governance and Training

To ensure these activities are implemented, we have implemented effective security governance through monitoring the operating status with regular internal information security assessments, as well as providing regular information security training for directors and all employees. Through these efforts, we are continuing to take actions to maintain and improve a comprehensive level of information security.

Personal Information Protection

The Olympus Group protects personal information concerning all its stakeholders, including its customers, using appropriate methods and, in order for proper handling to be performed, has established a Personal Information Protection Policy. The Group also clarifies its policies relating to personal information protection in the Olympus Group Code of Ethics.

Personal Information Protection Initiatives

Having established a global promotion system based on the personal information protection laws of each country in conjunction with the regional headquarters in Japan, the Americas, Europe, China, and Asia/Oceania, all personal information managed by the Olympus Group is appropriately managed and protected.

A dedicated division regularly provides personal information protection education to all employees. In addition to requesting regular inspections of the management status of each department that manages personal information, the division also responds to requests and complaints from customers regarding, for example, disclosure, revision or termination of use of personal information.

In fiscal year 2020, we did not have any legal violations or data leaks that required a report to the Personal Information Protection Committee.

Links to CSR Data Book

For details of the Olympus Group’s ESG activities, see the following references in the CSR Data Book.

Governance


Society


Environment


GRI Content Index https://www.olympus-global.com/csr/download/gri/
Basic Policy on Information Disclosure

Olympus complies with the laws and the Financial Instruments Exchange rules, and discloses information in compliance therewith. Olympus also proactively discloses that information which may have a material impact on its corporate value evaluation in accordance with the Article 27-36 of the Financial Instruments and Exchange Act (the so-called “Fair Disclosure Rules”) and the Internal Information Disclosure Criteria regardless of whether such disclosure is not required by the laws or the rules.

Olympus’ disclosure of information, as required by the Timely Disclosure Rules of the Tokyo Stock Exchange, will be disclosed through the Timely Disclosure network (TDnet) of the Tokyo Stock Exchange in general. With regard to the information that is not required by the laws or rules, we also proactively disclose it in various ways, including press releases, websites, integrated reports, interim shareholder letters, and voluntary timely disclosure.

Investor Relations Activities

The following investor relations activities were conducted in fiscal year 2020.

<table>
<thead>
<tr>
<th>Activity</th>
<th>Time conducted</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Briefing sessions on results for institutional investors and analysts</td>
<td>4</td>
<td>Meetings or teleconferences held quarterly to explain topics from the period, focused on financial performance and forecasts</td>
</tr>
<tr>
<td>IRI events</td>
<td>1</td>
<td>Events featuring explanations of the Company’s business strategies, each division’s growth strategies, and product exhibitions</td>
</tr>
<tr>
<td>Conference calls for overseas institutional investors</td>
<td>4</td>
<td>Teleconferences with overseas institutional investors held on the day of financial results presentations for each quarter</td>
</tr>
<tr>
<td>Overseas IRI roadshows</td>
<td>3</td>
<td>Meetings for institutional investors in which the president and the CFO visit overseas sites</td>
</tr>
<tr>
<td>Conferences held by securities companies (including overseas conference)</td>
<td>6</td>
<td>Participation in and meetings at conferences held by securities companies in Japan and overseas</td>
</tr>
<tr>
<td>Briefing sessions/events for individual investors</td>
<td>3</td>
<td>Meetings held at branch offices of securities companies and events for individual investors</td>
</tr>
<tr>
<td>Individual meetings with institutional investors and analysts</td>
<td>Approx. 700</td>
<td>Individual meetings held with the president, the CFO, and/or IR division representatives (including meetings conducted at overseas IRI roadshows and conferences)</td>
</tr>
</tbody>
</table>

Communication with Stakeholders

Seeking to facilitate sustainable growth and medium- to long-term improvements in corporate value, the president and the chief financial officer (CFO) play a central role in our proactive efforts to communicate with shareholders. Investor relations divisions support these efforts and create systems for sharing information within the Company and relaying input from shareholders to management. Furthermore, to protect the rights of shareholders, convocation notices for the General Meeting of Shareholders are sent at the earliest date possible and are made to include a comprehensive range of information. In addition, English language versions of convocation notices are uploaded onto the Company’s corporate website, and we take other steps to guarantee that such information is provided fairly to all shareholders, including those overseas, and thereby ensure that shareholders have ample information and sufficient time to properly exercise their voting rights.

Data Section

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Financial Highlights (For the fiscal years as of / ended March 31)

Revenue increased 4% year on year, excluding the impact of the foreign exchange rate, and driven by revenue in the Medical Business which reached an all-time high for the third year in a row. Operating profit increased significantly due to a decrease in both SG&A expenses and other expenses.

EBITDA

Profit attributable to owners of parent increased 53.4% year on year. ROE increased 10.9 percentage points to 12.7%.

Free Cash Flow

Net cash provided by operating activities amounted to ¥135.5 billion. Free cash flow amounted to ¥71.1 billion due to increased profits.

Basic Earnings per Share

Basic earnings per share amounted to ¥39.37 resulting from the recording of profit attributable to owners of parent of ¥51.7 billion. Equity attributable to owners of parent per share declined by ¥34.67.

Note: “Net income” in this report basically refers to “Profit attributable to owners of parent.”

“Profit attributable to owners of parent per share” is “Total equity per share” under Japanese GAAP.

“Profit attributable to owners of parent per share” is expressed with the figure after the stock split.

On April 1, 2019, the Company conducted a four-for-one stock split of common stock.

Scope 1: Greenhouse gas emissions from direct use of fossil fuels

Scope 2: Greenhouse gas emissions from secondary use, such as electric power purchase

Scope 3: Other indirect emissions excluding Scope 1 and Scope 2

While continuously promoting modal shift in international transportation from aircraft to ships, Olympus is consolidating strategic risks promotion goals, streamlining routes between distribution bases, and reducing the distribution distance with direct delivery.

Olympus conducts continuous improvements in manufacturing, energy-saving measures and is introducing the use of renewable energy all over the world.

Olympus uses water mainly in production processes, such as for cleaning components and cooling. We implement thorough wastewater control by adopting stricter standards than the legal requirements in each region, and we continue to reduce water consumption and wastewater emissions by setting targets in those sites that have high water consumption.

Olympus uses water in main production processes, such as for cleaning components and cooling. We implement thorough wastewater control by adopting stricter standards than the legal requirements in each region, and we continue to reduce water consumption and wastewater emissions by setting targets in those sites that have high water consumption.

Olympus is strengthening measures to achieve a good balance between work and childcare and is encouraging the use of its childcare leave system. We have achieved a 100% retention rate in employees returning to work from childcare leave for six consecutive years.

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Olympus introduced a reduced working hours system with the aim of supporting both work and childcare/housing care, with the number of people using the system growing each year. We provide support as a company that enables diverse human resources to continue with their career irrespective of different major life events.

- Scope 1: Greenhouse gas emissions from direct use of fossil fuels

- Scope 2: Greenhouse gas emissions from secondary use, such as electric power purchase

- Scope 3: Other indirect emissions excluding Scope 1 and Scope 2

- Category 4: air transportation and distribution

- Scope: Olympus Group
### Data Section

#### 10-Year Financial / Non-Financial Data (For the fiscal years as of / ended March 31)

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<td>978,063</td>
<td>932,015</td>
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<td>48,028</td>
<td>151,907</td>
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<td>357,254</td>
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<td>397,780</td>
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<td><strong>Equity ratio (JGAAP)</strong></td>
<td>11.0%</td>
<td>4.6%</td>
<td>15.5%</td>
<td>32.1%</td>
<td>39.2%</td>
<td>43.3%</td>
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<td><strong>Net debt</strong></td>
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<td><strong>Number of employees</strong></td>
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<td>34,687</td>
<td>35,933</td>
<td>35,124</td>
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</table>

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* #1 Act: The Company’s net income (loss) per share (JGAAP) is calculated using the following assumptions: EBITDA = Operating profit + Depreciation and amortization that is included in cost of sales or SG&A expenses + Amortization of goodwill that is included in SG&A expenses.

* #2 Act: The Company’s EBITDA margin (Medical Business) is calculated using the following assumptions: EBITDA margin (Medical Business) = EBITDA / Revenue.

* #3 Act: The Company’s net income (loss) per share (JGAAP) is calculated using the following assumptions: EBITDA = Segment profit in the Medical Business + Depreciation and amortization that is included in cost of sales or SG&A expenses + Amortization of goodwill that is included in SG&A expenses.

* #4 Act: The Company conducted a stock split at the ratio of four shares for one ordinary share on April 1, 2019. Figures prior to the year ended March 31, 2019 have been converted to align with the post-stock split standard.

* #5 Figures for the fiscal years ended March 31, 2012 and 2015 are omitted as the Company recorded net loss for these fiscal years.

* #6 The Company conducted a stock split at the ratio of four shares for one ordinary share on April 1, 2019. Figures for the fiscal years ended March 31, 2019 are recalculated using the same method.

* #7 The percentage of women in management roles in Japan is calculated using the following assumptions: Women in management roles in Japan = Number of women in management roles / Total number of employees x 100. Percentage of revenue (%) = Revenue / Total net assets (JGAAP) * 100.

* #8 Price earnings ratio (PER) for the fiscal years ended March 31, 2012 and 2015 are omitted as the Company recorded net loss for these fiscal years.

* #9 The percentage within current global senior management.

* #10 Through the fiscal year ended March 31, 2019, figures are as of June 1 of each respective year, and from the fiscal year ended March 31, 2020, the figures are as of March 31 of each respective year for individuals and the number of temporary employees.
The business performances of the Olympus Group may be materially influenced by various factors which may occur in the future. Olympus has established “The Policy of Risk Management and Crisis Response” and related rules based on which we develop global risk management systems to mitigate business risks.

In particular, the Olympus Group applies uniform process and standard to identify and evaluate risk factors that may prevent it from achieving corporate strategy, fiscal year strategy, and fiscal year targets so that it may prioritize the risk factors and formulate effective and effective measures based on the degree of importance of each risk factor. Those measures are discussed and formulated as Olympus Group level measures, and the Olympus Group has further established a system to track and periodically monitor progress of the said measures. The Group has also started to standardize risk-management processes globally so that uniform risk management processes will apply when monitoring the achievement of business targets at each region. We believe these initiatives will enhance the achievement of our strategies and fiscal year targets.

Set out below are our principal business risk factors, aside from managerial decisions made by the Olympus Group, which may affect Olympus Group’s business performances.

The future outlooks described below are based on the forecasts of the Olympus Group made as of the end of the fiscal year ended March 31, 2020.

Risk Information

As of July 6, 2020

Risks Associated with Changes in Policy of Medical Administration and Strengthening of Reprocessing Regulations

In the medical business, medical system reforms aimed at curbing healthcare expenditures and improving quality of life (QOL) are ongoing both in Japan and overseas, and regulatory requirements or other related applications and registrations in all over the world, such as European Medical Device Regulation (EU-MDR), are increasing year by year. In addition, the requirements concerning reprocessing (i.e., cleaning, disinfection, and sterilization) are becoming more complex.

The Olympus Group’s earnings may be adversely affected if: (i) amendments to healthcare laws and regulations or their application change in the future, that may adversely affect the Olympus Group’s sales or marketing activities; (ii) excessive reprocessing requirements concerning reprocessing (i.e., cleaning, disinfection, and sterilization) are required; and (iii) Olympus Group’s earnings may be adversely affected if the Olympus Group’s earnings may be adversely affected if (i) amendments to healthcare laws and regulations or their application change in the future; and (ii) the Olympus Group fails to maintain such partnerships due to reasons such as business reorganization or any other related reasons.
to reasons such as unexpected changes in the business and social environment which invalidates the system, or misunderstanding by internal organizations or functions. If the Olympus Group fails to properly respond to such situations, the Olympus Group’s business performance and financial position may be adversely affected.

**Risks Associated with Laws and Regulations**

We globally operate our businesses, including the Medical Business, which is a regulated business. We are subject to various laws, including the healthcare-related laws, antimonopoly laws both in Japan and other jurisdictions, as well as the anti-bribery provisions of the U.S. Foreign Corrupt Practices Act of 1977 (FCPA), the UK Anti-Bribery Act and other anti-bribery laws in other jurisdictions. We are also subject to various laws targeting fraud and misconduct in the healthcare industry, including the Act against Unjustifiable Premiums and Misleading Representations in Japan, and the Anti-Kickback Statute and the False Claims Act in the United States.

Violations of these laws may be punishable by criminal or civil fines, imprisonment and/or exclusion from participation in certain national healthcare programs. Furthermore, since many of our customers rely on reimbursement from public health insurance and other government programs to subsidize their medical expenditures, if our participation in such programs is restricted as a result of these laws, that could adversely affect the demand for our products and the number of surgical procedures performed with our devices.

The plea agreement, which we executed on December 3, 2018 with the U.S. Department of Justice, requires our subsidiary, Olympus Medical Systems, Corp. (OMISC), to “undertake steps to enhance its regulatory compliance programs and procedures, and to implement and maintain certifications that OMISC is meeting the expectations of the settlement.” Depending on OMISC’s performance of the said obligation, it may be subject to additional measures by the U.S. Department of Justice.

We strive to fully comply with these laws, however, if we violate any of them, regardless of such violation is intentional or not, it may affect our business, financial condition, results of operations and cash flows as well as the price of shares of our common stock.

**Risks Associated with Litigation**

The Olympus Group may be subject to lawsuits, disputes and other legal proceedings in connection with our domestic and international businesses. If a material lawsuit such as indemnity claim or injunction is filed by a third party, the Olympus Group’s business performance and financial position may be adversely affected.

The Olympus Group uses various intellectual property rights in the course of its R&D and production activities, and although it believes that Olympus Group lawfully owns or are licensed to use such rights, if any third party asserts that we have unknowingly infringed any of these intellectual property rights and files litigation, the Olympus Group’s earnings may be adversely affected.

**Civil litigations have been filed in the United States alleging that plaintiffs have suffered damages with respect to the duodenoscopes that our group manufactures and markets. Considering the current status of these cases, we believe they will not give a significant impact on our business results and financial situation.**

Olympus (Shenzhen) Industrial Ltd., a consolidated subsidiary in Shenzhen, China and owned by Olympus (China) Co., Ltd., another consolidated subsidiary had been sued by Shenzhen Anping Tai Investment and Development Co., Ltd. on December 23, 2016, and its judgment was handled down on July 30, 2018. We objected to this judgment and filed an appeal on August 17, 2018, but it may affect the Olympus Group’s business performance and financial position depending on the future progress.

**Risks Associated with Financing**

The Olympus Group finances itself by, amongst others, loans from financial institutions as well as issuance of bonds. Changes in the financial markets may have an impact on our financing capacities.

Furthermore, if our financing costs rise due to reasons such as deterioration in our business performances, this may also have an adverse impact on our financing capacities.

**Risks Associated with Business Structure Reform**

In November 2019, the Olympus Group announced the corporate strategy aiming as a truly global medtech company to achieve sustainable growth of the Olympus Group.

In this corporate strategy, the Endoscopic Solutions Division aims to expand the scope of our endoscopes, and the Therapeutic Solutions Division seeks to achieve sales growth by introducing new products in its focus areas. In addition, we expect to implement large-scale efficiency improvements in the areas of products (cost of sales and R&D), commercial (sales and marketing, and maintenance services), and corporate (indirect expenses for corporate functions), as a company-wide efficiency improvement program.

If this program does not progress as scheduled, the Olympus Group’s business performance and financial position may be adversely affected.

**Other Comprehensive Risks**

Through its domestic and overseas subsidiaries and affiliates, we operate our businesses globally. Our businesses may be subject to investigations by domestic and overseas authorities; or we may have consultations with or report to authorities pursuant to laws and regulations (such as responding to the examinations under the antimonopoly acts or those related to pharmaceutical and medical device related laws, or voluntary disclosure to the U.S. Department of Justice under the Foreign Corrupt Practices Act). Our earnings may be adversely affected depending on the results of such investigations and consultations.

In addition, we are expanding our business globally, and our tax burden may be increased due to changes in applicable tax laws or changes in their interpretations and application guidelines in each jurisdiction. The valuation allowance for deferred tax assets may need to be increased as a result of realizability reassessment due to changes in business conditions or the implementation of organizational restructuring. If such situations occur, it may adversely affect the financial condition and business performance of the Group.

Moreover, occurrence of natural disaster, disease, war, or terrorist attack may adversely affect Olympus Group’s earnings.

**Risks Associated with COVID-19**

Since the repeatedly reported outbreaks of COVID-19 infections in Wuhan, Hubei Province, China in December 2019, and the outbreaks have been reported all over the world. As a result, the economic downturn caused by the lockdown to prevent the spread of infection and the self-restraint of economic activity has led to a global recession. Due to the outbreak, in our business activities, visits to medical institutions are restricted, and there are some restrictions on sales activities as well. In addition, the Olympus Group is requesting the domestic and overseas employees to work from home, etc. with the purpose of preventing the infections and the spread of the COVID-19, which causes some restrictions and delays not only in sales activities but also other business activities such as the announcement of financial results for fiscal year 2020 and convention of the 152nd General Meeting of Shareholders.

If medical institutions will be compelled to prioritize the responsive measures to COVID-19, the number of medical treatments and its portfolio with single-use endoscopes, and the Therapeutic Solutions Division seeks to achieve sales growth by introducing new products in its focus areas. In addition, we expect to implement large-scale efficiency improvements in the areas of products (cost of sales and R&D), commercial (sales and marketing, and maintenance services), and corporate (indirect expenses for corporate functions), as a company-wide efficiency improvement program.

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Moreover, occurrence of natural disaster, disease, war, or terrorist attack may adversely affect Olympus Group’s earnings.
## Consolidated Statements of Financial Position

Olympus Corporation and Consolidated Subsidiaries  
As of March 31, 2019 and 2020

### ASSETS

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<th>Description</th>
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<th>¥1,000</th>
<th>¥1,000</th>
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<td>Cash and cash equivalents (Notes 7, 35)</td>
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<td>Trade and other receivables (Notes 8, 35)</td>
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<td>Other financial assets (Notes 10, 35)</td>
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<td>Inventories (Note 9)</td>
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### LIABILITIES AND EQUITY

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<td>Other non-current liabilities (Note 21)</td>
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<td><strong>Total non-current liabilities</strong></td>
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<td><strong>Equity</strong></td>
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<td>Share capital (Note 24)</td>
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<td>91,157</td>
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<td>Treasury shares (Note 24)</td>
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<td>(900,321)</td>
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<td>Other components of equity (Note 24)</td>
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<td>(308,728)</td>
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<td>Retained earnings (Note 24)</td>
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<td><strong>Total equity attributable to owners of parent</strong></td>
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<tr>
<td><strong>Total equity</strong></td>
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<td><strong>Total liabilities and equity</strong></td>
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<td>$9,318,009</td>
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</tbody>
</table>

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See accompanying notes to consolidated financial statements.
Consolidated Financial Statements and Notes

Consolidated Statements of Profit or Loss

Olympus Corporation and Consolidated Subsidiaries
For the years ended March 31, 2019 and 2020

<table>
<thead>
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<th></th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars (Note 2)</th>
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<tr>
<td></td>
<td>2019</td>
<td>2020</td>
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<td>Revenue (Notes 6, 28)</td>
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<td>¥797,411</td>
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<td>Cost of sales (Notes 9, 13, 14, 23)</td>
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<td>297,844</td>
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<td>Gross profit</td>
<td>509,565</td>
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<tr>
<td>Selling, general and administrative expenses (Notes 13, 14, 23, 29)</td>
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</tr>
<tr>
<td>Share of profit (loss) of investments accounted for using equity method (Note 6)</td>
<td>603</td>
<td>485</td>
</tr>
<tr>
<td>Other income (Note 30)</td>
<td>6,234</td>
<td>2,976</td>
</tr>
<tr>
<td>Other expenses (Notes 16, 30)</td>
<td>50,611</td>
<td>14,536</td>
</tr>
<tr>
<td>Operating profit (Note 6)</td>
<td>28,281</td>
<td>83,469</td>
</tr>
<tr>
<td>Finance income (Note 31)</td>
<td>2,163</td>
<td>1,942</td>
</tr>
<tr>
<td>Finance costs (Note 31)</td>
<td>10,347</td>
<td>7,613</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>20,117</td>
<td>77,798</td>
</tr>
<tr>
<td>Income taxes (Note 37)</td>
<td>12,068</td>
<td>26,143</td>
</tr>
<tr>
<td>Profit</td>
<td>¥ 8,049</td>
<td>¥ 51,655</td>
</tr>
</tbody>
</table>

Profit (loss) attributable to:

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars (Note 2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owners of parent</td>
<td>¥ 8,147</td>
<td>¥ 51,670</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>¥ (98)</td>
<td>¥ (10)</td>
</tr>
<tr>
<td>Profit</td>
<td>¥ 8,049</td>
<td>¥ 51,655</td>
</tr>
</tbody>
</table>

Earnings per share

<table>
<thead>
<tr>
<th></th>
<th>Yen</th>
<th>U.S. dollars (Note 2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic earnings per share (Note 32)</td>
<td>¥ 5.97</td>
<td>¥ 39.37 $ 0.36</td>
</tr>
<tr>
<td>Diluted earnings per share (Note 32)</td>
<td>¥ 5.96</td>
<td>¥ 39.36 $ 0.36</td>
</tr>
</tbody>
</table>

Consolidated Statements of Comprehensive Income

Olympus Corporation and Consolidated Subsidiaries
For the years ended March 31, 2019 and 2020

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars (Note 2)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
<td>2020</td>
</tr>
<tr>
<td>Profit</td>
<td>¥8,049</td>
<td>¥51,655</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Items that will not be reclassified to profit or loss</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial assets measured at fair value through other comprehensive income (Note 33)</td>
<td>(3,254)</td>
<td>(1,126)</td>
</tr>
<tr>
<td>Remeasurements of defined benefit plans (Note 33)</td>
<td>858</td>
<td>(4,227)</td>
</tr>
<tr>
<td>Total of items that will not be reclassified to profit or loss (Note 33)</td>
<td>(2,396)</td>
<td>(5,353)</td>
</tr>
<tr>
<td>Items that may be reclassified to profit or loss</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exchange differences on translation of foreign operations (Note 33)</td>
<td>1,855</td>
<td>(13,273)</td>
</tr>
<tr>
<td>Cash flow hedges (Note 33)</td>
<td>491</td>
<td>337</td>
</tr>
<tr>
<td>Share of other comprehensive income (loss) of associates accounted for using equity method (Note 33)</td>
<td>(2)</td>
<td>(97)</td>
</tr>
<tr>
<td>Total of items that may be reclassified to profit or loss (Note 33)</td>
<td>2,344</td>
<td>(13,033)</td>
</tr>
<tr>
<td>Total other comprehensive income</td>
<td>(52)</td>
<td>(18,386)</td>
</tr>
<tr>
<td>Comprehensive income</td>
<td>¥7,997</td>
<td>¥93,269</td>
</tr>
</tbody>
</table>

Comprehensive income attributable to:

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars (Note 2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owners of parent</td>
<td>¥6,024</td>
<td>¥33,284</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>¥ (97)</td>
<td>¥ (15)</td>
</tr>
<tr>
<td>Comprehensive income</td>
<td>¥7,927</td>
<td>¥93,259</td>
</tr>
</tbody>
</table>

Earnings per share

<table>
<thead>
<tr>
<th></th>
<th>Yen</th>
<th>U.S. dollars (Note 2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic earnings per share (Note 32)</td>
<td>¥ 5.97</td>
<td>¥ 39.37 $ 0.36</td>
</tr>
<tr>
<td>Diluted earnings per share (Note 32)</td>
<td>¥ 5.96</td>
<td>¥ 39.36 $ 0.36</td>
</tr>
</tbody>
</table>

See accompanying notes to consolidated financial statements.
## Consolidated Statements of Changes in Equity

Olympus Corporation and Consolidated Subsidiaries  
For the years ended March 31, 2019 and 2020

<table>
<thead>
<tr>
<th>Millions of yen</th>
<th>Equity attributable to owners of parent</th>
<th>Non-controlling interests</th>
<th>Total equity</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Share capital</td>
<td>Capital surplus</td>
<td>Treasury shares</td>
</tr>
<tr>
<td>Balance at April 1, 2018</td>
<td>¥124,560</td>
<td>¥91,502</td>
<td>¥14,775</td>
</tr>
<tr>
<td>Profit</td>
<td>8,147</td>
<td>8,147</td>
<td>(98)</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>(53)</td>
<td>(53)</td>
<td>1</td>
</tr>
<tr>
<td>Comprehensive income</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Purchase of treasury shares (Note 24)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Disposal of treasury shares (Note 24)</td>
<td>(20)</td>
<td>19</td>
<td>(1)</td>
</tr>
<tr>
<td>Dividends from surplus (Note 26)</td>
<td>(9,559)</td>
<td>(9,559)</td>
<td>(368)</td>
</tr>
<tr>
<td>Transfer from other components of equity to retained earnings</td>
<td>(2,371)</td>
<td>2,371</td>
<td></td>
</tr>
<tr>
<td>Share-based payment transactions (Note 27)</td>
<td>46</td>
<td>21</td>
<td>67</td>
</tr>
<tr>
<td>Equity transactions with non-controlling interests</td>
<td>(193)</td>
<td>(193)</td>
<td></td>
</tr>
<tr>
<td>Total transactions with owners</td>
<td>46</td>
<td>(192)</td>
<td>11</td>
</tr>
</tbody>
</table>

| Balance at March 31, 2019 | ¥124,606 | ¥91,310 | ¥14,764 | ¥18,234 | ¥235,275 | ¥441,193 | ¥1,194 | ¥442,387 |

<table>
<thead>
<tr>
<th>Millions of yen</th>
<th>Equity attributable to owners of parent</th>
<th>Non-controlling interests</th>
<th>Total equity</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Share capital</td>
<td>Capital surplus</td>
<td>Treasury shares</td>
</tr>
<tr>
<td>Balance at April 1, 2019</td>
<td>$1,143,174</td>
<td>$837,706</td>
<td>$(43,706)</td>
</tr>
<tr>
<td>Profit</td>
<td>474,037</td>
<td>474,037</td>
<td>(138)</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>(168,679)</td>
<td>(168,679)</td>
<td></td>
</tr>
<tr>
<td>Comprehensive income</td>
<td>—</td>
<td>—</td>
<td>(168,679)</td>
</tr>
<tr>
<td>Purchase of treasury shares (Note 24)</td>
<td>(856,707)</td>
<td>(856,707)</td>
<td></td>
</tr>
<tr>
<td>Dividends from surplus (Note 26)</td>
<td>(93,973)</td>
<td>(93,973)</td>
<td>(1,156)</td>
</tr>
<tr>
<td>Transfer from other components of equity to retained earnings</td>
<td>35,495</td>
<td>(35,495)</td>
<td></td>
</tr>
<tr>
<td>Share-based payment transactions (Note 27)</td>
<td>340</td>
<td>139</td>
<td>479</td>
</tr>
<tr>
<td>Equity transactions with non-controlling interests</td>
<td>(1,450)</td>
<td>(1,450)</td>
<td></td>
</tr>
<tr>
<td>Total transactions with owners</td>
<td>340</td>
<td>(1,403)</td>
<td>(856,615)</td>
</tr>
</tbody>
</table>

| Balance at March 31, 2020 | $1,143,514 | $836,303 | $(900,321) | $(208,725) | $2,530,578 | $3,401,349 | $11,110 | $3,412,459 |

Note: Details of Share capital, Capital surplus, Retained earnings, Treasury shares and Other components of equity are described in Note 24 "Share capital and other components of equity".
### Consolidated Statements of Cash Flows

<table>
<thead>
<tr>
<th>Description</th>
<th>2019</th>
<th>2020</th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars (Note 2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flows provided by operating activities</td>
<td>68,043</td>
<td>133,544</td>
<td>1,420,642</td>
<td></td>
</tr>
<tr>
<td>Cash flows from investing activities</td>
<td>119,890</td>
<td>154,850</td>
<td>1,225,174</td>
<td></td>
</tr>
<tr>
<td>Cash flows from financing activities</td>
<td>2,892</td>
<td>6,752</td>
<td>61,946</td>
<td></td>
</tr>
<tr>
<td>Subtotal</td>
<td>84,736</td>
<td>181,495</td>
<td>1,611,452</td>
<td></td>
</tr>
<tr>
<td>Net cash used in investing activities</td>
<td>80,286</td>
<td>82,436</td>
<td>572,750</td>
<td></td>
</tr>
<tr>
<td>Cash flows from financing activities</td>
<td>647</td>
<td>69,534</td>
<td>637,927</td>
<td></td>
</tr>
<tr>
<td>Increase (decrease) in short-term borrowings and commercial papers (Note 34)</td>
<td>647</td>
<td>69,534</td>
<td>637,927</td>
<td></td>
</tr>
<tr>
<td>Repayments of lease liabilities (Note 34)</td>
<td>(15,604)</td>
<td>(143,156)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from sales of property, plant and equipment (Note 34)</td>
<td>4,300</td>
<td>199</td>
<td>1,817</td>
<td></td>
</tr>
<tr>
<td>Purchase of intangible assets (Note 34)</td>
<td>(14,372)</td>
<td>(258,303)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase of investments in associates (Note 34)</td>
<td>(2,440)</td>
<td></td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Payments for loans receivable (Note 34)</td>
<td>(1,564)</td>
<td>(872)</td>
<td>3,600</td>
<td></td>
</tr>
<tr>
<td>Collection of loans receivables (Note 34)</td>
<td>1,195</td>
<td>1,275</td>
<td>16,101</td>
<td></td>
</tr>
<tr>
<td>Proceeds from sales of investments (Note 34)</td>
<td>5,031</td>
<td>3,051</td>
<td>27,807</td>
<td></td>
</tr>
<tr>
<td>Payments for acquisition of business (Notes 34, 40)</td>
<td>(3,743)</td>
<td>(571)</td>
<td>6,238</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>(1,602)</td>
<td>(385)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net cash used in financing activities</td>
<td>(80,286)</td>
<td>(82,436)</td>
<td>(572,750)</td>
<td></td>
</tr>
</tbody>
</table>

#### Notes to the Consolidated Financial Statements

1. **Reporting Entity**
   Olympus Corporation (hereinafter, the “Company”) is a corporation located in Japan. The address of its registered head office is Hachiouji-shi, Tokyo. The Company’s consolidated financial statements comprise the Company, its subsidiaries (hereinafter, the “Olympus Group”) and interests in the Company’s associates.

2. **Basis of Preparation**
   (1) Compliance with IFRS
      The accompanying consolidated financial statements of the Olympus Group have been prepared in accordance with International Financial Reporting Standards (hereinafter, “IFRS”). Since the requirements for a “Specified Company of Designated International Accounting Standards” set forth in Article 1-2 of the “Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements” are satisfied, the Olympus Group adopts the provisions of Article 93 of the same Ordinance.

   (2) **Functional currency and presentation currency**
      The Olympus Group’s consolidated financial statements are presented in Japanese yen, which is also the Company’s functional currency, and figures are rounded off to the nearest million yen. The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of readers outside Japan, using the exchange rate of ¥109 to US$1.00, the approximate rate of exchange prevailing at March 31, 2020. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could be, or could in the future be converted into U.S. dollars at this or any other rate of exchange.

3. **Significant Accounting Policies**
   (1) **Basis of consolidation**
      Subsidiaries are entities that are controlled by the Olympus Group. The Olympus Group considers that it has control over an entity when it is exposed or has rights to variable returns arising from its involvement with the entity, while having the ability to affect those returns through its power over the entity. Financial statements of a subsidiary are consolidated from the date on which the Olympus Group obtains control over such subsidiary, until the date on which the control is lost.
      All intergroup balances, transactions, unrealized profit or loss arising from intergroup transactions are eliminated on consolidation. Comprehensive income of the subsidiaries is attributed to the owners of parent and to the non-controlling interests having a deficit balance. Changes in the Company’s ownership interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. Any difference between the adjustment to the non-controlling interests and the fair value of the consideration is recognized directly in equity attributable to owners of parent.

   (2) **Associates**
      An associate is an entity over which the Olympus Group has significant influence on its financial and operating policies but does not have control or joint control. Investments in associates are accounted for by the equity method from the date the Olympus Group gains significant influence until the date it loses that influence. Investments in associates include goodwill recognized on acquisition.
(2) Business combinations
Business combinations are accounted for by using the acquisition method. Consideration for an acquisition is measured at the sum of the fair value of the assets transferred, liabilities assumed, and equity instruments issued by the Olympus Group in exchange for the control over the acquiree. Consideration for an acquisition includes contingent consideration. If consideration for an acquisition exceeds the fair value of identifiable assets and liabilities, such excess is recognized as goodwill in the consolidated statements of financial position. If, conversely, the consideration is less than the fair value, the difference shall be directly recognized in profit or loss in the consolidated statements of profit or loss. In addition, acquisition-related costs incurred shall be recognized in profit or loss.

For a business combination that is achieved in stages, interest in the acquiree that was previously held by the Olympus Group (remeasured at fair value at the date of acquisition of control), and the resulting gains or losses are recognized in profit or loss.

(3) Foreign currency translations
1) Foreign currency transactions
Foreign currency transactions are translated into the functional currency of each Group company using the exchange rate at the transaction date or an exchange rate that approximates it. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated into functional currencies using the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies measured at fair value are translated into functional currencies using the exchange rate at the date when such fair value was measured. Translation differences arising from translations and settlements are recognized in profit or loss for the period; provided, however, that translation differences arising from financial assets measured at fair value through other comprehensive income are recognized in other comprehensive income.

2) Financial statements of foreign operations
Assets and liabilities of foreign operations are translated into Japanese yen using the exchange rates at the end of the reporting period. Income and expenses are translated into Japanese yen using the average exchange rates for the fiscal year unless exchange rates significantly fluctuate during the period. Exchange differences on translation of foreign operations are recognized in other comprehensive income. Such translation differences of foreign operations are recognized in profit or loss for the period in which the foreign operations concerned are disposed of.

(4) Financial instruments
1) Financial assets
(i) Initial recognition and measurement
The Olympus Group initially recognizes trade and other receivables on the date when they are incurred, and other financial assets at the transaction date when the Olympus Group becomes a party to the contract for the financial assets. At the initial recognition, financial assets are measured at fair value plus transaction costs, except for those measured at fair value through profit or loss.

(ii) Classification and subsequent measurement
The Olympus Group classifies the financial assets at initial recognition as financial assets measured at amortized cost, measured at fair value through other comprehensive income or financial assets measured at fair value through profit or loss.

Financial assets measured at amortized cost:
Financial assets are classified into financial assets measured at amortized cost, on the condition that they meet both of the following criteria:

- Financial assets are held on the basis of the business model to hold financial assets for the purpose of collecting contractual cash flows
- Contractual terms associated with financial assets give rise to cash flows on specified dates, consisting only of payments of the principal and interest on the principal

Financial assets measured at amortized cost are measured at amortized cost using the effective interest method subsequent to the initial recognition.

Financial assets measured at fair value through other comprehensive income:
Equity instruments such as shares held mainly for the purpose of maintaining or strengthening business relationships with investees are designated at initial recognition as financial assets measured at fair value through other comprehensive income.

Any change in fair value of equity financial assets measured at fair value through other comprehensive income is recognized in other comprehensive income subsequent to the initial recognition. If such assets are derecognized or the fair value decreases significantly, accumulated other comprehensive income is directly transferred to retained earnings.

Dividends from such financial assets are recognized in profit or loss.

Financial assets measured at fair value through profit or loss:
Financial assets other than above are classified as financial assets measured at fair value through profit or loss. Changes in fair value of financial assets measured at fair value through profit or loss are recognized in profit or loss subsequent to the initial recognition.

(ii) Impairment of financial assets
For financial assets measured at amortized cost, the Olympus Group recognizes allowance for doubtful accounts for expected credit losses.

The Olympus Group evaluates the status of each reporting period whether there is a significant increase in credit risk of financial assets since initial recognition. When there is no significant increase in the credit risk since initial recognition, the amount equal to expected credit losses for the remaining life of the financial assets are recognized as allowance for doubtful accounts.

For trade receivables, contract assets and lease receivables, allowance for doubtful accounts is always recognized at the amount equal to expected credit losses for the remaining life of the asset.

With regard to financial assets on which impairment losses were previously recognized, when the amount of impairment losses decreased due to any event that occurred after the initial recognition of the impairment losses, the previously recognized impairment losses are reversed and recognized in profit or loss.

(4) Derivatives and hedge accounting
The Olympus Group uses derivatives such as forward exchange contracts and interest rate swaps, as hedging instruments against foreign exchange risk and interest rate risk. These derivatives are classified as financial assets measured at fair value through profit or loss and financial liabilities measured at fair value through profit or loss. Derivatives that meet criteria for hedge accounting are designated as hedging instruments, and hedge accounting is applied.

For the application of hedge accounting, at the inception of the hedge the Olympus Group formally designates and documents the hedging relationship as well as the risk management objectives and strategies. Such documentation includes the hedging instruments, hedged items, the nature of the risks to be hedged and the method for evaluating the hedging effectiveness. The Olympus Group continually evaluates whether the hedging relationship is effective prospectively.

Of changes in fair value associated with hedging instruments in cash flow hedges, the effective portion is recognized in other comprehensive income, and recognized in other components of equity when the hedged transaction is executed and recognized in profit or loss. The ineffective portion is recognized in profit or loss.

The amount associated with hedging instruments recognized in other components of equity is transferred to profit or loss, at the point in time when the hedged transaction affects profit or loss. If a hedged item results in the recognition of a non-financial asset or a non-financial liability, the associated amount recognized in other components of equity is accounted for as adjustment to the initial book value of the non-financial asset or the non-financial liability.

When a forecast transaction is no longer expected to occur, hedge accounting is discontinued, and any related cumulative gain or loss that has been recognized in other components of equity is transferred to profit or loss. Even when hedge accounting was discontinued, if these future cash flows are expected to occur, the amount that had been recognized in other components of equity remain until future cash flows are realized.

The Olympus Group does not use fair value hedges or net investment hedges in foreign operations.

(5) Cash and cash equivalents
Cash and cash equivalents comprise cash, readily available deposits, and short-term, highly liquid investments having maturities of three months or less at the date of acquisition that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(6) Inventories
Inventories are measured at the lower of cost or net realizable value. The costs of inventories are calculated principally by using the weighted average method, which includes purchase cost, processing cost, and other costs incurred in bringing inventories to their present location and condition. Net realizable value is determined at the estimated selling price in the ordinary course of business less estimated cost required up to the completion of the process and estimated selling expenses.
(7) Property, plant and equipment

Property, plant and equipment is measured by using the cost model and is stated at cost less accumulated depreciation and accumulated impairment losses.

The costs of property, plant and equipment include any costs directly attributable to the acquisition of assets, dismantlement, removal and restoration costs as well as borrowing costs eligible for capitalization.

Except for assets that are not depreciated such as land, each asset is depreciated over its estimated useful life on a straight-line basis.

The estimated useful lives of major asset items are as follows (excluding right-of-use assets):
- Buildings and structures: 2 to 50 years
- Machinery and vehicles: 2 to 10 years
- Tools, furniture and fixtures: 2 to 15 years

The estimated useful lives, residual values and depreciation methods are subject to review at the end of each reporting period, and any change is prospectively applied as a change in an accounting estimate.

(8) Goodwill

Goodwill is carried at cost less any accumulated impairment losses.

Goodwill is not amortized and is tested for impairment in each period or whenever there is an indication of impairment. Impairment loss of goodwill is recognized in profit or loss.

Goodwill measurements at initial recognition are presented in “(2) Business combinations.”

(9) Intangible assets

Intangible assets are measured by using the cost model and are carried at cost less accumulated amortization and accumulated impairment losses.

The costs of intangible assets acquired separately include any costs directly attributable to the acquisition of the assets. Intangible assets acquired through business combinations are measured at fair value at the acquisition date. With regard to internally generated intangible assets, during the development phase development costs eligible for capitalization as follows are recognized, whereas such costs that are not eligible are recognized as expenses when incurred.

- The technical feasibility of completing the intangible asset so that it will be available for use or sale.
- The Company’s intention to complete the intangible asset and use it or sell it.
- The Company’s ability to use or sell the intangible asset.
- The intangible asset is likely to create future economic benefits.
- The availability of adequate technical, financial, and other resources to complete the development and to use or sell the intangible asset.
- The Company’s ability to measure reliably the expenditure attributable to the intangible asset during its development.

Except for intangible assets with indefinite useful lives, each asset is amortized over the estimated useful life on a straight-line basis.

The estimated useful lives of major intangible asset items are as follows:
- Capitalized development costs: 4 to 8 years
- Software: 3 to 5 years
- Other: 3 to 15 years

The estimated useful lives and amortization methods are reviewed at the end of each reporting period, and any change is prospectively applied as a change in an accounting estimate.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are not amortized and are tested for impairment in each period or whenever there is an indication of impairment.

(10) Leases

For the year ended March 31, 2019

Lease transactions involving the transfer of substantially all the risks and rewards associated with the ownership of the leased assets are classified as finance leases, while other type of lease transactions are classified as operating leases.

1) Leases as lessee

The Olympus Group rents property, plant and equipment or intangible assets as the lessee.

Leased assets and lease obligations in finance lease transactions are recognized at the lower of the fair value of the leased property or the present value of the minimum lease payments. Lessor assets are depreciated on a straight-line basis over the shorter of their estimated useful lives and lease terms. Furthermore, lease payments are categorized into amounts equivalent to the principal and interest of lease obligations, and the amount equivalent to the interest proportionate to each fiscal period is calculated so as to achieve a constant rate of interest on the lease obligation balance at each period-end, and recognized in profit or loss.

In operating lease transactions, lease payments are recognized as expenses over the lease term on a straight-line basis.

2) Leases as lessor

The Olympus Group leases property, plant and equipment as the lessor.

In finance lease transactions, the present value of gross investments in the leases is recognized as revenue at the commencement of the lease term, and the corresponding amount is recognized as lease receivables. Unearned finance income is amortized at a constant rate on the net investment over the lease term and recognized as revenue in the period to which it is attributable.

In operating lease transactions, the relevant lease properties are recognized in the consolidated statements of financial position, and lease payments receivable are recognized as revenue over the lease terms on a straight-line basis.

For the year ended March 31, 2020

1) Leases as lessee

Instead of classifying leases as finance leases and operating leases, a single accounting model has been introduced, in principle, and for all leases, right-of-use assets representing the rights to use the underlying asset and lease liabilities representing the lease payment obligations are recognized in the consolidated statements of financial position.

Lease liabilities are measured at present value of total lease payments not paid at the lease commencement date. For right-of-use assets, the initial measurements are the initial measurements of the lease liabilities, adjusting for initial direct costs, prepaid lease payments, and restoration costs. Right-of-use assets are depreciated on a straight-line basis over the shorter of their estimated useful lives and lease terms.

Lease terms are based on the non-cancelable period, and the reasonable option terms are estimated and adjusted. Furthermore, lease payments are categorized into amounts equivalent to the principal and interest of lease liabilities, and the amount equivalent to the interest proportionate to each period is calculated so as to achieve a constant rate of interest on the lease liabilities balance at each period-end, and recognized in profit or loss.

If the right to control the use of the assets identified in contract is transferred in exchange for consideration for a certain period, it is determined at the inception of the contract whether the contract is, or contains, a lease.

Furthermore, for short-term leases and leases for which the underlying asset is of low value, the right-of-use assets and lease liabilities are not recognized and lease payments are recognized as expenses.

Moreover, the right-of-use assets and lease liabilities are included in “Property, plant and equipment” and “Other financial liabilities”, respectively, in the consolidated statements of financial position.

2) Leases as lessor

Lease transactions involving the transfer of substantially all the risks and rewards associated with the ownership of the leased assets are classified as finance leases, while other types of lease transactions are classified as operating leases.

In finance lease transactions, the present value of gross investments in the lease is recognized as revenue at the commencement of the lease term, and the corresponding amount is recognized as lease receivables. Unearned finance income is apportioned at a constant rate on the net investment over the lease term and recognized as revenue in the period to which it is attributable.

In operating lease transactions, the relevant leased properties are recognized in the consolidated statements of financial position, and lease payments receivable are recognized as revenue over the lease terms on a straight-line basis.

(11) Impairment of non-financial assets

For the carrying amount of non-financial assets (excluding inventories, deferred tax assets, retirement benefit assets and non-current assets held for sale) on the Olympus Group’s balance sheets at the end of each reporting period with respect to whether there is an indication of impairment. If any such indication exists, an impairment test is performed. However, goodwill, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment in each period or whenever there is an indication of impairment.

As to the assets that are not individually tested in impairment testing, the assets are included into the smallest cash-generating unit that generates cash inflows logically independent of each other. A corporate group company, if any, that acquires assets through an acquisition is integrated into the smallest cash-generating unit that generates cash inflows logically independent of other cash-generating units. In performing the impairment test, the recoverable amount of an asset or cash-generating unit is the higher of its value in use and fair value less cost of disposal. In calculating value in use, estimated future cash flows are discounted to the present value using the pre-tax discount rate reflecting the time value of money and risks specific to the asset.

Impairment losses are recognized when the carrying amount of an asset or cash-generating unit exceeds its recoverable amount. Impairment losses recognized in association with a cash-generating unit are recognized by first reducing the carrying amount of any allocated goodwill and then are allocated to other assets of the cash-generating unit on a pro-rata basis based on the carrying amount of each asset. When there is an indication of reversal in respect of impairment losses recognized in prior periods and the recoverable amount of the asset or cash-generating unit exceeds its carrying amount after reversal of impairment losses, impairment losses are reversed. Further impairment losses are not recognized for the asset. Impairment losses associated with goodwill are not reversed.

(12) Non-current assets held for sale

Non-current assets or disposal groups whose carrying amount is expected to be recovered principally through a sale transaction rather than through continuing use are classified as non-current assets or disposal groups held for sale if it is highly probable that the assets or disposal groups will be sold within one year and they are available for immediate sale in their present condition, and the Olympus Group’s management is committed to a plan to sell.

Non-current assets are not depreciated or amortized while they are classified as held for sale or are part of a disposal group classified as held for sale. Non-current assets or disposal groups classified as held for sale are measured at the lower of the book value and fair value less costs to sell.

(13) Provisions

Provisions are recognized when the Olympus Group has present obligations as a result of past events, it is highly probable that outflows of economic resources will be required to settle the obligations, and reliable estimates of the obligations can be made.

Where time value of money is material, provisions are measured by discounting estimated future cash flows into present value by using the interest rate reflecting the time value of money as well as the risks inherent to the associated liabilities.

(14) Contingent liabilities

With regard to liabilities held by the Olympus Group as of the end of the reporting period that may be incurred, when it cannot be confirmed whether or not those are liabilities as of the end of the reporting period, or when the liabilities do not meet criteria for recognition of provisions, information on such liabilities is provided in the corresponding note on contingent liabilities, unless it is believed that the possibility of an outflow of economic resources by performance of the liabilities is remote at the end of the reporting period.
The Olympus Group adopts defined benefit pension plans and defined contribution pension plans. The Olympus Group calculates the present value of defined benefit obligations and associated current service cost as well as past service cost related to the projected unit credit method.

The discount rate used for discounting the present value of defined benefit obligations is determined by reference to market yields on high quality corporate bonds in a currency and with maturities consistent with those of the post-employment benefit obligations.

Asset or liability backing a defined benefit plan is calculated by subtracting the fair value of plan assets from the present value of defined benefit obligations of each plan.

Any difference due to remeasurement arising from defined benefit pension plans is recognized in other comprehensive income in the period when the difference arose, and immediately transferred to retained earnings. Past service costs are expensed as incurred. Contributions to defined contribution pension plans are recognized as expenses according to the period during which employees rendered the relevant services.

(1) Post-employment benefits

(2) Short-term employee benefits

The Olympus Group has a special leave system and incentive pay plans according to a specific number of service years as long-term employee benefits other than pension plans. The amount of obligations to other long-term employee benefits is recognized as a liability at the amount calculated by discounting the estimated amount of future benefits earned in exchange for service that employees provided in prior fiscal years and the current fiscal year to the present value.

(17) Equity

Common shares are recognized in share capital at their issue price. Expenses incidental to issuance of common shares are deducted at the amount net of tax effect from equity. Treasury shares are recognized at cost and deducted from equity. No gain or loss is recognized associated with the purchase, sale or retirement of treasury shares of the Company. Any difference between the book value and the consideration received from the sale is recognized in equity.

(18) Share-based payments

The Company has the following equity-settled share option plans as incentive plans for its directors (excluding outside directors) and executive officers.

1) Option plans
Option plans are measured at fair value at the grant date and recognized as expenses over the vesting periods with corresponding increases to equity and taking into account the estimated number of options to be vested. The fair value of stock options is calculated using the Black-Scholes model.

Restricted Share and Performance-Linked Share-Based Remuneration Plan
The Company has introduced a restricted share and performance-based share-based remuneration plan for directors (excluding outside directors) and executive officers (excluding non-residents of Japan) with the aim of enhancing awareness toward contributing to the Company’s future, by increasing the value of the Group and the Group’s employees in a manner consistent with the Group’s business strategy.

The remuneration calculated by the reference the fair value of shares of the Company is recognized in profit or loss as an expense and the corresponding amount is recognized as an increase in equity.

(19) Revenue

With regard to contracts with customers, the Olympus Group recognizes revenue by applying the following steps (except for interest and dividend revenue, etc., under IFRS 9 “Financial Instruments” and lease payments receivable under IFRS 16 “Leases”).

Step 1: Identify the contract with the 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 (or as) the entity satisfies a performance obligation

The Olympus Group is principally engaged in the manufacture and sales of endoscopic, therapeutic, scientific, imaging and other products. With regard to some of these products, the Olympus Group recognizes revenue at the time of delivery of a product since in many cases it considers that the customer obtains control over the product and performance obligations are satisfied at the time of delivery of the product.

Revenue is measured at the amount of promised consideration in contracts with customers less discounts and rebates, and reduced by the amount of sales returns.

(20) Finance income and finance costs

Finance income mainly comprises interest income, dividend income, exchange gains and changes in fair value of financial assets and liabilities measured at fair value through profit or loss. Interest expense is recognized as incurred using the effective interest method. Dividend income is recognized when the right to receive payment is established.

Finance costs mainly comprise interest expenses, interest on bonds, exchange losses and changes in fair value of financial assets and liabilities measured at fair value through profit or loss. Interest expenses and interest on bonds are recognized as incurred using the effective interest method.

(21) Income taxes

Income tax costs comprise current taxes and deferred taxes. These taxes are recognized in profit or loss, except in cases where they arise from transactions accounted for on a comprehensive income basis and are recognized directly in equity. A comprehensive income basis is based on the assumption that transactions and other events recognized in equity are recognized in equity.

1) Current taxes

Current taxes are measured at an expected amount of taxes to be paid to or refunded from the tax authorities. The tax rates and tax laws used to determine the amount of taxes are tax rates and tax laws that have been enacted, or substantially enacted by the end of the reporting period.

With regard to uncertain tax positions of income taxes, the Olympus Group recognizes the reasonably estimated amount as assets or liabilities, when it is more likely than not, based on interpretations for the purpose of tax laws, that the tax positions will be sustained.

2) Deferred taxes

Deferred taxes are recognized for temporary differences, which are differences between the tax bases of assets and liabilities and their carrying amounts for accounting purposes at the end of the reporting period, tax losses carried forward and tax credits carried forward.

Deferred tax assets or liabilities are not recognized for the following cases:

• Taxable temporary differences arising from the initial recognition of goodwill
• Temporary differences on the initial recognition of assets or liabilities arising from a transaction other than a business combination that affects neither accounting profit nor taxable profit (tax loss).

Deferred tax assets or liabilities associated with investments in subsidiaries and associates when the Olympus 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 or liabilities associated with investments in subsidiaries and associates when it is probable that the temporary difference will not reverse in the foreseeable future, or when it is not probable that there will be sufficient taxable profits against which the deductible temporary differences can be utilized.

Deferred tax assets are recognized to the extent that it is expected that taxable profits will be available against which deductible temporary differences, unused tax credits carried forward and tax losses carried forward can be utilized. In principle, deferred tax liabilities are recognized for all taxable temporary differences.

In recognizing deferred tax assets, the Olympus Group assesses the probability that deductible temporary differences or tax losses carried forward can be utilized against future taxable profits. In assessing the recoverability of deferred tax assets, the scheduled reversal of deferred tax liabilities, projected taxable profits and tax planning are taken into account.

Deferred tax assets and liabilities are measured based on tax rates and tax laws that have been enacted, or substantially enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if the Olympus Group has a legally enforceable right to offset current tax assets against current tax liabilities, and they are related to income taxes levied by the same taxation authority on the same taxable entity, or different taxable entities that intend either to settle the tax asset or settle the tax liability simultaneously.

The Company and some of its subsidiaries have adopted the consolidated tax system.

(22) Earnings per share

Basic earnings per share are calculated by dividing profit attributable to owners of parent by the weighted-average number of common shares outstanding, subject to the adjustment to the number of treasury shares for the corresponding period.

Diluted earnings per share are calculated reflecting adjustments for the effect of all potential dilutive common shares.

(23) Changes in significant accounting policies

The Olympus Group has adopted IFRS 16 “Leases” (hereinafter, “IFRS 16”) from the fiscal year ended March 31, 2020. IFRS 16 introduces a single lessee accounting model, instead of classifying leases into operating leases and finance leases. IFRS 16 requires a lessee to recognize right-of-use assets representing its rights to use the underlying leased assets and lease liabilities representing its obligations to make lease payments for all leases, in principle.

With the application of IFRS 16, the Olympus Group adopts the method whereby the cumulative effect is recognized at the date of initial application, which is permitted as a transition measure. As a result of adopting such method, instead of restating comparative information, the Olympus Group recorded ¥38,499 million of lease-related assets, including right-of-use assets, and ¥38,499 million of lease liabilities in the consolidated statement of financial position as of April 1, 2019.

There is no impact on the opening balance of retained earnings because, when recognizing the lease liabilities, the Olympus Group recognized lease-related assets at an amount equal to the lease liabilities.

In addition, the Olympus Group measures the aforementioned lease liabilities at the present value by discounting the remaining lease payments at the lessee’s incremental borrowing rate (rate that would apply for a borrowing from an external source separately) as of the adoption date. The weighted-average incremental borrowing rate applied to the lease liabilities recognized in the consolidated statement of financial position as of the initial date of application is 1.13%.
### 4. Significant Accounting Estimates and Associated Judgments

In preparing IFRS-based consolidated financial statements, the management is required to make judgments, estimates and assumptions that affect the adoption of accounting policies and the amounts of assets, liabilities, revenues and expenses. Actual results may differ from such estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis and the effect is recognized in the period in which the estimates are revised and in future periods.

Information regarding the judgments made by the Olympus Group that may have material impacts on the consolidated financial statements is as follows:

- **Scope of subsidiaries and associates (Note 3 “Significant accounting policies (1) Basis of consolidation”)**
- **Accounting for arrangements containing leases (Note 3 “Significant accounting policies (10) Leases,” Note 36 “Leases”)**
- **Revenue (Note 3 “Significant accounting policies (19) Revenue,” Note 28 “Revenue”)**

Information on accounting estimates and assumptions that may have material impacts on the consolidated financial statements is as follows:

- **Evaluation of inventories (Note 3 “Significant accounting policies (8) Inventories,” Note 9 “Inventories”)**
- **Inventories are measured at cost. However, if net realizable value falls below the cost as of the end of the reporting period, inventories are measured at the net realizable value and any difference is recognized in cost of sales in principle. For inventories that are not used in the normal operating cycle process and remain unused, the net realizable value is calculated reflecting future demand and market trends. If the net realizable value decreased significantly due to a worse than expected market environment, losses may be incurred.**
- **Impairment of non-financial assets (Note 3 “Significant accounting policies (11) Impairment of non-financial assets,” Note 16 “Impairment of non-financial assets”)**
- **The Olympus Group performs impairment tests on property, plant and equipment, goodwill, and intangible assets in accordance with the accounting treatment described in Note 3 “Significant accounting policies.” Assumptions concerning future cash flows, discount rates, etc., are set to calculate recoverable amounts in testing for impairment. Although these assumptions are determined based on management’s best estimates and judgment, they may be affected as a result of changes in uncertain future economic conditions. Should those assumptions require change, the consolidated financial statements may be significantly affected.**
- **Provisions are measured based on best estimates of expenditures required to settle obligations in the future as of the end of the fiscal period. The amount of expenditures required to settle obligations in the future is calculated, comprehensively taking into account future possible outcomes. Assumptions used in the measurement of these provisions may be affected by changes in uncertain future economic conditions, and have risk of causing a material adjustment to the measurement of provisions in the future.**
- **Contingent liabilities (Note 3 “Significant accounting policies (14) Contingent liabilities,” Note 41 “Contingent liabilities”)**
- **Contingent liabilities are disclosed whenever any item exists that may have significant impacts on future businesses after all evidence available on the reporting date is examined and the probability and impact in terms of the amount are taken into consideration.**

### 5. New or Amended Standards or Interpretations Not Yet Adopted

There were no significant new or amended standards and interpretations issued by the date of approval of the consolidated financial statements not yet early adopted by the Olympus Group.

### 6. Segment Information

**1) Overview of reportable segments**

The reportable segments of the Olympus Group are components of the Company for which separate financial information is available. These segments are regularly evaluated in determining the allocation of management resources and in assessing the performance.

As of April 1, 2019, the Olympus Group reorganized its medical device business into two business divisions - Endoscopic Solutions and Therapeutic Solutions.

As a result, the reportable segments have changed from the previous four reportable segments consisting of the Medical Business, Scientific Solutions Business, Imaging Business and Others to five reportable segments consisting of the Endoscopic Solutions Business, Therapeutic Solutions Business, Scientific Solutions Business, Imaging Business and Others.

Information by segment for the previous fiscal year has been modified in accordance with the new segment classification. The principal products and services of each reportable segment are as follows:

- **Endoscopic Solutions Business**
  - Gastrointestinal endoscopes, surgical endoscopes, endoscopy systems, repair service
- **Therapeutic Solutions Business**
  - Endo-therapy devices, energy devices, urology, gynecology and ear, nose, and throat products
- **Scientific Solutions Business**
  - Biological microscopes, industrial microscopes, industrial endoscopes, non-destructive testing equipment
- **Imaging Business**
  - Digital cameras, voice recorders
- **Others**
  - Biomedical materials


For defined benefit corporate pension plans, the net amount of defined benefit obligations and fair value of plan assets is recognized as a liability or asset. Defined benefit obligations are determined based on actuarial calculation, and assumptions for actuarial calculation include estimates of the discount rate, retirement rate, mortality, salary increase rate and others. These assumptions are determined by comprehensively assessing various available information such as the market trend of interest rate fluctuations. The assumptions for actuarial calculation may be affected by changes in uncertain future economic circumstances or social situations, etc., and have risk of causing a material adjustment to the measurement of defined benefit obligations in the future.

- **Recoverability of deferred tax assets (Note 3 “Significant accounting policies (21) Income taxes,” Note 37 “Income taxes”)**
  - Deferred tax assets are recognized to the extent that it is likely that taxable profit will be available against which the deductible temporary differences can be utilized. In determining the probability that taxable profit will be available, the Olympus Group estimates the timing and the amount of the taxable profit based on the business plan. Although these estimates are management’s best estimates, the actual results may differ as a result of changes in uncertain future economic conditions.

**Impact of COVID-19**

Regarding the impact of COVID-19, the situation varies from region to region, but the Olympus Group assumes that it will stabilize from the third quarter of the next fiscal year, and at the present time, the Group’s business activities are beginning to normalize. Based on this assumption, the Olympus Group makes accounting estimates; in addition to impairment tests on property, plant and equipment, and intangible assets including goodwill, and assessments of recoverability of deferred tax assets, etc.
## Consolidated Financial Statements and Notes

### (2) Revenue, operating profit or loss, finance income, finance costs and other items by reportable segment

Revenue, operating profit or loss, finance income, finance costs and other items of each reportable segment of the Olympus Group were as follows. The accounting treatment of each reportable segment is the same as described in Note 3 “Significant accounting policies.”

#### Millions of yen

<table>
<thead>
<tr>
<th>Reportable Segment</th>
<th>Endoscopic Solutions</th>
<th>Therapeutic Solutions</th>
<th>Scientific Solutions</th>
<th>Imaging</th>
<th>Others</th>
<th>Total</th>
<th>Amount on consolidated financial statements</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue from outside customers</td>
<td>¥1,418,833</td>
<td>¥215,468</td>
<td>¥110,242</td>
<td>¥48,679</td>
<td>¥6,657</td>
<td>¥703,862</td>
<td>¥ —</td>
</tr>
<tr>
<td>Intersegment revenue (Note 1)</td>
<td>—</td>
<td>79</td>
<td>1</td>
<td>581</td>
<td>661</td>
<td>(661)</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>418,833</td>
<td>215,468</td>
<td>104,304</td>
<td>48,660</td>
<td>7,213</td>
<td>704,523</td>
<td>661</td>
</tr>
<tr>
<td><strong>Operating profit (loss)</strong></td>
<td>89,771</td>
<td>22,163</td>
<td>8,135</td>
<td>(18,268)</td>
<td>(5,521)</td>
<td>96,280</td>
<td>859,996</td>
</tr>
<tr>
<td>Finance income</td>
<td>2,183</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Finance costs</td>
<td>10,347</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit before tax</td>
<td>20,117</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Other items</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share of profit (loss) of investments accounted for using equity method</td>
<td>603</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>603</td>
<td>—</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>20,798</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Impairment losses (non-financial assets)</td>
<td>9</td>
<td>1,332</td>
<td>50</td>
<td>1,900</td>
<td>73</td>
<td>3,404</td>
<td>214</td>
</tr>
<tr>
<td>Segment assets</td>
<td>302,432</td>
<td>225,574</td>
<td>97,191</td>
<td>47,283</td>
<td>5,813</td>
<td>769,293</td>
<td>163,737</td>
</tr>
<tr>
<td>Investments accounted for using equity method</td>
<td>2,440</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital expenditures</td>
<td>¥37,190</td>
<td>¥13,912</td>
<td>¥6,668</td>
<td>¥4,027</td>
<td>¥503</td>
<td>¥62,270</td>
<td>¥4,560</td>
</tr>
</tbody>
</table>

**Notes:**
1. Intersegment revenue is based on actual market prices.
2. Adjustment for operating profit (loss) represents corporate assets that consist of elimination of transactions among segments as well as general and administrative expenses and fundamental research expenses, etc., that are not attributable to reportable segments.
3. Adjustment for segment assets represents corporate assets that are not attributable to reportable segments.
4. Adjustment for depreciation and amortization represents corporate depreciation and amortization that are not attributable to reportable segments.
5. Adjustment for capital expenditures represents the increase in corporate assets that is not attributable to reportable segments.

### (3) Information about products and services

This information is omitted as similar information has been disclosed in the above tables.

### (4) Geographical information

Revenue and non-current assets of the Olympus Group by country or region were as follows. Furthermore, revenue from customers in “China,” which was included in “Asia and Oceania” for the fiscal year ended March 31, 2019, is separately presented for the fiscal year ended March 31, 2020, due to its increased significance. Information for the previous fiscal year has been modified in accordance with the new classification.

#### Millions of yen

<table>
<thead>
<tr>
<th>Country or region</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>¥1,346,344</td>
<td>¥1,444,418</td>
</tr>
<tr>
<td>North America</td>
<td>267,411</td>
<td>266,704</td>
</tr>
<tr>
<td>Europe</td>
<td>191,276</td>
<td>191,276</td>
</tr>
<tr>
<td>China</td>
<td>91,328</td>
<td>103,036</td>
</tr>
<tr>
<td>Asia and Oceania</td>
<td>77,185</td>
<td>72,782</td>
</tr>
<tr>
<td>Others</td>
<td>19,629</td>
<td>19,195</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>¥1,793,952</td>
<td>¥1,979,411</td>
</tr>
</tbody>
</table>

**Notes:**
1. Revenue is based on the location of customers, classified by country or region.
2. Major countries or regions other than Japan were as follows:
   - (1) North America
   - (2) Europe
   - (3) Asia and Oceania
   - (4) Others

For the years ended March 31, 2019 and 2020, revenue from external customers in the U.S. was ¥251,765 million and ¥251,161 million ($2,304,229 thousand), respectively, in no single country or region other than Japan, the United States and China was revenue from external customers significant in the years ended March 31, 2019 and 2020.
8. Trade and Other Receivables

The breakdown of trade and other receivables as of March 31, 2019 and 2020 was as follows:

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade notes receivable and trade accounts receivable</td>
<td>¥141,679</td>
<td>$1,173,486</td>
</tr>
<tr>
<td>Other receivables</td>
<td>¥12,584</td>
<td>$116,311</td>
</tr>
<tr>
<td>Contract assets</td>
<td>754</td>
<td>6,367</td>
</tr>
<tr>
<td>Lease receivables</td>
<td>29,824</td>
<td>238,450</td>
</tr>
<tr>
<td>Allowance for doubtful accounts</td>
<td>(14,902)</td>
<td>(138,523)</td>
</tr>
<tr>
<td>Total</td>
<td>¥169,559</td>
<td>$1,490,091</td>
</tr>
</tbody>
</table>

Trade and other receivables are presented net of allowance for doubtful accounts in the consolidated statements of financial position.
12. Assets Held for Sale and Liabilities Directly Associated with Assets Held for Sale

The breakdown of assets held for sale and liabilities directly associated with assets held for sale as of March 31, 2019 and 2020 was as follows:

<table>
<thead>
<tr>
<th>Assets Held for Sale and Liabilities Directly Associated with Assets Held for Sale</th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at April 1, 2018</td>
<td>¥65,484</td>
<td>$59,980</td>
</tr>
<tr>
<td>Additions</td>
<td>4,116</td>
<td>3,706</td>
</tr>
<tr>
<td>Depreciation</td>
<td>(5,527)</td>
<td>(2,871)</td>
</tr>
<tr>
<td>Impairment losses</td>
<td>(320)</td>
<td>(648)</td>
</tr>
<tr>
<td>Sales and disposals</td>
<td>(1,878)</td>
<td>(1,427)</td>
</tr>
<tr>
<td>Reclassification</td>
<td>2,582</td>
<td>1,072</td>
</tr>
<tr>
<td>Exchange differences on translation of foreign operations</td>
<td>(23)</td>
<td>(237)</td>
</tr>
<tr>
<td>Other</td>
<td>76</td>
<td>79</td>
</tr>
<tr>
<td>Total</td>
<td>¥73,709</td>
<td>$62,747</td>
</tr>
</tbody>
</table>

13. Property, Plant and Equipment

(1) Changes in property, plant and equipment

The changes in carrying amount, acquisition cost, and accumulated depreciation and accumulated impairment losses of property, plant and equipment were as follows:

<table>
<thead>
<tr>
<th>Cashing amount</th>
<th>Buildings and equipment</th>
<th>Machinery and vehicles</th>
<th>Tools, furniture and fixtures</th>
<th>Land</th>
<th>Construction in progress</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at April 1, 2018</td>
<td>¥65,484</td>
<td>$59,980</td>
<td></td>
<td>$22,186</td>
<td></td>
<td>$8,781</td>
</tr>
<tr>
<td>Additions</td>
<td>4,116</td>
<td>3,706</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>(5,527)</td>
<td>(2,871)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Impairment losses</td>
<td>(320)</td>
<td>(648)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales and disposals</td>
<td>(1,878)</td>
<td>(1,427)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reclassification</td>
<td>2,582</td>
<td>1,072</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exchange differences on translation of foreign operations</td>
<td>(23)</td>
<td>(237)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>76</td>
<td>79</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>¥73,709</td>
<td>$62,747</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Notes:
1. No borrowing costs were capitalized for the years ended March 31, 2019 and 2020.
2. Depreciation of property, plant and equipment is included in “Cost of sales” and “ Selling, general and administrative expenses” on the consolidated statements of profit or loss.
3. Change of carrying amount ¥2,448 million ($22,459 thousand) by company housing the company contracted and loaned to employees is recorded “Additions” and
4. “Sales and disposals” of “Buildings and structures” for the year ended March 31, 2020. And that has no impact on balance.
### Consolidated Financial Statements and Notes

#### 14. Goodwill and Intangible Assets

(1) The changes in carrying amount, acquisition cost, and accumulated amortization and accumulated impairment losses of goodwill and intangible assets were as follows:

<table>
<thead>
<tr>
<th></th>
<th>Goodwill</th>
<th>Capitalized development costs</th>
<th>Software</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at March 31, 2019</td>
<td>$ 97,208</td>
<td>$ 12,757</td>
<td>$ 28,117</td>
<td></td>
<td>$ 12,757</td>
</tr>
<tr>
<td>Additions</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>4,808</td>
<td>4,808</td>
</tr>
<tr>
<td>Additions through internal development</td>
<td>—</td>
<td>9,308</td>
<td>5</td>
<td>9,403</td>
<td></td>
</tr>
<tr>
<td>Additions through business combinations</td>
<td>98</td>
<td>—</td>
<td>3,615</td>
<td>3,615</td>
<td></td>
</tr>
<tr>
<td>Amortization</td>
<td>—</td>
<td>(7,421)</td>
<td>(4,924)</td>
<td>(4,924)</td>
<td>(21,506)</td>
</tr>
<tr>
<td>Impairment losses</td>
<td>—</td>
<td>(191)</td>
<td>(473)</td>
<td>(473)</td>
<td>(1,456)</td>
</tr>
<tr>
<td>Sales and disposals</td>
<td>—</td>
<td>(543)</td>
<td>(155)</td>
<td>(155)</td>
<td>(808)</td>
</tr>
<tr>
<td>Reclassification</td>
<td>—</td>
<td>(26)</td>
<td>(26)</td>
<td>(26)</td>
<td>(26)</td>
</tr>
<tr>
<td>Exchange differences on translation of foreign operations</td>
<td>3,860</td>
<td>(147)</td>
<td>268</td>
<td>(1,005)</td>
<td>1,126</td>
</tr>
<tr>
<td>Other</td>
<td>22</td>
<td>(78)</td>
<td>307</td>
<td>159</td>
<td>367</td>
</tr>
<tr>
<td>Balance at March 31, 2019</td>
<td>$101,188</td>
<td>$33,329</td>
<td>$12,516</td>
<td></td>
<td>$45,467</td>
</tr>
<tr>
<td>Additions</td>
<td>—</td>
<td>—</td>
<td>3,204</td>
<td></td>
<td>3,204</td>
</tr>
<tr>
<td>Additions through internal development</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td>Additions through business combinations</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td>Amortization</td>
<td>—</td>
<td>(7,157)</td>
<td>(8,365)</td>
<td>(8,365)</td>
<td>(19,849)</td>
</tr>
<tr>
<td>Impairment losses</td>
<td>—</td>
<td>(1,151)</td>
<td>(223)</td>
<td>(223)</td>
<td>(1,458)</td>
</tr>
<tr>
<td>Sales and disposals</td>
<td>—</td>
<td>(113)</td>
<td>(294)</td>
<td>(294)</td>
<td>(400)</td>
</tr>
<tr>
<td>Reclassification</td>
<td>—</td>
<td>(26)</td>
<td>(26)</td>
<td>(26)</td>
<td>(26)</td>
</tr>
<tr>
<td>Exchange differences on translation of foreign operations</td>
<td>(2,510)</td>
<td>(423)</td>
<td>(199)</td>
<td>(470)</td>
<td>(1,850)</td>
</tr>
<tr>
<td>Other</td>
<td>24</td>
<td>69</td>
<td>36</td>
<td>199</td>
<td>215</td>
</tr>
<tr>
<td>Balance at March 31, 2020</td>
<td>$ 98,328</td>
<td>$47,696</td>
<td>$11,730</td>
<td>$15,366</td>
<td>$74,792</td>
</tr>
</tbody>
</table>

#### (2) Right-of-use assets

The carrying amount of right-of-use assets included in property, plant and equipment by underlying asset type was as follows:

<table>
<thead>
<tr>
<th></th>
<th>Goodwill</th>
<th>Capitalized development costs</th>
<th>Software</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at March 31, 2019</td>
<td>$928,330</td>
<td>$305,771</td>
<td>$114,826</td>
<td>$214,898</td>
<td>$635,495</td>
</tr>
<tr>
<td>Additions</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Additions through internal development</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td>Additions through business combinations</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td>Amortization</td>
<td>—</td>
<td>(85,661)</td>
<td>(59,673)</td>
<td>(76,473)</td>
<td>(192,105)</td>
</tr>
<tr>
<td>Impairment losses</td>
<td>—</td>
<td>(10,560)</td>
<td>(786)</td>
<td>(786)</td>
<td>(13,386)</td>
</tr>
<tr>
<td>Sales and disposals</td>
<td>—</td>
<td>(1,037)</td>
<td>(2,715)</td>
<td>(2,715)</td>
<td>(3,752)</td>
</tr>
<tr>
<td>Reclassification</td>
<td>—</td>
<td>(2,844)</td>
<td>(541)</td>
<td>(541)</td>
<td>(3,385)</td>
</tr>
<tr>
<td>Exchange differences on translation of foreign operations</td>
<td>(23,394)</td>
<td>(3,881)</td>
<td>(1,037)</td>
<td>(4,311)</td>
<td>(10,018)</td>
</tr>
<tr>
<td>Other</td>
<td>22</td>
<td>862</td>
<td>331</td>
<td>1,826</td>
<td>2,019</td>
</tr>
<tr>
<td>Balance at March 31, 2020</td>
<td>$902,092</td>
<td>$437,577</td>
<td>$107,615</td>
<td>$140,974</td>
<td>$686,168</td>
</tr>
</tbody>
</table>

Amortization of capitalized development costs is recorded as "Cost of sales" on the consolidated statements of profit or loss. Amortization cost excluding capitalized development costs is recorded in "Cost of sales" and "Selling, general and administrative expenses" on the consolidated statements of profit or loss.
15. Commitments

Commitments to acquire property, plant and equipment and intangible assets subsequent to March 31, 2019 and 2020 were as follows:

<table>
<thead>
<tr>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2019</strong></td>
<td><strong>2020</strong></td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>$20,028</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>$8,660</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$28,688</strong></td>
</tr>
</tbody>
</table>

(2) Significant intangible assets

Intangible assets comprise capitalized development costs, software and other intangible assets. Of these assets, individually significant intangible assets are customer-related assets acquired through the acquisition of Gyrus Group PLC by the Company in February 2008. The corresponding carrying amounts at March 31, 2019 was ¥4,294 million and those assets had been amortized in full in the fiscal year ended March 31, 2020. There were no significant intangible assets at March 31, 2020.

(3) Research and development expenditures recognized as expenses

Research expenses and development costs that do not meet asset recognition criteria are recognized as expenses when incurred. Research and development expenditures recognized as expenses in the years ended March 31, 2019 and 2020 were ¥84,570 million and ¥68,585 million ($902,092 and $666,651 thousand, respectively).

16. Impairment of Non-financial Assets

(1) Impairment losses

The Olympus Group recognizes impairment losses when an asset’s recoverable value is less than its carrying amount. Impairment losses on non-financial assets are included in “Other expenses” on the consolidated statements of profit or loss.

Business assets are mainly grouped according to business segment, assets scheduled for disposal are grouped according to the assets to be disposed, and idle assets are grouped individually.

The breakdown of impairment losses by asset type was as follows:

<table>
<thead>
<tr>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2019</strong></td>
<td><strong>2020</strong></td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>$12,028</td>
</tr>
<tr>
<td>Machinery and vehicles</td>
<td>$4,780</td>
</tr>
<tr>
<td>Tools, furniture and fixtures</td>
<td>$19,568</td>
</tr>
<tr>
<td>Land</td>
<td>$780</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>$10,580</td>
</tr>
<tr>
<td>Capitalized development</td>
<td>$50,468</td>
</tr>
<tr>
<td>Software</td>
<td>$2,045</td>
</tr>
<tr>
<td>Other</td>
<td>$707</td>
</tr>
<tr>
<td>Long-term prepaid expenses</td>
<td>$50,468</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$50,468</strong></td>
</tr>
</tbody>
</table>

Major impairment losses recognized in the year ended March 31, 2019 were as follows:

In the Therapeutic Solutions Business, as the investments were deemed unrecoverable due to changes in the market environment, the carrying amount of production equipment and other fixed assets located in Japan and overseas was written down to the recoverable amount, resulting in ¥1,332 million of impairment losses. The recoverable amount was measured at the value in use, which was zero.

In the Imaging Business, as the investments were deemed unrecoverable due to changes in the market environment, the carrying amount of production equipment and other fixed assets located in Japan and overseas was written down to the recoverable amount, resulting in ¥1,990 million of impairment losses. The recoverable amount was the fair value less costs of disposal and was measured at ¥5,023 million based on third-party appraisals such as cost approach. It was classified as level-3 in the fair value hierarchy. The fair value hierarchy is described in greater detail in Note 35 “Financial Instruments (4) Fair value.”

Major impairment losses recognized in the year ended March 31, 2020 were as follows:

In the Endoscopic Solutions Business, as no future use of business assets for some products was expected, the carrying amount was written down to the recoverable amount, resulting in ¥1,032 million ($13,063 thousand) of impairment losses. The recoverable amount was the fair value less costs of disposal and, as the assets are difficult to sell, this amount was zero. It was classified as level-3 in the fair value hierarchy. The fair value hierarchy is described in greater detail in Note 35 “Financial Instruments (4) Fair value.”

(2) Impairment test for goodwill

The breakdown of the carrying amount of goodwill corresponding to cash generating units was as follows:

<table>
<thead>
<tr>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2019</strong></td>
<td><strong>2020</strong></td>
</tr>
<tr>
<td>Endoscopic solutions segment</td>
<td>$159,303</td>
</tr>
<tr>
<td>Therapeutic solutions segment</td>
<td>$725,119</td>
</tr>
<tr>
<td>Medical segment</td>
<td>$17,670</td>
</tr>
<tr>
<td>Surgical business</td>
<td>$102,082</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$99,328</strong></td>
</tr>
</tbody>
</table>
## Consolidated Financial Statements and Notes

The Olympus Group treated goodwill for impairment on March 31, 2019 and 2020. Effective April 1, 2019, the Olympus Group reorganized its medical device business into two business divisions—Endoscopy Solutions and Therapeutic Solutions. As a result, the cash-generating units have been changed from the previous “Surgical business” and “Other” to “Endoscopy Solutions Business” and “Therapeutic Solutions Business.” The carrying amount of goodwill previously allocated to “Surgical business” and “Other” is reclassified to the revised cash-generating units.

Individually significant goodwill carried on the consolidated statements of financial position is mainly the goodwill attributable to the Surgical Unit Business within the Medical Segment arising on the 2008 acquisition of Gyrus Group PLC as of March 31, 2019 and the amount is allocated to the “Endoscopy Solutions Business” and “Therapeutic Solutions Business” as of March 31, 2020.

For impairment testing of goodwill, the recoverable amount is measured based on value in use. Value in use is measured by discounting estimated future cash flows to present value. Estimated future cash flows is primarily based on a five year business plan approved by the management and considering a growth rate for the period after the term of the business plan.

Business plans have a maximum term of five years as a general rule. Business plans reflect management's assessment of future industry trends as well as historical data, and are prepared based on external and internal information. The estimated future cash flows are determined based on the business plans.

The growth rate for the period after the term of the business plans is determined based on market research reports for the industry in which the cash-generating unit (CGU) operates. The rate is 1.5% - 2.5% as of March 31, 2019 and 1.1% - 5.87% and 1.5% - 4.17% individually in “Endoscopy Solutions Business” and “Therapeutic Solutions Business” as of March 31, 2020.

The discount rate is calculated based on the CGUs’ pretax weighted average cost of capital, were 10.0% as of March 31, 2019 and 9.0% as of March 31, 2020.

The main assumptions in estimating value in use are the growth rate and the operating profit ratio in estimating future cash flows in the five year business plan, the growth rate and the discount rate for the period after the business plan.

Furthermore, regarding the impact of COVID-19, the situation varies from geographic region to geographic region, but at the fiscal year end, the Company believes that they will generally converge and business activities will also normalized from the third quarter of the next fiscal year, and includes this assumption in estimating future cash flows.

Value in use measured using the above rates amply exceeds the carrying amount of the Therapeutic solutions segment. The Company believes that there is a low probability of significant impairment even if the key assumptions used in the impairment testing were to change within a range of reasonable foreseeability.

### 17. Trade and Other Payables

The breakdown of trade and other payables as of March 31, 2019 and 2020 was as follows:

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
<td>2020</td>
</tr>
<tr>
<td>Notes and account payable</td>
<td>¥42,261</td>
<td>¥44,311</td>
</tr>
<tr>
<td>Other payable</td>
<td></td>
<td>19,463</td>
</tr>
<tr>
<td></td>
<td>¥61,724</td>
<td>¥58,557</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>¥181,335</td>
</tr>
</tbody>
</table>

### 18. Bonds and Borrowings

The breakdown of bonds and borrowings as of March 31, 2019 and 2020 was as follows:

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
<th>Average interest rate</th>
<th>Maturity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short-term borrowings</td>
<td>¥ 629</td>
<td>¥ 10,135</td>
<td>¥ 89,381</td>
<td>0.00</td>
</tr>
<tr>
<td>Current portion of long-term borrowings</td>
<td>59,078</td>
<td>10,884</td>
<td>99,844</td>
<td>2.92</td>
</tr>
<tr>
<td>Commercial paper</td>
<td></td>
<td>60,000</td>
<td>550,459</td>
<td>0.03</td>
</tr>
<tr>
<td>Bonds (excluding current portion)</td>
<td>19,909</td>
<td>69,737</td>
<td>639,789</td>
<td>0.15</td>
</tr>
<tr>
<td>Long-term borrowings (excluding current portion)</td>
<td>101,719</td>
<td>130,160</td>
<td>1,194,138</td>
<td>1.15</td>
</tr>
<tr>
<td>Total</td>
<td>¥181,335</td>
<td>¥280,915</td>
<td>¥2,577,201</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current</td>
<td>¥59,707</td>
<td>¥81,018</td>
</tr>
<tr>
<td>Non-current</td>
<td>121,608</td>
<td>189,997</td>
</tr>
<tr>
<td>Total</td>
<td>¥181,335</td>
<td>¥280,915</td>
</tr>
</tbody>
</table>

Notes: 1. The average interest rate is the weighted average interest rate on the balance of borrowings as of March 31, 2020.
2. Bonds and borrowings are classified as financial liabilities measured at amortized cost.

### 19. Other Financial Liabilities

The breakdown of other financial liabilities as of March 31, 2019 and 2020 was as follows:

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial liabilities measured at fair value through profit and loss:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Derivative liabilities</td>
<td>¥ 3,031</td>
<td>¥1,960</td>
</tr>
<tr>
<td>Other</td>
<td>584</td>
<td>163</td>
</tr>
<tr>
<td>Financial liabilities measured at amortized cost</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lease liabilities</td>
<td></td>
<td>41,743</td>
</tr>
<tr>
<td>Lease obligations</td>
<td>5,056</td>
<td>4,540</td>
</tr>
<tr>
<td>Other</td>
<td>4,540</td>
<td>7,055</td>
</tr>
<tr>
<td>Total</td>
<td>¥17,190</td>
<td>¥50,921</td>
</tr>
</tbody>
</table>

### The breakdown of long-term borrowings, including current portion, as of March 31, 2019 and 2020 was as follows:

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
<th>Interest rate (%)</th>
<th>Maturity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japanese Bank</td>
<td>¥17,967</td>
<td>¥1,293,972</td>
<td>1.79</td>
<td>May 2019</td>
</tr>
<tr>
<td>Japanese Bank</td>
<td>9,999</td>
<td>150</td>
<td></td>
<td>May 2019</td>
</tr>
<tr>
<td>Japanese Bank</td>
<td>19,983</td>
<td>1,75</td>
<td>September 2019</td>
<td></td>
</tr>
<tr>
<td>Japanese Bank (Foreign Currency)</td>
<td>7,769</td>
<td>2.78</td>
<td>March 2020</td>
<td></td>
</tr>
<tr>
<td>Japanese Bank (Foreign Currency)</td>
<td>3,330</td>
<td>2.80</td>
<td>March 2020</td>
<td></td>
</tr>
<tr>
<td>Japanese Bank</td>
<td>12,894</td>
<td>118,771</td>
<td>0.86</td>
<td>September 2029</td>
</tr>
<tr>
<td>Japanese Bank</td>
<td>1,446</td>
<td>13,321</td>
<td>0.73</td>
<td>September 2027</td>
</tr>
<tr>
<td>Japanese Bank</td>
<td>10,000</td>
<td>91,743</td>
<td>1.38</td>
<td>September 2025</td>
</tr>
<tr>
<td>Japanese Bank</td>
<td>9,401</td>
<td>86,872</td>
<td>0.53</td>
<td>August 2027</td>
</tr>
<tr>
<td>Japanese Bank</td>
<td>10,000</td>
<td>91,743</td>
<td>1.39</td>
<td>September 2025</td>
</tr>
<tr>
<td>Japanese Bank</td>
<td>15,000</td>
<td>137,615</td>
<td>2.04</td>
<td>May 2021</td>
</tr>
<tr>
<td>Japanese Bank (Foreign Currency)</td>
<td>5,650</td>
<td>4,917</td>
<td>2.91</td>
<td>February 2021</td>
</tr>
<tr>
<td>Japanese Bank (Foreign Currency)</td>
<td>5,550</td>
<td>4,927</td>
<td>2.92</td>
<td>March 2021</td>
</tr>
<tr>
<td>Japanese Bank (Foreign Currency)</td>
<td>11,100</td>
<td>99,853</td>
<td>2.91</td>
<td>February 2023</td>
</tr>
<tr>
<td>Japanese Bank (Foreign Currency)</td>
<td>11,100</td>
<td>99,853</td>
<td>2.92</td>
<td>March 2023</td>
</tr>
<tr>
<td>Japanese Bank</td>
<td>9,469</td>
<td>87,386</td>
<td>0.55</td>
<td>June 2028</td>
</tr>
<tr>
<td>Japanese Bank</td>
<td></td>
<td>365,119</td>
<td>0.10</td>
<td>November 2023</td>
</tr>
<tr>
<td>Other</td>
<td>209</td>
<td>1,853</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>¥160,797</td>
<td>¥1,293,972</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The changes in provisions during the year ended March 31, 2020 were as follows:

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Provision for product warranties</td>
<td>Provision for loss on litigation</td>
</tr>
<tr>
<td>Balance at April 1, 2019</td>
<td>¥ 3,472</td>
<td>¥ 385</td>
</tr>
<tr>
<td>Increase during the year</td>
<td>1,274</td>
<td>396</td>
</tr>
<tr>
<td>Decrease (Provisions used)</td>
<td>(484)</td>
<td>(862)</td>
</tr>
<tr>
<td>Decrease (Provisions reversed)</td>
<td>(1,153)</td>
<td>(915)</td>
</tr>
<tr>
<td>Exchange differences on translation of foreign operations</td>
<td>(160)</td>
<td>53</td>
</tr>
<tr>
<td>Balance at March 31, 2020</td>
<td>¥ 3,472</td>
<td>¥ 385</td>
</tr>
<tr>
<td>Current</td>
<td>¥ 3,329</td>
<td>¥ 385</td>
</tr>
<tr>
<td>Non-current</td>
<td>143</td>
<td>—</td>
</tr>
<tr>
<td>Total</td>
<td>¥ 3,472</td>
<td>¥ 385</td>
</tr>
</tbody>
</table>

(1) Provision for product warranties
For products sold subject to a quality assurance warranty, the Company accrues after service cost expected to be incurred within the guarantee period. The provision for product warranties is calculated using the prescribed standards, based on after service cost actually incurred in the past. These warranty provisions are expected to be expensed during the guarantee period (mostly within three years).

(2) Provision for loss on litigation
To provide for losses related to lawsuits or other litigation, in light of progress of the lawsuits, the expected amount of these losses is accounted for based on a reasonable estimate of the amount deemed necessary. These loss provisions are expected to be expensed mostly within one year.

(3) Provision for duodenoscope market response
Against the backdrop of acquiring legal authorization for new products with detachable tip caps for duodenoscopes in the United States, the Company decided to autonomously replace old products with fixed tip caps with new products with detachable tip caps, which are simple to wash and disinfect, for duodenoscopes. The amount deemed necessary to carry out this market response was reasonably estimated and recorded as a provision.

Note: The provision for expected additional taxes payable of ¥5,224 million ($47,927 thousand) anticipated in relation to a voluntary inspection regarding indirect taxation conducted by the Company’s overseas subsidiary was included in the balance of Other provision as of March 31, 2020.

21. Other Current Liabilities and Other Non-current Liabilities

The breakdown of other current liabilities and other non-current liabilities as of March 31, 2019 and 2020 was as follows:

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
<td>2020</td>
</tr>
<tr>
<td>Accounted expenses</td>
<td>¥ 93,028</td>
<td>¥ 95,112</td>
</tr>
<tr>
<td>Contract liabilities</td>
<td>31,206</td>
<td>34,480</td>
</tr>
<tr>
<td>Other</td>
<td>19,128</td>
<td>16,590</td>
</tr>
<tr>
<td>Total</td>
<td>¥144,331</td>
<td>¥146,182</td>
</tr>
</tbody>
</table>

Government grants included other current liabilities and other non-current liabilities as of March 31, 2019 and 2020 were as follows:

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other current liabilities</td>
<td>¥ 470</td>
<td>¥ 523</td>
</tr>
<tr>
<td>Other non-current liabilities</td>
<td>3,068</td>
<td>2,714</td>
</tr>
</tbody>
</table>

Government grants were conditioned on acquiring equipment in a specific medical field in Japan and they are amortized over the useful life of their related assets on a straight-line basis.

There are no unfulfilled conditions or contingencies related to these grants.

22. Government Grants

Government grants included other current liabilities and other non-current liabilities as of March 31, 2019 and 2020 were as follows:

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other current liabilities</td>
<td>¥ 470</td>
<td>¥ 523</td>
</tr>
<tr>
<td>Other non-current liabilities</td>
<td>3,068</td>
<td>2,714</td>
</tr>
</tbody>
</table>

Government grants were conditioned on acquiring equipment in a specific medical field in Japan and they are amortized over the useful life of their related assets on a straight-line basis.

There are no unfulfilled conditions or contingencies related to these grants.

23. Employee Benefits

The Company and some of its consolidated subsidiaries have established defined benefit corporate pension plans, defined contribution pension plans and lump sum payment plans to fund employees’ retirement benefits.

The defined benefit corporate pension plans are cash balance plans that use a point system. In these plans, points are awarded to the plan participants based on their job performance and interest points calculated using an interest crediting rate based on trends in market interest rates accumulate in the participants’ hypothetical individual accounts.

The Olympus Group’s retirement benefit plans are exposed to multiple risks, including investment risks associated with plan assets and interest rate risk associated with plan assets and interest rate risk associated with defined benefit obligations.

Some of the subsidiaries transferred their pension plans from defined benefit plans to defined contribution plans in the year ended March 31, 2020.
Consolidated Financial Statements and Notes

(1) Defined benefit plans
1) Defined benefit obligations
The changes in defined benefit obligations were as follows:

<table>
<thead>
<tr>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>2020</td>
</tr>
<tr>
<td>Balance at April 1</td>
<td>$1,899,165</td>
</tr>
<tr>
<td>Current service cost</td>
<td>$6,800</td>
</tr>
<tr>
<td>Interest cost</td>
<td>$963</td>
</tr>
<tr>
<td>Past service cost</td>
<td>$1,996</td>
</tr>
<tr>
<td>Actuarial gains and losses arising from changes in demographic assumptions</td>
<td>$3,431</td>
</tr>
<tr>
<td>Actuarial gains and losses arising from changes in financial assumptions</td>
<td>$51,385</td>
</tr>
<tr>
<td>Contributions by employees</td>
<td>$1,147</td>
</tr>
<tr>
<td>Benefits paid</td>
<td>$14,142</td>
</tr>
<tr>
<td>Contributions by employer</td>
<td>$27,824</td>
</tr>
<tr>
<td>Exchange differences on translation of foreign operations</td>
<td>$14,142</td>
</tr>
<tr>
<td>Other</td>
<td>$982</td>
</tr>
<tr>
<td>Balance at March 31</td>
<td>$1,899,064</td>
</tr>
</tbody>
</table>

2) Reconciliation of fair value of plan assets
The change in the fair value of plan assets during the year ended March 31, 2020 is presented below.

<table>
<thead>
<tr>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>2020</td>
</tr>
<tr>
<td>Balance at April 1</td>
<td>$14,142</td>
</tr>
<tr>
<td>Interest income</td>
<td>$27,824</td>
</tr>
<tr>
<td>Remeasurements</td>
<td>$14,142</td>
</tr>
<tr>
<td>Contributions by employer</td>
<td>$27,824</td>
</tr>
<tr>
<td>Benefits paid</td>
<td>$14,142</td>
</tr>
<tr>
<td>Exchange differences on translation of foreign operations</td>
<td>$14,142</td>
</tr>
<tr>
<td>Other</td>
<td>$982</td>
</tr>
<tr>
<td>Balance at March 31</td>
<td>$1,899,064</td>
</tr>
</tbody>
</table>

(3) Reconciliation of defined benefit obligations and plan assets
The reconciliation between the defined benefit obligations and plan assets and the retirement benefit liability and asset recognized in the consolidated statement of financial position was as follows:

<table>
<thead>
<tr>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>2020</td>
</tr>
<tr>
<td>Present value of the funded defined benefit obligations</td>
<td>$1,700,660</td>
</tr>
<tr>
<td>Fair value of plan assets</td>
<td>$18,800</td>
</tr>
<tr>
<td>Net defined benefit liabilities (assets)</td>
<td>$169,688</td>
</tr>
<tr>
<td>Amounts recognized in the consolidated statement of financial position</td>
<td>$169,688</td>
</tr>
<tr>
<td>Retirement benefit liability</td>
<td>$169,688</td>
</tr>
<tr>
<td>Retirement benefit asset</td>
<td>$169,688</td>
</tr>
<tr>
<td>Net defined benefit liabilities (assets)</td>
<td>$169,688</td>
</tr>
</tbody>
</table>

4) Components of plan assets
The breakdown of plan assets by category was as follows:

<table>
<thead>
<tr>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>2020</td>
</tr>
<tr>
<td>Japanese equity securities</td>
<td>$11,780</td>
</tr>
<tr>
<td>Overseas equity securities</td>
<td>$328,789</td>
</tr>
<tr>
<td>Overseas debt securities</td>
<td>$41,954</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$8,083</td>
</tr>
<tr>
<td>Other</td>
<td>$8,083</td>
</tr>
<tr>
<td>Total</td>
<td>$390,606</td>
</tr>
</tbody>
</table>

To reliably pay defined benefit obligations into the indefinite future, plan assets in the Olympus Group’s corporate pension funds are managed safely and efficiently in the aim of generating medium- to long-term investment returns in excess of the minimum rate of return required to maintain the plans. To do so, the pension funds carefully ascertain their risk tolerance, determine an optimal asset allocation within those risk constraints and invest in a diversified portfolio of assets.

5) Matters related to actuarial assumptions
The significant actuarial assumptions used to measure present value of defined benefit obligations were as follows:

<table>
<thead>
<tr>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.47%</td>
<td>0.56%</td>
</tr>
</tbody>
</table>

6) Sensitivity analysis
In the event of a 0.5% change in the discount rate used in the actuarial calculation, the present value of the defined benefit obligations would be affected as shown below. This analysis assumes that all other variables remain constant. In actuality, however, the sensitivity analysis may be affected by changes in other assumptions.

<table>
<thead>
<tr>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>2020</td>
</tr>
<tr>
<td>Discount rate</td>
<td>$119,972</td>
</tr>
<tr>
<td>0.5% increase (decrease in obligations)</td>
<td>$14,142</td>
</tr>
<tr>
<td>0.5% decrease (increase in obligations)</td>
<td>$14,142</td>
</tr>
</tbody>
</table>

7) Weighted average duration
The weighted average durations of the defined benefit obligations were 14.4 years and 12.5 years as of March 31, 2019 and 2020, respectively.

(2) Defined contribution plans
The amounts recognized as expenses related to the defined contribution plan were $17,425 million and $15,668 million ($143,743 thousand) for the years ended March 31, 2019 and 2020, respectively, and included expenses recognized in relation to the public pension system.
24. Share Capital and Other Components of Equity

(1) Number of authorized shares, issued shares and treasury shares

The changes in the number of authorized shares, issued shares and treasury shares were as follows:

<table>
<thead>
<tr>
<th>Number of shares</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Authorized shares</td>
<td>1,000,000,000</td>
<td>4,000,000,000</td>
</tr>
<tr>
<td>Issued shares (Note 1)</td>
<td>342,869,224</td>
<td>342,713,349</td>
</tr>
<tr>
<td>As of April 1</td>
<td>342,869,224</td>
<td>342,713,349</td>
</tr>
<tr>
<td>Increase or decrease (Note 3) (Note 4)</td>
<td>22,125</td>
<td>1,088,201,614</td>
</tr>
<tr>
<td>As of March 31</td>
<td>342,713,349</td>
<td>1,370,914,963</td>
</tr>
<tr>
<td>Treasury shares (Note 2)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>As of April 1</td>
<td>1,292,520</td>
<td>1,292,520</td>
</tr>
<tr>
<td>Increase or decrease (Note 3) (Note 5)</td>
<td>(2,381)</td>
<td>84,037,260</td>
</tr>
<tr>
<td>As of March 31</td>
<td>1,290,139</td>
<td>45,329,780</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Notes:</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. All shares of the Company are ordinary shares that have no par value and no limitations on the rights. Issued shares are fully paid.</td>
</tr>
<tr>
<td>2. The Company has adopted stock option plans and utilizes treasury shares for delivery of shares due to exercise. Contractual conditions and amounts are described in Note 27 “Share-based payment”.</td>
</tr>
<tr>
<td>3. On April 1, 2019, the Company conducted a four-for-one stock split of common stock. As a result, Authorized shares increased by 3,000,000,000 shares. The total number of issued shares increased by 1,028,140,047 shares and treasury stock increased by 3,877,660 shares.</td>
</tr>
<tr>
<td>4. The major reason of changes in the number of issued shares were issuing shares under the “Restricted Share-Based Remuneration Plan” described in Note 27 “Share-based payment”.</td>
</tr>
<tr>
<td>5. The major reason for the decrease in the number of treasury shares was the purchase of 80,153,333 shares at the Board of Directors’ meeting held on August 29, 2019.</td>
</tr>
</tbody>
</table>

(2) Capital surplus

Japan’s Companies Act provides that at least one-half of capital paid in or contributed in exchange for newly issued shares is to be classified as share capital and any amount not classified as share capital is to be classified as capital surplus included in capital surplus. Additionally, legal capital surplus may be reclassified as share capital pursuant to a shareholder resolution at a General Meeting of Shareholders.

(3) Retained earnings

Japan’s Companies Act provides that one-fourth of the amount of reductions in surplus due to dividend distributions funded by the surplus is to be allocated as legal capital surplus or legal retained earnings until the total of legal capital surplus and legal retained earnings equals one-quarter of share capital. Accumulated legal retained earnings may be appropriated to reduce a capital deficit. They may also be utilized pursuant to a shareholder resolution at a General Meeting of Shareholders.

(4) Other components of equity

The changes in other components of equity were as follows:

<table>
<thead>
<tr>
<th>Millions of yen</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exchange difference on translation of foreign operations</td>
<td>¥116,346</td>
<td>¥113,944</td>
</tr>
<tr>
<td>Cash flow hedges</td>
<td>¥113,850</td>
<td>¥114,350</td>
</tr>
<tr>
<td>Financial assets measured at fair value through other comprehensive income</td>
<td>¥2,896</td>
<td>¥2,868</td>
</tr>
<tr>
<td>Revaluation of defined benefit plans</td>
<td>¥ —</td>
<td>¥ —</td>
</tr>
<tr>
<td>Remeasurement of defined benefit income (loss) of associates accounted for using equity method</td>
<td>¥ —</td>
<td>¥ —</td>
</tr>
<tr>
<td>Share of other comprehensive income (loss) of associates accounted for using equity method</td>
<td>¥10 (976,257)</td>
<td>¥10 (976,257)</td>
</tr>
<tr>
<td>Total</td>
<td>¥116,346</td>
<td>¥113,944</td>
</tr>
</tbody>
</table>

(5) Financial assets measured at fair value through other comprehensive income

<table>
<thead>
<tr>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount of dividends paid</td>
<td>¥11,250,000</td>
</tr>
<tr>
<td>Dividend per share (Yen)</td>
<td>¥30.00</td>
</tr>
<tr>
<td>Note:</td>
<td>On April 1, 2019, the Company conducted a four-for-one stock split of common stock. The above-mentioned amount of dividend per share is the actual amount before the share split.</td>
</tr>
</tbody>
</table>
Consolidated Financial Statements and Notes

There is no information to be disclosed on dividends for which the record date falls in the current fiscal year for which the effective date is in the following fiscal year. However, the record date for the year-end dividend for the fiscal year was changed from March 31, 2020 to May 31, 2020. This change was based on a proposal to be approved at the General Shareholders’ Meeting to be held on July 30, 2020.

### General Shareholders’ Meeting

**Class of stock**

- **Common stock**
  - Number of dividends paid: **$117,045 thousand**
  - Dividend per share: **$0.092**
  - Record date: **May 31, 2020**
  - Effective date: **July 30, 2020**

**Note:** As of April 1, 2019, the Company conducted a four-for-one stock split of common stock. The above-mentioned amount of dividend per share is the actual amount after the share split.

#### 27. Share-based Payments

The Olympus Group has adopted equity-settled stock option plans for the Company’s directors (excluding outside directors) and executive officers with the aim of enhancing awareness toward contributing to sustainable improvement of corporate value as well as further enhancing value sharing with shareholders.

**1) Stock options**

**1) Overview of stock options**

Under the stock options, grantees are granted 400 shares of common stock per subscription right to shares.

The grants are not subject to vesting conditions, but holders of subscription rights to shares may exercise their subscription rights to shares only during a 10-year period beginning one year from the date after the date on which they vacate their position as a director or executive officer of the Company (or the date on which they vacate their position as an audit & supervisory board member if they were appointed to the Audit & Supervisory Board after vacating their position as a director or executive officer). If not exercised within the exercise period, the options become null and void. The options become exercisable after the expiration period stated above.

The exercise price for stock options is fixed at the exercise price fixed at the time of grant. Under the stock options, grantees are granted 400 shares of common stock per subscription right to shares.

**2) Outline of stock options**

**First series of stock subscription rights**

- **August 26, 2013**
  - Number of shares granted: **160,400**
  - Exercise price (yen): **From August 27, 2013 to August 26, 2043**

**Second series of stock subscription rights**

- **July 11, 2014**
  - Number of shares granted: **164,000**
  - Exercise price (yen): **From July 12, 2014 to July 11, 2044**

**Third series of stock subscription rights**

- **July 13, 2015**
  - Number of shares granted: **154,800**
  - Exercise price (yen): **From July 14, 2015 to July 13, 2045**

**Fourth series of stock subscription rights**

- **July 13, 2016**
  - Number of shares granted: **158,000**
  - Exercise price (yen): **From July 14, 2016 to July 13, 2046**

**Notes:**

1. The number of shares options is presented as the number of underlying shares.

2. The weighted average remaining lives of unexercised stock options year were 25.9 years and 24.9 years as of March 31, 2019 and 2020, respectively.

**3) Movement in number of stock options and weighted average exercise price**

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of shares granted</th>
<th>Exercise price (yen)</th>
<th>Number of shares delivered</th>
</tr>
</thead>
<tbody>
<tr>
<td>Granting</td>
<td>Outstanding at the beginning of year</td>
<td>593,200</td>
<td>572,400</td>
</tr>
<tr>
<td>Exercised</td>
<td>20,800</td>
<td>1</td>
<td>(8,800)</td>
</tr>
<tr>
<td>Expired</td>
<td>1</td>
<td>563,600</td>
<td></td>
</tr>
<tr>
<td>Outstanding at the end of year</td>
<td>572,400</td>
<td>1</td>
<td>563,600</td>
</tr>
<tr>
<td>Exercisable at the end of year</td>
<td>189,200</td>
<td>1</td>
<td>271,200</td>
</tr>
</tbody>
</table>

**Notes:**

1. The number of stock options is presented as the number of underlying shares.

2. The weighted average exercise price of stock options at the time of exercise was ¥1,014 and ¥1,033 ($10.12 and $10.22) for the years ended March 31, 2019 and 2020, respectively.

3. Under the Restricted Share-based Remuneration Plan, the Company's directors and other executives serving in qualifying positions wholly transfer their rights to monetary remuneration receivable from the Company as in-kind property contributions to the plan and receive newly issued shares of the Company’s common stock, conditional upon their meeting a specified continuous-term requirement and attainment of predetermined performance targets set by the Company’s Board of Directors.

4. Under the Performance-Linked Share-based Remuneration Plan, the Company’s directors and other executives serving in qualifying positions wholly transfer their rights to monetary remuneration receivable from the Company as in-kind property contributions to the plan and receive newly issued shares of the Company’s common stock, conditional upon their meeting a specified continuous-term requirement and attainment of predetermined performance targets set by the Company’s Board of Directors.

**4) Share-based Payment Expenses**

<table>
<thead>
<tr>
<th>Year</th>
<th>Selling, general and administrative expenses</th>
<th>Millions of yen</th>
<th>$ Thousands</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>$103</td>
<td>$70</td>
<td></td>
</tr>
<tr>
<td>2020</td>
<td>$130</td>
<td>$75</td>
<td></td>
</tr>
</tbody>
</table>

#### 28. Revenue

**1) Disaggregation of Revenue**

The Olympus Group is fundamentally organized into Endoscopic Solutions Business, Therapeutic Solutions Business, Scientific Solutions Business, Imaging Business and “Others” segments. The Company presents revenue under these business segments because the Board of Directors regularly monitors them to evaluate in determining the allocation management resources and in assessing performance. Revenue is geographically disaggregated based on customer location. Geographically disaggregated revenue attributable to the reportable segments was as follows.

The Company has changed the classification of its reportable segments from the fiscal year ended March 31, 2020 along with the reorganization of its medical business on April 1, 2019. Information by segment for the previous fiscal year has been reclassified in accordance with the new classification. The change in reportable segments is described in Note 6 “Segment Information (1) Overview of reportable segments”.

The importance of the Chinese market is growing, so revenue from customers in China, which had previously been included in Asia and Oceania is classified separately from the fiscal year ended March 31, 2020. Information by region for the previous fiscal year has been reclassified in accordance with the new classification.

<table>
<thead>
<tr>
<th>Segment</th>
<th>For the year ended March 31, 2020</th>
<th>Millions of yen</th>
<th>$ Thousands</th>
</tr>
</thead>
<tbody>
<tr>
<td>Endoscopic Solutions</td>
<td>$61,567</td>
<td>$4,397</td>
<td></td>
</tr>
<tr>
<td>Therapeutic Solutions</td>
<td>$20,964</td>
<td>$1,443</td>
<td></td>
</tr>
<tr>
<td>Scientific Solutions</td>
<td>$48,679</td>
<td>$3,408</td>
<td></td>
</tr>
<tr>
<td>Imaging</td>
<td>$46,092</td>
<td>$3,289</td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td>$74,310</td>
<td>$5,147</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>$418,833</td>
<td>$29,463</td>
<td></td>
</tr>
</tbody>
</table>

2) Number of shares granted during the year and fair value at grant date

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of shares</th>
<th>Fair value at grant date</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>$8,500</td>
<td>$1,034</td>
</tr>
<tr>
<td>2020</td>
<td>$1,067</td>
<td>$1,205</td>
</tr>
</tbody>
</table>

**Note:** As of April 1, 2019, the Company conducted a four-for-one stock split of common stock. The above-mentioned amount of number of shares and fair value at grant date is the actual amount after the share split.

**3) Performance-Linked Share-based Remuneration Plan**

**1) Overview of Performance-Linked Share-based Remuneration Plan**

Under the Performance-Linked Share-based Remuneration Plan, the Company’s directors and other executives serving in qualifying positions wholly transfer their rights to monetary remuneration receivable from the Company as in-kind property contributions to the plan and receive newly issued shares of the Company’s common stock, conditional upon their meeting a specified continuous-term requirement and attainment of predetermined performance targets set by the Company’s Board of Directors.

**2) Number of shares granted during the year and fair value at grant date**

The weighted average fair value at the grant date under this plan for the year ended March 31, 2019 and 2020 were ¥1,006 and ¥1,213 ($11.13, respectively). On April 1, 2019, the Company conducted a four-for-one stock split of common stock. The weighted average fair value is the actual amount after the share split.

The number of shares delivered correspond to the directors’ standard variable remuneration calculated based on their position and adjusted within a ±15% range based on the degree of attainment, as of the end of the three fiscal years, of predetermined performance targets set by the Board of Directors.

**4) Share-based Payment Expenses**

<table>
<thead>
<tr>
<th>Year</th>
<th>Selling, general and administrative expenses</th>
<th>Millions of yen</th>
<th>$ Thousands</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>$103</td>
<td>$70</td>
<td></td>
</tr>
<tr>
<td>2020</td>
<td>$130</td>
<td>$75</td>
<td></td>
</tr>
</tbody>
</table>

Revenue from other sources includes revenue from lease contracts as defined under IAS17.
3) Scientific Solutions Business
The Scientific Solutions Business sells microscopes, industrial videoscopes and ultrasonic flaw detectors, among other products. Its main customers include domestic and overseas research and medical institutions. The Company recognizes related product sales as revenue once the product has been delivered to the customer—i.e., when the product is sold to the customer—because that is when legal title to and physical possession of the product and the significant risks and rewards of ownership of the product transfer to the customer and also when the Company gains the right to receipt of payment from the customer. Revenue from these product sales is measured at the transaction price contractually agreed upon with the customer. Transaction consideration is mostly received within one year from performance obligations’ fulfillment. Such product sales do not involve a significant financing component.

For maintenance contracts for the Scientific Solutions Business products, since performance obligations are satisfied over time, the transaction amount associated with the contract with the customer is recognized as revenue evenly over the contract’s term. In such cases, the transaction consideration is generally received as a single prepayment at the contract’s inception.

4) Imaging Business
The Imaging Business sells digital cameras, centered on mirrorless cameras. Its customers are mainly domestic and overseas retailers. The Company recognizes related product sales as revenue once the product has been delivered to the customer—i.e., when the product is sold to the customer—because that is when legal title to and physical possession of the product and the significant risks and rewards of ownership of the product transfer to the customer and also when the Company gains the right to receive payment from the customer. Revenue from these product sales is measured at the transaction price contractually agreed upon with the customer. For sales contracts that include variable consideration such as rebates and/or retrospective discounts, transaction prices are determined using the most-likely-amount method based largely on historical data, factoring in variable prices within a range that does not cause significant deviation between estimates and historical data. The transaction consideration is mostly received within one year from performance obligations’ fulfillment. Such product sales do not involve a significant financing component.

5) Others
“Others” includes R&D and discovery activities related to new businesses, in addition to sales of biomaterials, etc.

(2) Contract balances
The balances of receivables from contracts with customers, and contract assets and contract liabilities were as follows:

<table>
<thead>
<tr>
<th>Contract balances</th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>April 1, 2018</td>
<td>March 31, 2019</td>
<td></td>
</tr>
<tr>
<td>Receivables from contracts with customers</td>
<td>¥136,164</td>
<td>$1,117,688</td>
</tr>
<tr>
<td>Contract assets</td>
<td>535</td>
<td>754</td>
</tr>
<tr>
<td>Contract liabilities</td>
<td>28,537</td>
<td>31,995</td>
</tr>
<tr>
<td>April 1, 2019</td>
<td>March 31, 2020</td>
<td></td>
</tr>
<tr>
<td>Receivables from contracts with customers</td>
<td>¥126,252</td>
<td>$1,117,688</td>
</tr>
<tr>
<td>Contract assets</td>
<td>754</td>
<td>3,367</td>
</tr>
<tr>
<td>Contract liabilities</td>
<td>31,205</td>
<td>316,330</td>
</tr>
</tbody>
</table>

On the consolidated statements of financial position, receivables from contracts with customers and assets from contracts with customers are recognized in trade and other receivables, and liabilities from contracts with customers are recognized in other current assets and other non-current assets. For revenue recognized for the years ended March 31, 2019 and 2020, amounts corresponding to liabilities from contracts with customers at the beginning of each fiscal year were ¥14,416 million and ¥25,538 million ($234,294 thousand, respectively. For the years ended March 31, 2019 and 2020, revenue recognized from performance obligations satisfied (or partially satisfied) in past periods was not material.

(3) Transaction price allocated to remaining performance obligations
The breakdown of transaction price allocated to the remaining performance obligations was as follows:

<table>
<thead>
<tr>
<th>Transaction price allocated to remaining performance obligations</th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>2020</td>
<td></td>
</tr>
<tr>
<td>Within 1 Year</td>
<td>¥4,058</td>
<td>$462,456</td>
</tr>
<tr>
<td>Over 1 Year</td>
<td>3,590</td>
<td>24,248</td>
</tr>
<tr>
<td>Total</td>
<td>7,648</td>
<td>696,698</td>
</tr>
</tbody>
</table>

The transactions for which individual estimated contract terms are within one year were excluded.
30. Other Income and Other Expenses

(1) Other income
Major items of other income are as follows.

Fiscal year ended March 31, 2019 (April 1, 2018 – March 31, 2019)

Gain on sale of fixed assets
The Company recorded ¥1,059 million in “Other income.”

Gains on revision of retirement benefit plan
The Company recorded gain on revision of retirement benefit plan in Europe of ¥1,883 million in “Other income.”

Fiscal year ended March 31, 2020 (April 1, 2019 – March 31, 2020)

There are no significant transactions.

(2) Other expenses
Major items of other expenses are as follows.

Fiscal year ended March 31, 2019 (April 1, 2018 – March 31, 2019)

Loss related to securities litigation
The Company received claims for compensation for damages from several individual and institutional investors for losses sustained as a result of the Company’s false statements for the purpose of postponing recognition of losses in the Annual Securities Reports, Semi-Annual Securities Reports and Quarterly Securities Reports for the period from the fiscal year ended March 31, 2001 through the first quarter of the fiscal year ended March 31, 2012. The Company recorded a monetary settlement of ¥19,380 million, which is the amount of settlements paid for the claims for damages, in “Other expenses.”

Restructuring costs for Imaging Business’s manufacturing location
In May 2018, the Company resolved to restructure manufacturing locations of Imaging Business, and decided to discontinue operations of Olympus (Shenzhen) Industrial Ltd., a consolidated subsidiary of the Company, and to concentrate this production at Olympus Vietnam Co., Ltd.

The Company recorded ¥6,174 million in “Other expenses” as restructuring expenses for manufacturing locations in the Imaging Business, including economic compensation incurred with a series of restructuring.

Business restructuring expenses
The Company recorded ¥3,954 million ($36,275 thousand) for business restructuring expenses as part of “Transform Olympus” in “Other expenses.”

Fiscal year ended March 31, 2020 (April 1, 2019 – March 31, 2020)

Inspection regarding indirect taxation
The Company recorded a loss as a provision for expected additional taxes of ¥5,328 million anticipated in relation to a voluntary inspection regarding indirect taxation conducted by the Company’s overseas subsidiary. Of this amount, ¥3,882 million was recorded as “Other expenses.”

Fiscal year ended March 31, 2021 (April 1, 2019 – March 31, 2020)

Business restructuring expenses
The Company recorded ¥3,064 million ($36,275 thousand) for business restructuring expenses as part of “Transform Olympus” in “Other expenses.”

Impairment losses
Regarding business assets in the Endoscopic Solutions Business as no future use is expected and regarding business assets in the Imaging Business as the revenue projected at the time the assets were acquired is now not expected due to changes in the market environment, the carrying values have been written down to the recoverable amounts, and impairment losses of ¥1,322 million ($13,963 thousand) and ¥1,518 million ($13,927 thousand) have been recognized, respectively, in “Other expenses.” Impairment losses are presented in Note 16 “Impairment of non-financial assets.”

31. Financial Income and Finance Costs

The breakdown of financial income and finance costs for the years ended March 31, 2019 and 2020 was as follows:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2020</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Millions of yen</td>
<td>Thousands of U.S. dollars</td>
<td>Millions of yen</td>
</tr>
<tr>
<td>Finance income</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest income</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial assets measured at amortized cost</td>
<td>¥1,209</td>
<td>$13,358</td>
<td></td>
</tr>
<tr>
<td>Dividends received</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial assets measured through other comprehensive income</td>
<td>¥622</td>
<td>447</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>282</td>
<td>31</td>
<td>286</td>
</tr>
<tr>
<td>Total</td>
<td>¥2,113</td>
<td>¥1,342</td>
<td>¥17,817</td>
</tr>
<tr>
<td>Finance costs</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest expense</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial liabilities measured at amortized cost</td>
<td>¥4,420</td>
<td>3,702</td>
<td></td>
</tr>
<tr>
<td>Bond interest</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial liabilities measured at amortized cost</td>
<td>¥197</td>
<td>991</td>
<td></td>
</tr>
<tr>
<td>Foreign exchange loss (Note 1)</td>
<td>¥5,313</td>
<td>29,404</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>¥417</td>
<td>¥598</td>
<td>¥5,487</td>
</tr>
<tr>
<td>Total</td>
<td>¥10,347</td>
<td>¥7,613</td>
<td>¥69,845</td>
</tr>
</tbody>
</table>

Notes:
1. Valuation gains or losses on currency derivatives that are not designated as hedges are included in foreign exchange gain or loss.
2. Finance income and expenses arising from financial assets measured at amortized cost are immaterial.
## 32. Earnings per Share

### (1) Basic earnings per share and diluted earnings per share

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2020</th>
<th>U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic earnings per share</td>
<td>¥5.97</td>
<td>¥39.37</td>
<td>$0.361</td>
</tr>
<tr>
<td>Diluted earnings per share</td>
<td>¥5.96</td>
<td>¥39.36</td>
<td>$0.361</td>
</tr>
</tbody>
</table>

### (2) Basis for calculating basic earnings per share and diluted earnings per share

#### Millions of yen Thousands of U.S. dollars

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2020</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit used to calculate basic earnings per share and diluted earnings per share</td>
<td>¥8,147</td>
<td>¥51,670</td>
<td>¥474,037</td>
</tr>
<tr>
<td>Profit attributable to owners of parent</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Profit not attributable to owners of parent</td>
<td>¥8,147</td>
<td>¥51,670</td>
<td>¥474,037</td>
</tr>
<tr>
<td>Adjustment to profit</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Profit used to calculate diluted earnings per share</td>
<td>¥8,147</td>
<td>¥51,670</td>
<td>¥474,037</td>
</tr>
</tbody>
</table>

#### Weighted average number of shares of common stock used to calculate basic earnings per share and diluted earnings per share

<table>
<thead>
<tr>
<th></th>
<th>Thousand shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>1,365,659</td>
</tr>
<tr>
<td>2020</td>
<td>1,312,285</td>
</tr>
</tbody>
</table>

Note: On April 1, 2019, the Company conducted a four-for-one stock split of common stock. The stock split is reflected in the amounts of "basic earnings per share" and "diluted earnings per share" as if the stock split was conducted at the beginning of the previous fiscal year.

## 33. Other Comprehensive Income

The breakdown of each component of other comprehensive income (including non-controlling interests) for the years ended March 31, 2019 and 2020 was as follows:

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>2020</td>
<td>2020</td>
</tr>
<tr>
<td>Items that will not be reclassified to profit or loss</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial instruments measured at fair value through other comprehensive income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amount arising during the year</td>
<td>¥(3,831)</td>
<td>¥ (1,314)</td>
</tr>
<tr>
<td>Tax effect</td>
<td>577</td>
<td>188</td>
</tr>
<tr>
<td>Financial instruments measured at fair value through other comprehensive income</td>
<td>¥(3,254)</td>
<td>¥ (1,126)</td>
</tr>
<tr>
<td>Remeasurements of defined benefit plans</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amount arising during the year</td>
<td>¥(2,422)</td>
<td>¥ (5,442)</td>
</tr>
<tr>
<td>Tax effect</td>
<td>3,286</td>
<td>1,215</td>
</tr>
<tr>
<td>Remeasurements of defined benefit plans</td>
<td>¥ 858</td>
<td>¥ (4,227)</td>
</tr>
<tr>
<td>Total of items that will not be reclassified to profit or loss</td>
<td>¥2,396</td>
<td>¥ (5,353)</td>
</tr>
<tr>
<td>Items that may be reclassified to profit or loss</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exchange differences on translation of foreign operations</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amount arising during the year</td>
<td>¥ 1,854</td>
<td>¥(13,305)</td>
</tr>
<tr>
<td>Reclassification adjustments</td>
<td>1</td>
<td>32</td>
</tr>
<tr>
<td>Before tax effect</td>
<td>1,855</td>
<td>(13,273)</td>
</tr>
<tr>
<td>Tax effect</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Exchange differences on translation of foreign operations</td>
<td>¥ 1,855</td>
<td>¥(13,273)</td>
</tr>
<tr>
<td>Cash flow hedges</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amount arising during the year</td>
<td>¥ (134)</td>
<td>¥ 11</td>
</tr>
<tr>
<td>Reclassification adjustments</td>
<td>843</td>
<td>474</td>
</tr>
<tr>
<td>Before tax effect</td>
<td>709</td>
<td>485</td>
</tr>
<tr>
<td>Tax effect</td>
<td>(216)</td>
<td>(148)</td>
</tr>
<tr>
<td>Cash flow hedges</td>
<td>¥ 491</td>
<td>¥ 337</td>
</tr>
<tr>
<td>Share of other comprehensive income (loss) of associates accounted for using equity method</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amount arising during the year</td>
<td>¥ (2)</td>
<td>¥ (97)</td>
</tr>
<tr>
<td>Reclassification adjustments</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Before tax effect</td>
<td>¥ (2)</td>
<td>¥ (97)</td>
</tr>
<tr>
<td>Tax effect</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Share of other comprehensive income (loss) of associates accounted for using equity method</td>
<td>¥ (2)</td>
<td>¥ (97)</td>
</tr>
<tr>
<td>Total of items that may be reclassified to profit or loss</td>
<td>¥ 2,344</td>
<td>¥(13,035)</td>
</tr>
<tr>
<td>Total of other comprehensive income</td>
<td>¥ (52)</td>
<td>¥(18,386)</td>
</tr>
</tbody>
</table>
### 34. Cash Flow Information

#### (1) Non-cash transactions

<table>
<thead>
<tr>
<th>The major non-cash transactions are as follows:</th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tangible assets acquired through finance lease transactions</td>
<td>¥4,208</td>
<td>146,402</td>
</tr>
<tr>
<td>Right-of-use assets acquired through lease transactions</td>
<td>—</td>
<td>—</td>
</tr>
</tbody>
</table>

#### (2) Liabilities arising from financing activities

<table>
<thead>
<tr>
<th>The changes in liabilities arising from financing activities were as follows:</th>
<th>Millions of yen</th>
<th>For the year ended March 31, 2019</th>
<th>Non-cash items</th>
<th>Effect of exchange rate changes on cash and cash equivalents</th>
<th>Other</th>
<th>Ending balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short-term borrowings</td>
<td>¥13,380</td>
<td>¥13,380</td>
<td>¥13,380</td>
<td>¥13,380</td>
<td>¥13,380</td>
<td>¥13,380</td>
</tr>
<tr>
<td>Bonds (Note)</td>
<td>34,942</td>
<td>45,793</td>
<td>45,793</td>
<td>45,793</td>
<td>45,793</td>
<td>45,793</td>
</tr>
<tr>
<td>Long-term borrowings (Note)</td>
<td>¥13,032,674,817</td>
<td>¥2,362,674,817</td>
<td>¥2,362,674,817</td>
<td>¥2,362,674,817</td>
<td>¥2,362,674,817</td>
<td>¥2,362,674,817</td>
</tr>
</tbody>
</table>

**Note:** Balances redeemable within one year are included.

#### 35. Financial Instruments

#### (1) Credit risk

Credit risk is the risk that a counterparty may default on its contractual obligations resulting in a financial loss for the Olympus Group. The Olympus Group is mainly exposed to the credit risk of customers and business counterparties on financial assets measured at amortized cost and of financial institutions that are counterparties to derivatives held for hedging foreign currency fluctuations and other financial risks.

The Olympus Group manages credit risk pertaining to financial assets measured at amortized cost by conducting credit investigations on major external customers and controls of due dates and outstanding balances by customers in accordance with internal regulations, while promptly identifying doubtful accounts caused by deteriorated financial conditions, etc., to reduce risks. Credit risk associated with derivatives is reduced by limiting transactions to highly creditworthy financial institutions.

Financial assets measured at amortized cost are mainly classified into "trade receivables" that consist of notes receivable, accounts receivable and lease receivables and "receivables other than trade receivables." The Olympus Group provides allowance for doubtful accounts for each receivable as follows.

"Trade receivables" are classified into three categories: receivables to "debtors that are not facing serious problems in their management condition," receivables to "debtors that are facing serious problems in repaying their debts," and receivables to "debtors that are bankrupt," according to the debtors' management and financial conditions at the end of the reporting period. Allowance for doubtful accounts is always recognized at an amount equal to expected credit losses for the remaining life of the assets for each category.

"Debtors that are not facing serious problems in their management conditions" refer to those that have no indication of problems in repaying their debts and no problems in ability to repay their debts. Allowance for doubtful accounts on receivables from the debtors in this category is recorded collectively using a provision ratio based on a historical loss rate ratio and future estimates.

"Debtors that are facing serious problems in repaying their debts" refer to those that are not in a state of bankrupt but are facing, or will likely face, serious problems in repaying their debts. Allowance for doubtful accounts on receivables from the debtors in this category is recorded based on the estimated collectable amount of the respective assets on an individual basis.

"Debtors that are bankrupt" refer to those that are legally or substantially bankrupt or in a state of serious financial difficulty with no prospect of revitalization. Allowance for doubtful accounts on receivables from the debtors in this category is recorded for all receivables excluding assets received as collateral or for credit enhancement.

The Olympus Group evaluates at the end of each reporting period whether there is a significant increase in credit risk of "receivables other than trade receivables" since initial recognition. When there is no significant increase in credit risk since initial recognition, the amount equal to expected credit losses for 12 months is recognized as allowance for doubtful accounts. When there is a significant increase in credit risk since initial recognition, the amount equal to expected credit losses for the remaining life of the financial assets is recognized as allowance for doubtful accounts.

"A significant increase in credit risk" refers to a situation in which there are serious problems in collectibility of receivables at the end of the reporting period compared to that at initial recognition. When evaluating whether or not there is a significant increase in credit risk, the Olympus Group takes into consideration reasonably available and supportable information, such as a debtor's results of operations for past periods and management improvement plan, as well as past due information.

Allowance for doubtful accounts on "receivables other than trade receivables" is recognized using a method to estimate credit losses collectively or individually according to the extent of the debtor's credit risk. However, when the debtors are in serious financial difficulty or legally or substantially bankrupt, allowance for doubtful accounts is recognized using a method to estimate credit losses individually by considering the receivables as credit-impaired financial assets.

Irrespective of the above classification, when it is clear that a financial asset in its entirety or a portion thereof cannot be recovered, such as a legal extinguishment of receivables, the carrying amount of the financial asset is directly amortized.

Information on allowance for doubtful accounts:

The carrying amounts of financial assets subject to allowance for doubtful accounts are as follows: These carrying amounts represent the maximum amount of exposure to credit risk.

<table>
<thead>
<tr>
<th>Trade receivables</th>
<th>Allowance for doubtful accounts</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at March 31, 2019</td>
<td>¥161,358</td>
<td>¥4,992</td>
</tr>
<tr>
<td>Balance at March 31, 2020</td>
<td>¥165,304</td>
<td>¥5,208</td>
</tr>
</tbody>
</table>

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### Consolidated Financial Statements and Notes

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There was no significant change that had a material impact on allowance for doubtful accounts for “Trade receivables” as of March 31, 2019 and March 31, 2020.

The changes in allowance for doubtful accounts related to above financial assets were as follows:

### Trade receivables

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Non-credit impaired financial assets</th>
<th>Credit-impaired financial assets</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at March 31, 2019</td>
<td>¥116,677</td>
<td>¥6,246</td>
<td>¥575</td>
<td>¥123,498</td>
</tr>
<tr>
<td>Balance at March 31, 2020</td>
<td>¥116,605</td>
<td>¥8,225</td>
<td>¥517</td>
<td>¥125,347</td>
</tr>
</tbody>
</table>

There was no significant change that had material impacts on allowance for doubtful accounts for “Receivables other than trade receivables” as of March 31, 2019 and March 31, 2020.

### Receivables other than trade receivables

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Non-credit impaired financial assets</th>
<th>Credit-impaired financial assets</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at March 31, 2019</td>
<td>¥110,339</td>
<td>¥75,459</td>
<td>¥4,743</td>
<td>¥120,541</td>
</tr>
<tr>
<td>Balance at March 31, 2020</td>
<td>¥110,339</td>
<td>¥75,459</td>
<td>¥4,743</td>
<td>¥120,541</td>
</tr>
</tbody>
</table>

(2) Liquidity risk

Liquidity risk is the risk that the Olympus Group may not be able to repay borrowings or settle other financial liabilities on their due dates. Borrowings, bonds and other financial liabilities held by the Olympus Group are exposed to liquidity risk. Based on the report from each division, the finance division of the Olympus Group prepares and updates its cash flow plans on a timely basis and keeps its liquidity in hand over a certain ratio of consolidated revenue in order to manage liquidity risk. Major financial liabilities by maturity date are as follows. Trade and other payables are not included in the tables below as they are settled over a certain ratio of consolidated revenue in order to manage liquidity risk.

The changes in allowance for doubtful accounts related to above financial assets were as follows:

### Trade receivables

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Non-credit impaired financial assets</th>
<th>Credit-impaired financial assets</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at April 1, 2018</td>
<td>Y 7,374</td>
<td>Y 16</td>
<td>¥8,203</td>
<td>¥987</td>
</tr>
<tr>
<td>Increase</td>
<td>607</td>
<td>—</td>
<td>44</td>
<td>0</td>
</tr>
<tr>
<td>Decrease</td>
<td>(1,411)</td>
<td>(10)</td>
<td>—</td>
<td>(2)</td>
</tr>
<tr>
<td>Other</td>
<td>(388)</td>
<td>(1)</td>
<td>(2)</td>
<td>(10)</td>
</tr>
<tr>
<td>Balance at March 31, 2019</td>
<td>¥6,172</td>
<td>¥16</td>
<td>¥8,345</td>
<td>¥17.5</td>
</tr>
<tr>
<td>Increase</td>
<td>2,057</td>
<td>0</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Decrease</td>
<td>(623)</td>
<td>—</td>
<td>(20)</td>
<td>(7)</td>
</tr>
<tr>
<td>Other</td>
<td>(20)</td>
<td>—</td>
<td>(1)</td>
<td>(1)</td>
</tr>
<tr>
<td>Balance at March 31, 2020</td>
<td>¥7,444</td>
<td>¥0</td>
<td>¥8,225</td>
<td>¥517</td>
</tr>
</tbody>
</table>

### Receivables other than trade receivables

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Non-credit impaired financial assets</th>
<th>Credit-impaired financial assets</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at March 31, 2019</td>
<td>¥56,073</td>
<td>¥—</td>
<td>¥75,642</td>
<td>¥131,715</td>
</tr>
<tr>
<td>Increase</td>
<td>18,872</td>
<td>0</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Decrease</td>
<td>(4,798)</td>
<td>(1)</td>
<td>(83)</td>
<td>(94)</td>
</tr>
<tr>
<td>Other</td>
<td>(1,403)</td>
<td>—</td>
<td>(468)</td>
<td>(468)</td>
</tr>
<tr>
<td>Balance at March 31, 2020</td>
<td>¥68,294</td>
<td>¥0</td>
<td>¥75,459</td>
<td>¥4,743</td>
</tr>
</tbody>
</table>

(3) Market risk

Market risk is the risk of fluctuations in fair value or future cash flows of financial instruments because of changes in market prices. Market risk includes foreign exchange risk which arises from changes in foreign exchange rates, interest rate risk which arises from changes in market interest rates and market price fluctuation risk which arises from changes in market prices of listed shares.

1) Foreign exchange risk

The Olympus Group operates business activities worldwide. Accordingly, financial assets and liabilities arising from transactions denominated in currencies other than the functional currency are exposed to foreign exchange rate fluctuation risk. The Olympus Group mainly uses forward foreign exchange contracts to reduce the foreign exchange fluctuation risk.

The details of foreign exchange forward contracts, currency options and currency swaps were as follows:

### Foreign exchange forward contracts

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>Contract amount</td>
<td>Fair value</td>
</tr>
<tr>
<td>U.S. dollar</td>
<td>25,598</td>
<td>(742)</td>
</tr>
<tr>
<td>Other currency</td>
<td>66,045</td>
<td>(482)</td>
</tr>
<tr>
<td>2020</td>
<td>Contract amount</td>
<td>Fair value</td>
</tr>
<tr>
<td>U.S. dollar</td>
<td>25,598</td>
<td>23,002</td>
</tr>
<tr>
<td>Other currency</td>
<td>66,045</td>
<td>55,261</td>
</tr>
<tr>
<td>2020</td>
<td>Contract amount</td>
<td>Fair value</td>
</tr>
<tr>
<td>U.S. dollar</td>
<td>25,598</td>
<td>23,002</td>
</tr>
<tr>
<td>Other currency</td>
<td>66,045</td>
<td>55,261</td>
</tr>
</tbody>
</table>

### Currency options

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>Contract amount</td>
<td>Fair value</td>
</tr>
<tr>
<td>2019</td>
<td>Contract amount</td>
<td>Fair value</td>
</tr>
<tr>
<td>2019</td>
<td>Contract amount</td>
<td>Fair value</td>
</tr>
<tr>
<td>2019</td>
<td>Contract amount</td>
<td>Fair value</td>
</tr>
</tbody>
</table>
2) Interest rate risk
Interest rate risk to which the Olympus Group is exposed arises from cash equivalents and interest-bearing debts. Borrowings with variable interest rates may be affected by future cash flow fluctuations because of changes in market interest rates.

The Olympus Group uses interest rate swaps to control the interest rate changes; therefore, borrowings with variable interest rates substantially have a nature equivalent to that of fixed interest rate contracts. The result of interest rate sensitivity analysis has been omitted because the effect of changes in interest rates on profit or loss is insignificant.

3) Market price risk

The Olympus Group holds listed shares for investment purposes, including facilitating business alliances. Market prices of listed shares may fluctuate depending on market economy trends as the prices are determined based on market principles. For listed shares, the Olympus Group regularly checks market prices and the financial status of business counterparts issuing shares, etc., while reviewing holding positions continuously in consideration of relationships with business counterparts.

Sensitivity analysis of market price risk

With regard to listed shares held by the Olympus Group at the end of each fiscal year, the following table shows the impact on other comprehensive income (before tax effect) in the consolidated statements of comprehensive income that would result from 1% decline in market prices at the end of each fiscal year. The impact was calculated by multiplying listed shares at the end of each fiscal year by 1% for this analysis.

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
<td>2020</td>
</tr>
<tr>
<td>U.S. dollar</td>
<td>¥(186)</td>
<td>¥(144)</td>
</tr>
<tr>
<td>Euro</td>
<td>¥</td>
<td></td>
</tr>
</tbody>
</table>

(4) Fair value

1) Fair value hierarchy
Fair value hierarchy is categorized into the following three levels depending on the observability of inputs used in the valuation technique for the measurement.

Level 1: Fair value measured at market prices (unadjusted) in active markets for identical assets or liabilities
Level 2: Fair value measured using observable prices other than those categorized within level 1, either directly or indirectly
Level 3: Fair value measured using a valuation technique which includes inputs that are not based on observable market data

The Olympus Group recognizes transfers of financial instruments between the levels of the fair value hierarchy as if they occurred at the end of each fiscal year. There were no significant financial instruments transferred between the levels for the fiscal years ended March 31, 2019 and 2020.

2) Financial instruments measured at fair value

The methods for measuring major financial instruments measured at fair value are as follows. (Other financial assets and other financial liabilities)

- Listed shares are classified as level 1 and stated at market prices valued at the end of each fiscal year.
- Unlisted shares are classified as level 2 or level 3 and stated at the value obtained by using valuation techniques such as the comparable company analysis method.
- Derivative assets and liabilities are classified as level 2. Currency derivatives are stated at the value based on forward exchange rates, and interest-rate derivatives are stated at the value obtained based on observable data such as market interest rates, credit risks, and the period up to maturity.

The contingent consideration for business combinations is classified as level 3 and stated at the estimates of future payability.

The fair value hierarchy of financial instruments measured at fair value is as follows:

As of March 31, 2019

<table>
<thead>
<tr>
<th>Financial assets</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Derivative assets</td>
<td>$</td>
<td>$13,349</td>
<td>$</td>
<td>$13,349</td>
</tr>
<tr>
<td>Equity securities</td>
<td>—</td>
<td>7,752</td>
<td>7,752</td>
<td>7,752</td>
</tr>
<tr>
<td>Contingent consideration</td>
<td>$</td>
<td>1,287</td>
<td>$13,349</td>
<td></td>
</tr>
</tbody>
</table>

As of March 31, 2020

<table>
<thead>
<tr>
<th>Financial assets</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Derivative assets</td>
<td>—</td>
<td>3,031</td>
<td>—</td>
<td>3,031</td>
</tr>
<tr>
<td>Equity securities</td>
<td>—</td>
<td>1,960</td>
<td>—</td>
<td>1,960</td>
</tr>
<tr>
<td>Contingent consideration</td>
<td>$584</td>
<td>$584</td>
<td>—</td>
<td>$1,168</td>
</tr>
</tbody>
</table>

The Olympus Group uses interest rate swaps to control the interest rate changes; therefore, borrowings with variable interest rates substantially have a nature equivalent to that of fixed interest rate contracts. The result of interest rate sensitivity analysis has been omitted because the effect of changes in interest rates on profit or loss is insignificant.
The changes in financial assets categorized within level 3 were as follows:

<table>
<thead>
<tr>
<th>Balance at April 1</th>
<th>2019</th>
<th>2020</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1,565</td>
<td>$1,724</td>
<td>$18,275</td>
<td></td>
</tr>
</tbody>
</table>

Gains and losses (Note)
- Profit or loss: 77 (129) (1,184)
- Other comprehensive income: (807) (186) (1,667)
- Purchases: 1,030 229 2,101
- Sales: — 8 (56)
- Other: (521) (25) (223)

Balance at March 31: $1,774 $1,658 $15,211

Note: Gains and losses recognized in profit or loss are included in “Finance income” or “Finance costs” in the consolidated statements of profit or loss. Gains and losses recognized in other comprehensive income are included in “Financial assets measured at fair value through other comprehensive income” in the consolidated statements of comprehensive income.

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

<table>
<thead>
<tr>
<th>Financial assets</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lease receivables</td>
<td>¥29,824</td>
<td>¥29,803</td>
</tr>
<tr>
<td>Financial liabilities</td>
<td>¥36,891</td>
<td>¥36,819</td>
</tr>
<tr>
<td>Bonds</td>
<td>¥69,737</td>
<td>¥69,513</td>
</tr>
<tr>
<td>Borrowings</td>
<td>¥116,036</td>
<td>¥118,053</td>
</tr>
<tr>
<td>Lease obligations</td>
<td>¥9,035</td>
<td>¥9,140</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Carrying amount</th>
<th>Fair value</th>
<th>Carrying amount</th>
<th>Fair value</th>
</tr>
</thead>
<tbody>
<tr>
<td>¥18,275</td>
<td>$15,211</td>
<td></td>
<td></td>
</tr>
<tr>
<td>¥116,036</td>
<td>¥118,053</td>
<td></td>
<td></td>
</tr>
<tr>
<td>¥9,035</td>
<td>¥9,140</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

3) Financial instruments measured at amortized cost

The measurement techniques for measuring the fair value of major financial instruments measured at amortized cost are as follows. These financial instruments are mainly classified into level 2.

(Cash and cash equivalents, trade and other receivables, and trade and other payables)

Account items to be settled in the short term are stated at their book value because their fair value is nearly equal to their book value. Lease receivables are stated at the value obtained by calculating the present value of each lease receivable categorized by a specific period, at discounted rates that take into account credit risks and the period up to maturity.

(Other financial assets and other financial liabilities)

Account items to be settled in the short term are stated at their book value because their fair value is nearly equal to their book value. Lease obligations are stated at the value obtained by calculating the present value of each lease payable categorized by a specific period, at discounted rates that take into account credit risks and the period up to maturity.

(Bonds and borrowings)

Bonds and borrowings with fixed interest rates are stated at the value calculated at discounted rates which would be applied to a similar issuance of bonds or similar new loans to generate future cash flows. Borrowings with variable interest rates are stated at their book value because their fair value is deemed to be nearly equal to their book value, given that they are short-term borrowings reflecting market interest rates, and their credit conditions have not significantly changed since the drawdown. Short-term borrowings and commercial papers are stated at their book value since they are settled in the short term and their fair value is nearly equal to their book value.

The carrying amount and fair value of major financial instruments measured at amortized cost were as follows. Financial instruments whose carrying amounts approximate fair value are not included in the following table. As described in Note 3 “Significant accounting policies”, the Olympus Group has adopted IFRS 16 from the fiscal year ended March 31, 2020. Therefore, from the fiscal year ended March 31, 2020, the carrying amount and fair value of “Lease obligations” are not included in the following table.

<table>
<thead>
<tr>
<th>Leased</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lease receivables</td>
<td>¥29,824</td>
<td>¥29,803</td>
</tr>
<tr>
<td>Financial liabilities</td>
<td>¥36,891</td>
<td>¥36,819</td>
</tr>
<tr>
<td>Bonds</td>
<td>¥69,737</td>
<td>¥69,513</td>
</tr>
<tr>
<td>Borrowings</td>
<td>¥116,036</td>
<td>¥118,053</td>
</tr>
<tr>
<td>Lease obligations</td>
<td>¥9,035</td>
<td>¥9,140</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Carrying amount</th>
<th>Fair value</th>
<th>Carrying amount</th>
<th>Fair value</th>
</tr>
</thead>
<tbody>
<tr>
<td>¥18,275</td>
<td>$15,211</td>
<td></td>
<td></td>
</tr>
<tr>
<td>¥116,036</td>
<td>¥118,053</td>
<td></td>
<td></td>
</tr>
<tr>
<td>¥9,035</td>
<td>¥9,140</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
(5) Hedge accounting

The Olympus Group uses interest rate swaps to receive variable interest rates and pay fixed interest rates in order to hedge interest rate risk, and applies hedge accounting by designating the interest rate swaps as cash flow hedges. For interest rate swaps, the notional amount, term (maturity) and the hedging instrument and the hedged item are to be matched, in principle. No ineffective portion was recognized as of March 31, 2019 and 2020.

A summary of interest rate swaps designated as cash flow hedge was as follows:

<table>
<thead>
<tr>
<th>As of March 31, 2020</th>
<th>Millions of yen</th>
<th>Carrying amount (Note)</th>
<th>Assets</th>
<th>Liabilities</th>
<th>Interest rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest rate swaps</td>
<td>¥25,000</td>
<td>¥743</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

As of March 31, 2019

<table>
<thead>
<tr>
<th>As of March 31, 2019</th>
<th>Millions of yen</th>
<th>Carrying amount (Note)</th>
<th>Assets</th>
<th>Liabilities</th>
<th>Interest rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest rate swaps</td>
<td>¥25,000</td>
<td>¥743</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The cash flow hedge reserve regarding the above table was as follows:

<table>
<thead>
<tr>
<th>2019</th>
<th>2020</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest rate swaps</td>
<td>¥1,228</td>
<td>¥743</td>
</tr>
</tbody>
</table>

Cash flow hedges recognized in the consolidated statements of comprehensive income and other comprehensive income (before tax effect) were as follows:

As of March 31, 2019

<table>
<thead>
<tr>
<th>Interest rate swaps</th>
<th>Millions of yen</th>
<th>Amount of reclassification adjustment from cash flow hedge to profit or loss (Note)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>¥134</td>
<td></td>
</tr>
</tbody>
</table>

As of March 31, 2020

<table>
<thead>
<tr>
<th>Interest rate swaps</th>
<th>Millions of yen</th>
<th>Amount of reclassification adjustment from cash flow hedge to profit or loss (Note)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>¥11</td>
<td></td>
</tr>
</tbody>
</table>

Note: The amounts included in the consolidated statements of profit or loss are recorded in “Finance income” or “Finance costs.”

(6) Transfer of financial assets

The Olympus Group transfers financial assets to third parties in order to diversify funding channels and conduct stable fund procurement. The third parties have recourse only to the transferred assets upon the debtors’ default and cannot claim other assets of the Olympus Group. While the Olympus Group does not bear bad debt risk on a certain portion of the transferred receivables due to a contract with the third party, the full amount in has been recognized in the consolidated statements of financial position because the financial assets in their entirety do not qualify for derecognition. The proceeds arising on the transfer of the assets have been recorded as the associated liabilities and are settled when a payment is made for the transferred assets. The Olympus Group cannot use the transferred assets until the payment is made.

The carrying amounts of transferred assets and the associated liabilities when the Olympus Group continues to recognize all of the transferred assets as of March 31, 2019 and 2020 are as follows. They are recognized in “Trade and other receivables” and “Other financial liabilities,” respectively, in the consolidated statements of financial position.

<table>
<thead>
<tr>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transferred financial assets</td>
<td>¥3,253</td>
</tr>
<tr>
<td>Related liabilities</td>
<td>¥2,518</td>
</tr>
<tr>
<td>Net position of transferred financial assets</td>
<td>¥735</td>
</tr>
</tbody>
</table>

The fair values are equivalent to the carrying amounts in the above table.

36. Leases

Previous year (March 31, 2019)

(1) Leasing

1) Finance leases

The Olympus Group leases endoscopes and other equipment under finance leases.

The gross investment in the lease and present value of minimum lease receivables were as follows:

<table>
<thead>
<tr>
<th>Present value of minimum lease receivables</th>
<th>Millions of yen</th>
<th>Present value of minimum lease receivables</th>
<th>Millions of yen</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>¥14,647</td>
<td>2019</td>
<td>¥13,752</td>
</tr>
<tr>
<td>More than 1 year, but within 5 years</td>
<td>17,250</td>
<td>More than 5 years</td>
<td>15,603</td>
</tr>
<tr>
<td>More than 5 years</td>
<td>121</td>
<td>Total</td>
<td>¥32,018</td>
</tr>
<tr>
<td>Total</td>
<td>¥2,869</td>
<td>Total</td>
<td>¥29,470</td>
</tr>
</tbody>
</table>

Unearned finance income

2,194

Present value of minimum lease receivables

2,947

The amount of the allowance for uncollectable minimum lease receivables as of March 31, 2019 was ¥1,464 million.

2) Operating leases

The Olympus Group leases endoscopes and other equipment under operating leases.

The breakdown of future minimum lease receivables under non-cancelable operating leases by maturity was as follows:

<table>
<thead>
<tr>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Within 1 year</td>
</tr>
<tr>
<td>More than 1 year, but within 5 years</td>
</tr>
<tr>
<td>More than 5 years</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

The total of variable lease payments recognized as a revenue for each fiscal year was as follows:

<table>
<thead>
<tr>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total variable lease payments</td>
</tr>
</tbody>
</table>
(2) Lessee

1) Finance leases

The Olympus Group rents endoscopes and other equipment under finance leases. There are no variable lease payments, significant renew/purchase options, escalation clauses or restrictions on dividends, additional borrowings and additional leases provided by the lease contracts.

The total of future minimum lease payments and the present value under finance lease were as follows:

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Present value of minimum lease payments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>¥6,505</td>
<td>¥9,035</td>
</tr>
<tr>
<td>Within 1 year, but within 5 years</td>
<td>¥3,478</td>
<td>¥3,319</td>
</tr>
<tr>
<td>More than 5 years</td>
<td>89</td>
<td>58</td>
</tr>
<tr>
<td>Total</td>
<td>¥3,567</td>
<td>¥9,035</td>
</tr>
</tbody>
</table>

Future lease payments receivable under finance leases were as follows:

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
</tr>
</thead>
<tbody>
<tr>
<td>Within 1 year</td>
<td>¥1,608</td>
</tr>
<tr>
<td>More than 1 year, but within 5 years</td>
<td>704</td>
</tr>
<tr>
<td>More than 5 years</td>
<td>1,118</td>
</tr>
<tr>
<td>Total</td>
<td>¥3,426</td>
</tr>
</tbody>
</table>

2) Operating leases

The Olympus Group rents mainly property under operating leases. Certain of the lease transactions have renew/purchase options or escalation clauses, but there is no significant restrictions on dividends, additional borrowings and additional leases provided by the lease contracts.

The breakdown of future minimum lease payments under non-cancelable operating leases by maturity was as follows:

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
</tr>
</thead>
<tbody>
<tr>
<td>Within 1 year</td>
<td>¥6,430</td>
</tr>
<tr>
<td>More than 1 year, but within 5 years</td>
<td>17,394</td>
</tr>
<tr>
<td>More than 5 years</td>
<td>20,438</td>
</tr>
<tr>
<td>Total</td>
<td>¥41,038</td>
</tr>
</tbody>
</table>

The total amount of cash outflows related to leases is ¥18,694 million ($171,505 thousand).

The breakdown of future lease payments receivable under operating leases was as follows:

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
</tr>
</thead>
<tbody>
<tr>
<td>Within 1 year</td>
<td>¥19,970</td>
</tr>
<tr>
<td>More than 1 year, but within 5 years</td>
<td>12,764</td>
</tr>
<tr>
<td>More than 5 years</td>
<td>11,246</td>
</tr>
<tr>
<td>Total</td>
<td>¥41,038</td>
</tr>
</tbody>
</table>

The breakdown of future minimum lease payments under finance leases was as follows:

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
</tr>
</thead>
<tbody>
<tr>
<td>Within 1 year</td>
<td>¥17,911</td>
</tr>
<tr>
<td>More than 1 year, but within 2 years</td>
<td>11,246</td>
</tr>
<tr>
<td>More than 2 years, but within 3 years</td>
<td>6,392</td>
</tr>
<tr>
<td>More than 3 years, but within 4 years</td>
<td>6,642</td>
</tr>
<tr>
<td>More than 4 years, but within 5 years</td>
<td>972</td>
</tr>
<tr>
<td>More than 5 years</td>
<td>55</td>
</tr>
<tr>
<td>Total</td>
<td>¥39,274</td>
</tr>
</tbody>
</table>

Note: Income that is not determined by an index or a rate.

2) Lessee

The Olympus Group rents properties and other equipment as lessee. Certain of the lease transactions have renew/purchase options or escalation clauses, but there are no significant restrictions on dividends, additional borrowings and additional leases provided by the lease contracts.

In addition, some lease contracts contain extension options and termination options.

The undiscounted future cash flows related to leases that have not yet commenced among lease contracts concluded by the Olympus Group are ¥29,503 million ($270,670 thousand) as of March 31, 2020.

The book value of right-of-use assets by type of underlying asset and the increase in right-of-use assets for the current fiscal year are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>More than 5 years</td>
<td>972</td>
<td>8,917</td>
</tr>
<tr>
<td>More than 3 years, but within 4 years</td>
<td>1,747</td>
<td></td>
</tr>
<tr>
<td>More than 2 years, but within 3 years</td>
<td>6,392</td>
<td></td>
</tr>
<tr>
<td>More than 1 year, but within 2 years</td>
<td>11,246</td>
<td></td>
</tr>
<tr>
<td>More than 5 years</td>
<td>55</td>
<td>506</td>
</tr>
<tr>
<td>Total</td>
<td>¥39,274</td>
<td>$360,312</td>
</tr>
</tbody>
</table>

Note: The balance of lease liabilities by date is described in Note “35. Financial Instruments”.

The Olympus Group rents mainly property under operating leases. Certain of the lease transactions have renew/purchase options or escalation clauses, but there is no significant restrictions on dividends, additional borrowings and additional leases provided by the lease contracts.

The breakdown of revenue under finance leases was as follows:

<table>
<thead>
<tr>
<th>Health-related products and services</th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>within 1 year</td>
<td>¥17,911</td>
<td>$164,321</td>
</tr>
<tr>
<td>more than 1 year, but within 2 years</td>
<td>11,246</td>
<td>103,174</td>
</tr>
<tr>
<td>more than 2 years, but within 3 years</td>
<td>6,392</td>
<td>58,642</td>
</tr>
<tr>
<td>more than 3 years, but within 4 years</td>
<td>2,698</td>
<td>24,752</td>
</tr>
<tr>
<td>more than 4 years, but within 5 years</td>
<td>972</td>
<td>8,917</td>
</tr>
<tr>
<td>more than 5 years</td>
<td>55</td>
<td>506</td>
</tr>
<tr>
<td>total</td>
<td>¥39,274</td>
<td>$360,312</td>
</tr>
</tbody>
</table>

The breakdown of revenue under operating leases was as follows:

<table>
<thead>
<tr>
<th>Income from sublease of right-of-use assets</th>
<th>Millions of yen</th>
</tr>
</thead>
<tbody>
<tr>
<td>within 1 year</td>
<td>¥39</td>
</tr>
</tbody>
</table>

Depreciation of right-of-use assets by underlying asset class

| Land                                         | 376             |
| Buildings and structures                     | 8,696           |
| Machinery and vehicles                       | 1,118           |
| Tools, furniture and fixtures                | 2,683           |
| Interest expense under lease obligations     | 902             |
| Expenses under short-term leases             | 704             |
| Expenses under leases of low-value asset     | ¥1,608          |

Note: The balance of lease liabilities by date is described in Note “35. Financial Instruments”.  

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>¥6,075</td>
<td>$55,734</td>
</tr>
<tr>
<td>Variable lease payments</td>
<td>¥203,844</td>
<td>$189,413</td>
</tr>
</tbody>
</table>

The break down of lease-related income and expenses is as follows:

<table>
<thead>
<tr>
<th>Revenue from sublease of right-of-use assets</th>
<th>Millions of yen</th>
</tr>
</thead>
<tbody>
<tr>
<td>within 1 year</td>
<td>¥39</td>
</tr>
</tbody>
</table>

Depreciation of right-of-use assets by underlying asset class

| Land                                         | 376             |
| Buildings and structures                     | 8,696           |
| Machinery and vehicles                       | 1,118           |
| Tools, furniture and fixtures                | 2,683           |
| Interest expense under lease obligations     | 902             |
| Expenses under short-term leases             | 704             |
| Expenses under leases of low-value asset     | ¥1,608          |
37. Income Taxes

(1) Deferred tax assets and liabilities

The breakdown of major deferred tax assets and liabilities by cause was as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>2020</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred tax assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inventories</td>
<td>¥ 9,348</td>
<td>$ 87,339</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>¥ 6,794</td>
<td>$102,752</td>
</tr>
<tr>
<td>Accrued expenses</td>
<td>¥ 5,900</td>
<td>$59,046</td>
</tr>
<tr>
<td>Accrued expenses</td>
<td>¥ 4,450</td>
<td>$41,991</td>
</tr>
<tr>
<td>Unrealized intercompany profits</td>
<td>¥ 5,276</td>
<td>$57,706</td>
</tr>
<tr>
<td>Depreciation of property, plant and equipment</td>
<td>¥ 6,745</td>
<td>$64,349</td>
</tr>
<tr>
<td>Amortization of intangible assets</td>
<td>¥ 4,209</td>
<td>$45,028</td>
</tr>
<tr>
<td>Interest rate swaps</td>
<td>¥ 376</td>
<td>$2,083</td>
</tr>
<tr>
<td>Retirement benefit liabilities</td>
<td>¥ 6,471</td>
<td>$60,147</td>
</tr>
<tr>
<td>Loss carryforwards</td>
<td>¥ 9,844</td>
<td>$34,706</td>
</tr>
<tr>
<td>Other</td>
<td>¥ 8,187</td>
<td>$86,725</td>
</tr>
<tr>
<td>Total</td>
<td>¥ 68,746</td>
<td>$639,872</td>
</tr>
</tbody>
</table>

Deferred tax liabilities

Depletion of property, plant and equipment (¥8,122) ($40,688)
Financial liabilities measured at fair value through other comprehensive income (¥2,072) ($15,541)
Retirement benefit assets (¥6,524) ($43,016)
Fair value differences on acquisition (¥3,888) ($18,275)
Capitalized development costs (¥3,960) ($123,844)
Other (¥4,330) ($49,800)

Total (¥29,254) ($291,166)

Net deferred tax assets (¥35,186) ($348,706)

Loss carryforwards, deductible temporary differences and tax credits carried forward for which deferred tax assets have not been recognized were as follows. The tax base is presented.

<table>
<thead>
<tr>
<th>Description</th>
<th>2020</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>¥2,173</td>
<td>$20,069</td>
</tr>
</tbody>
</table>

Deductible temporary differences

Tax credits carried forward

Total (¥15,441) (¥141,661)

(2) Income tax expenses

The breakdown of income tax expenses was as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>2019</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current tax expenses (Notes 1)</td>
<td>¥15,627</td>
<td>$166,701</td>
</tr>
<tr>
<td>Deferred tax expenses (Notes 2, 3, 4)</td>
<td>¥1,100</td>
<td>$11,037</td>
</tr>
<tr>
<td>Total</td>
<td>¥16,727</td>
<td>$177,738</td>
</tr>
</tbody>
</table>

Notes:
1. The current tax expenses include tax losses which were previously not recorded, tax credits or benefits resulting from temporary differences for prior periods. Consequently, the current tax expenses for the fiscal years ended March 31, 2019 and 2020 decreased by ¥1,225 million and ¥1,714 million ($14,349 thousand, respectively).

2. The deferred tax expenses include tax losses which were previously not recorded, tax credits or benefits resulting from temporary differences for prior periods. Consequently, the deferred tax expenses for the fiscal years ended March 31, 2019 and 2020 decreased by ¥6,794 million and ¥250 million ($4,653 thousand, respectively).

3. The deferred tax expenses include devaluation of deferred tax assets and the reversal of devaluation of deferred tax assets which were previously recorded (assessment of recoverability of deferred tax asset). Consequently, the deferred tax expenses for the fiscal years ended March 31, 2019 and 2020 increased by ¥1,329 million and ¥266 million ($1,19,881 thousand, respectively).

4. The deferred tax expense decreased by ¥295 million for the fiscal year ended March 31, 2019 and decreased by ¥1,203 million ($11,037 thousand) for the fiscal year ended March 31, 2020 due to the effect of changes in tax rates in Japan and overseas.

(3) Income taxes recognized in other comprehensive income

Income taxes recognized in other comprehensive income are presented in Note 33 “Other Comprehensive Income.”

(4) Reconciliation of effective tax rate

Reconciliation of the effective statutory tax rate and the average effective tax rate for the fiscal years ended March 31, 2019 and 2020 is as follows.

The Company’s income taxes mainly include corporation tax, inhabitant tax and enterprise tax. The effective statutory tax rates calculated based on these taxes were 30.6% and 30.6% for the fiscal years ended March 31, 2019 and 2020, respectively. Overseas subsidiaries are subject to income taxes of the countries in which they operate.

<table>
<thead>
<tr>
<th>Description</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Effective statutory tax rate</td>
<td>30.6%</td>
<td>30.6%</td>
</tr>
<tr>
<td>Non-deductible expense, such as entertainment expenses</td>
<td>40.5%</td>
<td>13.9%</td>
</tr>
<tr>
<td>Non-taxable income, such as dividend income</td>
<td>8.8%</td>
<td>(1.3)%</td>
</tr>
<tr>
<td>Tax credit for experimental research cost and others</td>
<td>4.7%</td>
<td>4.5%</td>
</tr>
<tr>
<td>Different tax rates applied to subsidiaries</td>
<td>5.2%</td>
<td>3.5%</td>
</tr>
<tr>
<td>Subsidies reserve</td>
<td>5.5%</td>
<td>2.8%</td>
</tr>
<tr>
<td>Change in unrecognized deferred tax assets and liabilities</td>
<td>4.2%</td>
<td>(1.0%)</td>
</tr>
<tr>
<td>Change in deferred tax assets at the end of fiscal year due to changes in tax rates</td>
<td>(1.3)%</td>
<td>(1.0%)</td>
</tr>
<tr>
<td>Other</td>
<td>1.3%</td>
<td>(1.0%)</td>
</tr>
<tr>
<td>Average actual tax rate</td>
<td>30.6%</td>
<td>33.6%</td>
</tr>
</tbody>
</table>

38. Major Subsidiaries

(1) Structured entities

Major subsidiaries as of March 31, 2020 were as follows:

<table>
<thead>
<tr>
<th>Company name</th>
<th>Location</th>
<th>Main business</th>
<th>Voting rights held by the Company (%)(Note 1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Olympus Medical Systems Corp.</td>
<td>Shibuya-ku, Tokyo</td>
<td>Manufacturing Endoscopic Solutions Business products and Therapeutic Solutions Business products</td>
<td>100</td>
</tr>
<tr>
<td>Azu Olympus Co., Ltd.</td>
<td>Alupara, Aizu</td>
<td>Manufacturing Endoscopic Solutions Business products</td>
<td>100</td>
</tr>
<tr>
<td>Arumon Olympus Co., Ltd.</td>
<td>Katsushishi, Aizu</td>
<td>Manufacturing Therapeutic Solutions Business products</td>
<td>100</td>
</tr>
<tr>
<td>Nageno Olympus Co., Ltd.</td>
<td>Tatsuno-machi</td>
<td>Manufacturing Scientific Solutions Business products</td>
<td>100</td>
</tr>
<tr>
<td>Shinkawa Olympus Co., Ltd.</td>
<td>Inohana-mura</td>
<td>Manufacturing Endoscopic Solutions Business products</td>
<td>100</td>
</tr>
<tr>
<td>Olympus Medical Science Sales Corp.</td>
<td>Shinjuku-ku, Tokyo</td>
<td>Sales of Endoscopic Solutions Business products and Therapeutic Solutions Business products</td>
<td>100</td>
</tr>
<tr>
<td>Olympus Logistics Co., Ltd.</td>
<td>Minami-ku, Sagamihara-shi, Kanagawa</td>
<td>Logistics</td>
<td>100</td>
</tr>
</tbody>
</table>
## Data Section

### Significant subsidiaries having non-controlling interests.

<table>
<thead>
<tr>
<th>Company name</th>
<th>Main business</th>
<th>Voting rights held by the Company (% Note 1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Olympus Systems Co., Ltd.</td>
<td>Information services</td>
<td>100</td>
</tr>
<tr>
<td>Olympus Terumo Biomaterials Corp.</td>
<td>Research and development in the biomaterials field</td>
<td>100</td>
</tr>
<tr>
<td>Eirex Corporation</td>
<td>Leasing of Endoscopic Solutions Business products</td>
<td>100</td>
</tr>
<tr>
<td>Olympus Corporation of the Americas</td>
<td>Holding company of corporate planning and financial support to affiliated companies in Americas region</td>
<td>100</td>
</tr>
<tr>
<td>Olympus America Inc.</td>
<td>Sales of Endoscopic Solutions Business products, Therapeutic Solutions Business products and Scientific Solutions Business products</td>
<td>100 (100)</td>
</tr>
<tr>
<td>Olympus Latin America, Inc.</td>
<td>Sales of Endoscopic Solutions Business products, Therapeutic Solutions Business products and Scientific Solutions Business products</td>
<td>100 (100)</td>
</tr>
<tr>
<td>Synca ACN, Inc.</td>
<td>Manufacturing Therapeutic Solutions Business products</td>
<td>100 (100)</td>
</tr>
<tr>
<td>Olympus Scientific Solutions Americas Corp.</td>
<td>Manufacturing Scientific Solutions Business products</td>
<td>100 (100)</td>
</tr>
<tr>
<td>Olympus Scientific Solutions Technologies Inc.</td>
<td>Manufacturing Scientific Solutions Business products</td>
<td>100 (100)</td>
</tr>
<tr>
<td>Olympus NDV Canada Inc.</td>
<td>Manufacturing Scientific Solutions Business products</td>
<td>100 (100)</td>
</tr>
<tr>
<td>Olympus Europa Holding SE</td>
<td>Holding company of corporate planning to affiliated companies in Europe region</td>
<td>100</td>
</tr>
<tr>
<td>Olympus Europa SE &amp; Co. KG</td>
<td>Holding company and sales of Endoscopic Solutions Business products, Therapeutic Solutions Business products and Imaging Business products</td>
<td>100 (100)</td>
</tr>
<tr>
<td>Olympus Soft Imaging Solutions GmbH</td>
<td>Information services and system development</td>
<td>100 (100)</td>
</tr>
<tr>
<td>Olympus Deutschland GmbH</td>
<td>Sales of Endoscopic Solutions Business products, Therapeutic Solutions Business products and Scientific Solutions Business products</td>
<td>100 (100)</td>
</tr>
<tr>
<td>Olympus France S.A.S.</td>
<td>Sales of Endoscopic Solutions Business products, Therapeutic Solutions Business products, Scientific Solutions Business products and Imaging Business products</td>
<td>100 (100)</td>
</tr>
<tr>
<td>Olympus Winter &amp; Iba Gmbh</td>
<td>Manufacturing Endoscopic Solutions Business products and Therapeutic Solutions Business products</td>
<td>100 (100)</td>
</tr>
<tr>
<td>KeyMed Medical &amp; Industrial Equipment Ltd.</td>
<td>Manufacturing and sales of Endoscopic Solutions Business products and Scientific Solutions Business products</td>
<td>100 (100)</td>
</tr>
<tr>
<td>Synca Group Limited</td>
<td>Fund management of subsidiary companies outside Europe</td>
<td>100 (100)</td>
</tr>
<tr>
<td>Olympus Finance UK Limited</td>
<td>Fund management of the whole group</td>
<td>100</td>
</tr>
<tr>
<td>Olympus Corporation of Asia Pacific Limited</td>
<td>Holding company of corporate planning to affiliated companies in Asia region</td>
<td>100</td>
</tr>
<tr>
<td>Olympus Hong Kong and China Limited</td>
<td>Sales of Endoscopic Solutions Business products, Therapeutic Solutions Business products and Scientific Solutions Business products and Imaging Business products</td>
<td>100 (100)</td>
</tr>
<tr>
<td>Olympus (China) Co., Ltd.</td>
<td>Holding company of corporate planning to affiliated companies in China</td>
<td>100 (100)</td>
</tr>
<tr>
<td>Olympus (Guangzhou) Industrial Ltd.</td>
<td>Manufacturing Therapeutic Solutions Business products</td>
<td>100 (100)</td>
</tr>
<tr>
<td>Olympus (Beijing) Sales &amp; Service Co., Ltd.</td>
<td>Sales of Endoscopic Solutions Business products, Therapeutic Solutions Business products and Scientific Solutions Business products</td>
<td>100 (100)</td>
</tr>
<tr>
<td>Olympus Trading (Shanghai) Limited</td>
<td>Sales of Endoscopic Solutions Business products, Therapeutic Solutions Business products and Scientific Solutions Business products</td>
<td>100 (100)</td>
</tr>
<tr>
<td>Olympus Korea Co., Ltd.</td>
<td>Sales of Endoscopic Solutions Business products, Therapeutic Solutions Business products and Scientific Solutions Business products</td>
<td>100 (100)</td>
</tr>
<tr>
<td>Olympus Singapore Pte Ltd.</td>
<td>Sales of Endoscopic Solutions Business products, Therapeutic Solutions Business products and Scientific Solutions Business products</td>
<td>100 (100)</td>
</tr>
<tr>
<td>Olympus Vietnam Co., Ltd.</td>
<td>Manufacturing Therapeutic Solutions Business products and Imaging Business products</td>
<td>100 (100)</td>
</tr>
<tr>
<td>Olympus Australia Pty Ltd.</td>
<td>Sales of Endoscopic Solutions Business products, Therapeutic Solutions Business products and Scientific Solutions Business products</td>
<td>100 (100)</td>
</tr>
<tr>
<td>S3 others</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Equity method affiliated companies</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Sofy Olympus Medical Solutions Inc.</td>
<td>Development of Endoscopic Solutions Business products</td>
<td>49</td>
</tr>
</tbody>
</table>

Note: Figures disclosed in parentheses in the “Voting rights held by the Company” column represent voting rights held indirectly by the Company.

(2) Significant subsidiaries having non-controlling interests.

During the years ended March 31, 2019 and 2020, there was no individually significant subsidiary having non-controlling interests.

### 39. Related-party Transactions

#### (1) Related-party transactions

There were no material related-party transactions (except for transactions that were offset in the consolidated financial statements) for the years ended March 31, 2019 and 2020.

#### (2) Remuneration for management executives

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>2020</td>
<td>2020</td>
</tr>
<tr>
<td>Remuneration and bonuses</td>
<td>¥522</td>
<td>¥720</td>
</tr>
<tr>
<td>Share-based payments</td>
<td>20</td>
<td>19</td>
</tr>
<tr>
<td>Total</td>
<td>¥542</td>
<td>¥739</td>
</tr>
</tbody>
</table>

### 40. Business Combinations

For the year ended March 31, 2019

#### (1) Overview of business combination

1) Name of company acquired and description of business

Name of company acquired: Cybersonics, Inc. (hereinafter “Cybersonics”)

Description of business: Design and manufacture of medical devices based on ultrasound technology

2) Primary reason for business combination

In the 2016 Corporate Strategic Plan (“15CS”) released on March 30, 2016, the Company set a goal for formulating aggressive business portfolios with a firm business base and improving its corporate value toward sustainable growth down the road.

With regard to urinary tract stone management in the urology business, the Company will enhance its competitiveness in the urology business through the in-house development and manufacture of lithotripsy systems.

3) Acquisition date

May 15, 2018

4) Acquisition method to govern the acquired company

Olympus Surgical Technologies America, which is the Group’s North American base for the development and manufacture of medical devices, acquired part of the urinary tract stone management technology and related business assets of Cybersonics through a business transfer.

#### (2) Acquisition-related expense

The acquisition-related expense of ¥116 million has been booked in “selling, general and administrative expenses.”

#### (3) Fair value of consideration paid, assets acquired, and liabilities assumed as of the acquisition date

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fair value of consideration paid</td>
<td>¥3,424</td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>¥2,993</td>
<td></td>
</tr>
<tr>
<td>Contingent consideration</td>
<td>431</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>3,424</td>
<td>431</td>
</tr>
</tbody>
</table>

Fair value of assets acquired, and liabilities undertaken

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intangible assets</td>
<td>3,815</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>3,815</td>
<td>0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fair value of assets acquired and liabilities undertaken (net amount)</td>
<td>3,815</td>
<td></td>
</tr>
<tr>
<td>Goodwill</td>
<td>98</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>3,913</td>
<td>98</td>
</tr>
</tbody>
</table>

The consideration paid has been allocated to the assets acquired on the basis of fair value as of the acquisition date. The allocation of consideration was completed at the above amounts in the fiscal year ended March 31, 2019.

Goodwill has arisen based on a reasonable estimate of excess profitability expected in the future. There is no amount to be deductible for tax purposes in the said goodwill.

#### (4) Contingent consideration

The consideration will be paid on condition that knowledge is transferred from Cybersonics to the Company and that business assets are put into operation within a certain period of time, and the amount was calculated in consideration of the possibility of the said conditions being fulfilled and taking into account the fair value of money. The maximum amount of payments is ¥4.5 million before discounting.

The fair value of consideration with conditions will fluctuate along with changes in interest rates. However, the impacts on measuring fair value are not material.
Consolidated Financial Statements and Notes

(5) Impacts on the Olympus Group

The Company omits disclosure of profit and loss information from the acquisition date and pro forma profit and loss information assuming the business combination was conducted at the beginning of the year ended March 31, 2019 because of its immateriality for the consolidated statements of profit or loss.

Such pro forma information has not been audited by the Company’s independent auditor.

For the year ended March 31, 2020
There was no significant business combination.

41. Contingent Liabilities

Liabilities for guarantees:
The Olympus Group has the following guarantees:

<table>
<thead>
<tr>
<th>Liabilities for guarantees</th>
<th>Millions of yen 2019</th>
<th>Millions of yen 2020</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees (mortgages)</td>
<td>¥5</td>
<td>¥5</td>
<td>$46</td>
</tr>
<tr>
<td>Total</td>
<td>¥5</td>
<td>¥5</td>
<td>$46</td>
</tr>
</tbody>
</table>

(Guarantee obligations of employees’ mortgages)
The maximum term of the guarantee obligations extends to 2023. As a guarantor, the Olympus Group is liable for any defaults of the mortgages in scope of the obligations and has an obligation to settle the mortgages on behalf of the employees.

Those obligations are collateralized by the homes of the employees.

42. Significant Subsequent Events

(1) Overview of transaction

1) Name and description of business involved in corporate separation

<table>
<thead>
<tr>
<th>Name of business</th>
<th>Endoscopic Solutions Business, Therapeutic Solutions Business</th>
</tr>
</thead>
<tbody>
<tr>
<td>Description of business</td>
<td>Part of the Company’s functions in research and development, manufacturing and repair planning of medical devices</td>
</tr>
</tbody>
</table>

2) Effective date of corporate separation

April 1, 2020

3) Legal form of corporate separation

Absorption-type split where the Company becomes the absorption-type split company and Olympus Medical Systems Corp. becomes the absorption-type split successor company

4) Name of the company after corporate separation

Olympus Medical Systems Corp.

(2) Description of transaction including purpose of the transaction

The Company announced on November 6, 2019, its new corporate strategy to achieve growth as a global medical technology company, in order to realize sustainable growth for the Olympus Group overall. Under this corporate strategy, the Company intends to strengthen its quality and regulatory assurance functions while maintaining an appropriate level of quality.

The corporate separation was carried out under an absorption-type split agreement concluded between the Company and Olympus Medical Systems Corp. on December 20, 2019.

(1) Source of borrowings

1. Syndicated loan facility arranged by Sumitomo Mitsui Banking Corporation

   (i) Amount of borrowings ¥50.0 billion
   (ii) Interest rate 0.32% (fixed)
   (iii) Drawdown date May 22, 2020
   (iv) Repayment date April 30, 2025
   (v) Repayment method Lump-sum repayment upon maturity
   (vi) Collateral / guarantee None

2. Syndicated loan facility arranged by MUFG Bank, Ltd.

   (i) Amount of borrowings ¥40.0 billion
   (ii) Interest rate Variable rate (TIBOR base rate plus spread)
   (iii) Drawdown date May 29, 2020
   (iv) Repayment date May 31, 2024
   (v) Repayment method Lump-sum repayment upon maturity
   (vi) Collateral / guarantee None

3. Mizuho Bank, Ltd.

   (i) Amount of borrowings ¥10.0 billion
   (ii) Interest rate Variable rate (TIBOR base rate plus spread)
   (iii) Drawdown date May 15, 2020
   (iv) Repayment date May 15, 2024
   (v) Repayment method Lump-sum repayment upon maturity
   (vi) Collateral / guarantee None

(Substantial borrowings)
The Company has arranged business financing and long-term working capital as follows.

1. Syndicated loan facility arranged by Sumitomo Mitsui Banking Corporation

   (i) Source of borrowings
   (ii) Amount of borrowings ¥50.0 billion
   (iii) Interest rate 0.32% (fixed)
   (iv) Drawdown date May 22, 2020
   (v) Repayment date April 30, 2025
   (vi) Repayment method Lump-sum repayment upon maturity
   (vii) Collateral / guarantee None

2. Syndicated loan facility arranged by MUFG Bank, Ltd.

   (i) Source of borrowings
   (ii) Amount of borrowings ¥40.0 billion
   (iii) Interest rate Variable rate (TIBOR base rate plus spread)
   (iv) Drawdown date May 29, 2020
   (v) Repayment date May 31, 2024
   (vi) Repayment method Lump-sum repayment upon maturity
   (vii) Collateral / guarantee None

3. Mizuho Bank, Ltd.

   (i) Source of borrowings
   (ii) Amount of borrowings ¥10.0 billion
   (iii) Interest rate Variable rate (TIBOR base rate plus spread)
   (iv) Drawdown date May 15, 2020
   (v) Repayment date May 15, 2024
   (vi) Repayment method Lump-sum repayment upon maturity
   (vii) Collateral / guarantee None
Independent Auditor’s Report

The Board of Directors
Olympus Corporation

Opinion
We have audited the accompanying consolidated financial statements of Olympus Corporation and its consolidated subsidiaries (the Group), which comprise the consolidated statement of financial position as at March 31, 2020, and the consolidated statements of profit or loss, comprehensive income, changes in equity, and cash flows for the year then ended, and notes to the consolidated financial statements, all expressed in Japanese yen.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2020, 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 ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 the audit of the consolidated financial statements as a whole, and in forming the auditor’s opinion thereon, and we do not provide a separate opinion on these matters.

Capitalization of development costs

<table>
<thead>
<tr>
<th>Description of Key Audit Matter</th>
<th>Auditor’s Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>As described in Note 14 of the Consolidated Financial Statements, the Company recorded capitalized development costs of 47,696 million yen as of March 31, 2020.</td>
<td>In consideration of the capitalization of development costs, we performed the following audit procedures, among others:</td>
</tr>
<tr>
<td>As described in Note 3 (9) of the Consolidated financial statements, development costs are capitalized that meet following criteria:</td>
<td>• We evaluated whether the Company’s policy for capitalization of development costs meets the requirements of IAS 38, “Intangible Assets.”</td>
</tr>
<tr>
<td>• The technical feasibility of completing the intangible asset so that it will be available for use or sale</td>
<td>• We evaluated the existence and appropriateness of the timing of recognition by reviewing the materials of development conference meetings for the main development projects.</td>
</tr>
<tr>
<td>• The Company’s intention to complete the intangible asset and use or sell it</td>
<td>• We performed the following procedures in order to evaluate the existence of the capitalized development costs:</td>
</tr>
<tr>
<td>• The Company’s ability to use or sell the intangible asset</td>
<td>• We evaluated the design and tested the operational effectiveness of the internal controls related to the calculation of development costs for each project and the process for development costs capitalization.</td>
</tr>
<tr>
<td>• The intangible asset is likely to create future economic benefits</td>
<td>• We compared capitalized development costs with the source data.</td>
</tr>
<tr>
<td>• The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset</td>
<td>• We reviewed the minutes of the meeting of the Board of directors and the materials of development conference meetings where decisions to discontinue development are made and evaluated that only development costs that meet the criteria are capitalized.</td>
</tr>
<tr>
<td>• The Company’s ability to measure reliably the expenditure attributable to the intangible asset during its development</td>
<td>Due to the significant balance of capitalized development costs, difficulties to validate the existence of capitalized development costs as they are intangible assets, having a direct impact on the Company’s profit or loss when development costs are capitalized and the possibility of capitalized development costs not meeting the criteria, we determined this matter to be a key audit matter.</td>
</tr>
<tr>
<td>Description of Key Audit Matter</td>
<td>Auditor’s Response</td>
</tr>
<tr>
<td>--------------------------------</td>
<td>-------------------</td>
</tr>
<tr>
<td>As described in Note 16 of the Consolidated Financial Statements, the Company recorded goodwill for the Therapeutic solutions segment of $92,038 million yen as of March 31, 2020 and the Company performed an impairment test for the goodwill in the current fiscal year. The Company measures the recoverable amount of a cash generating unit (CGU) including goodwill based on value in use. Value in use is measured by discounting estimated cash flows to present value. Estimated future cash flows is primarily based on a business plan approved by the management and considering a growth rate for the period after the term of the business plan. The growth rate for the period after the term of the business plans is determined based on the business plans. The discount rate is calculated based on the CGUs’ pretax weighted average cost of capital. The main assumptions in estimating value in use are the growth rate and the operating profit ratio in estimating cash flows in the five year business plan, the growth rate and the discount rate for the period after the business plan. In consideration of the evaluation of the goodwill of the Therapeutic solutions segment, we performed the following audit procedures, among others:</td>
<td></td>
</tr>
<tr>
<td>• We involved our valuation expert to evaluate the method of measurement of value in use and the discount rates used.</td>
<td></td>
</tr>
<tr>
<td>• Regarding the estimation of the five year future cash flow based on the business plan, we discussed with management and evaluated whether the future plan used for estimating future cash flow was consistent with the budget for the next fiscal year and the business plan approved by management and the prior year actual results. Furthermore, we evaluated the effectiveness of the management’s estimation process for the future plan by comparing and analyzing the budget and business plan with the previous fiscal year with current year actual result.</td>
<td></td>
</tr>
<tr>
<td>• Regarding the growth rate and the operating profit ratio in the business plan, we discussed with management and compared with historical results, market forecasts and available external data.</td>
<td></td>
</tr>
<tr>
<td>• Regarding the growth rate and the discount rate for the period after the term of the business plan, we compared with market forecasts and available external data.</td>
<td></td>
</tr>
</tbody>
</table>

Furthermore, regarding the impact of COVID-19, the situation varies from geographic region to geographic region, but at the fiscal year end, the Company believes that they will generally converge and business activities will also normalized from the third quarter of the next fiscal year, and includes this assumption in estimating the future cash flows. Value in use amply exceeds the carrying amount of the Therapeutic solutions segment. The Company believes that there is a low probability of significant impairment even if the key assumptions used in the impairment testing were to change within a range of reasonable foreseeability. The impairment test for the goodwill of the Therapeutic solutions segment is complex and the management’s judgement is required as there is uncertainty in estimating future cash flows, growth rates and discount rates. From the above, we determined this matter to be a key audit matter.

Responsibilities of Management, the Audit Committee for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these 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 and disclosing, as required by IFRSs, matters related to going concern.

The Audit Committee is responsible for overseeing the Group’s financial reporting process.

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

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, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not 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 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 in accordance with IFRSs.
- 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 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 Committee with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them 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 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.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2020, are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2(3) to the consolidated financial statements.

Ernst & Young ShinNihon LLC
Tokyo, Japan
July 6, 2020

Hirofumi Harashina
Designated Engagement Partner
Certified Public Accountant

Tetsuya Yoshida
Designated Engagement Partner
Certified Public Accountant

Masayasu Iida
Designated Engagement Partner
Certified Public Accountant
Corporate Information (As of March 31, 2020) / Stock Information (As of May 31, 2020)

Corporate Information

Company Name  
Olympus Corporation

Established  
October 12, 1919

Head Office  
Shinjuku Monolith, 3-1
Nishi-Shinjuku 2-chome, Shinjuku-ku, Tokyo 163-0914, Japan

Capital  
¥124,643 million

Number of Group Companies  
93 (Head Office, 90 Subsidiaries, and 2 Affiliates)

Consolidated Headcount  
35,174 (Excludes temporary employees, average of 1,437 for FY2020)

Non-Consolidated Headcount  
7,146

Website  
http://www.olympus-global.com

Securities Identification Code  
7733

Stock Exchange Listing  
Tokyo Stock Exchange

Fiscal Year-End  
March 31

General Meeting of Shareholders  
June

Shareholders  
Non-Consolidated

Number of Shares Issued  
1,370,914,963

Number of Shareholders  
36,605

Transfer Agent for Common Stock  
Sumitomo Mitsui Trust Bank, Limited

4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8233, Japan

Composition of Shareholders

<table>
<thead>
<tr>
<th>Shareholder name</th>
<th>Number of shares (trust accounts)</th>
<th>Percentage of shares outstanding</th>
</tr>
</thead>
</table>
| The Master Trust Bank of Japan, Ltd.  
(trust accounts)  
(Asia Pacific indices) | 156,516,300 | 12.17% |
| Japan Trustee Services Bank, Ltd.  
(trust accounts)  
(Asia Pacific indices) | 73,254,300 | 5.70% |
| STATE STREET BANK AND TRUST COMPANY 5005010 | 64,740,264 | 5.04% |
| JP MORGAN CHASE BANK 385632 | 64,077,200 | 4.98% |
| Nippon Life Insurance Company | 53,146,472 | 4.13% |
| SMBC Trust Bank Ltd. (Olympus share in Sumitomo Mitsui Banking Corporation’s retirement benefit trust account) | 45,616,000 | 3.55% |
| MUFG Bank, Ltd. | 43,522,344 | 3.39% |
| SSBC CLIENT OMNIBUS ACCOUNT | 26,511,299 | 2.06% |
| MSBO CUSTOMER SECURITIES | 23,347,386 | 1.82% |
| Japan Trustee Services Bank, Ltd.  
(trust accounts)  
(SBI) | 22,627,600 | 1.76% |

Note: The percentage of shares outstanding is calculated after deducting treasury stock (66,330,947 shares).

Depository and Transfer Agent for American Depository Receipts:
The Bank of New York Mellon
240 Greenwich Street, New York, NY 10038, U.S.A.
International: +1-201-680-6825
U.S. toll free: 888-269-2377
(888-BNY-ADR$)
https://www.adrbnymellon.com
Ratio (ADR:Ordinary Shares): 1:1
Exchange: OTC (Over-the-Counter)
Symbol: OCPNY
CUSIP: 68163W109

The Role of Integrated Report

This Integrated Report compiles important information that includes non-financial information in addition to financial information and aims to provide an easy-to-understand explanation of the value Olympus creates. For more detailed information, please refer to the following corporate websites and media.

Olympus Global Homepage  
https://www.olympus-global.com/

CSR DATA BOOK  

Olympus Medical Business  
https://www.olympus-global.com/e/data/medical.html

External Evaluations / Commitment to External Initiatives

(As of August 2020)

Inclusion in ESG Indexes

Olympus is included in the following ESG indexes:

- Dow Jones Sustainability Asia Pacific Indices
- FTSE4Good Index Series
- FTSE Bmorsem Japan Index

Financial

- Secured an “A” rating from Rating and Investment Information, Inc. (R&I).
- Secured a “BBB+” rating from S&P Global Ratings Japan Inc. (S&P).

Innovation

- Selected as a Danvers TOP 100 GLOBAL INNOVATOR, which recognizes the world’s most innovative companies and institutions, for the ninth consecutive year.

ESG

- Obtained an “A” rating in the climate change survey and the water security survey by CDP Worldwide, an international NGO that aims at the realization of a sustainable economy.
- Listed in the Certified Health & Productivity Management Organization Recognition Program (White 500) for four consecutive years.
- Received Kurumii accreditation from the Ministry of Health, Labour and Welfare as a company well-equipped with supports for raising children (2016 and 2019 for Olympus, and 2020 for Olympus Medical Science Sales).
- Received Emutsuichi certification from the Ministry of Health, Labour and Welfare as a company that actively promotes female workers (Emutsuichi Grade 3 for Olympus in 2019).
- Participates in the United Nations Global Compact.