Integrated Report 2020

Transform Olympus








OUR PURPOSE

Making people's lives healthier, safer and more fulfilling

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, CQO, 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

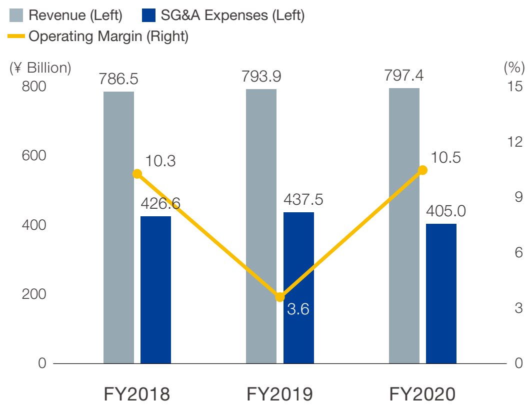
Yasuo Takeuchi

Director, Representative Executive Officer,
President and CEO

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 Committee, 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 2018, 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.

SG&A Efficiency and Revenue and Operating Margin



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 everything 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.

We received messages of gratitude from many medical institutions, and have paid tribute to the healthcare professionals and various medical institutions 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.

"The positioning of fiscal year 2021 is extremely important for achieving the target of an operating margin of over 20%."

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 speedy decisions involving multiple perspectives. This is also due to the migration to a company with Nominating Committee, 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 curb 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.

Measures 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

"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 Nissha 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 amid 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 HR 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 Khalili 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 great potential and 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 making steady 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.

Director, Representative Executive Officer,
President and CEO

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

Transform to Perform

to position Olympus optimally for profitable growth

- Full impact of *Transform Olympus* realized: bottom-line optimization and improved organizational health
- New functional capabilities (incl. procurement, portfolio & inventory management, and ramp up of Global Business Services)
- Ramp up of single-use business

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

3 years

(As of November 2019)

Performance impact in 3 years

> 20% operating margin*

*Adjusted for extraordinary items

Contents

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.

DATA SECTION

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 activity, 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 not guarantees of future performance and involve known and unknown risks, uncertainties, future business decisions, and other internal and external factors that may 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.

CHAPTER 01

Our Company

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.

Contents

Overview

Our History

Olympus was born in 1919 with the purpose of manufacturing microscopes 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.

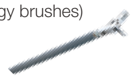
Medical Devices

Foundation
October
1919

1950
Developed world's first practical gastrocamera

1964
Introduced GTF fiber gastroscope

1966
Launched Olympus' first biopsy scope and endotherapy devices (biopsy forceps and cytology brushes)



1975
Entered medical surgical endoscopy field

Introduced EVIS EXERA endoscopic video system

Launched EVIS LUCERA, the world's first HD endoscopy system

Introduced EVIS EXERA II endoscopic video systems that include NBI technologies

Launched EVIS LUCERA SPECTRUM

Introduced THUNDERBEAT, the world's first energy device to integrate both advanced bipolar and ultrasonic energy

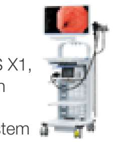
Introduced VISERA ELITE surgical endoscopy system

Introduced EVIS EXERA III and EVIS LUCERA ELITE platform systems for gastrointestinal endoscopy

Launched 3D laparoscopy system

Introduced a surgical endoscopy system incorporating 4K technology developed by Sony Olympus Medical Solutions Inc.

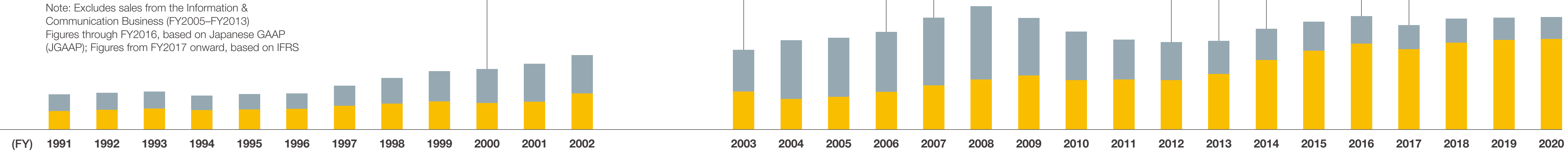
Launched VISERA ELITE II surgical endoscopy system compatible with 3D and infrared (IR) observation functions



2020
Launched EVIS X1, next-generation gastrointestinal endoscopy system

Revenue

Note: Excludes sales from the Information & Communication Business (FY2005–FY2013)
Figures through FY2016, based on Japanese GAAP (JGAAP); Figures from FY2017 onward, based on IFRS



1919–1950s

From the Founding of Olympus and the Path to Business Modernization

1919 Established as Takachiho Seisakusho to manufacture microscopes in Japan
1921 Registered trademark as Olympus
1949 Name changed to Olympus Optical Co., Ltd.
Company listed on Tokyo Stock Exchange (TSE)

1960–1980s

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

1964 Established Olympus Europe
1968 Established Olympus Corporation of America
1979 Established U.S. location in California (currently world's largest endoscope service center)
1989 Established Beijing residential office and corporation in Singapore

1990–2010

Diversification of Medical Field

2001 Commenced collaboration with Terumo Corporation
2004 Acquired Celon AG
2008 Established first training center in China (Shanghai)
Acquired Gyrus Group PLC to strengthen surgical area of medical field

2011–2015

Unveiled "Back to Basics" Slogan and Began Shifting Resources to Medical Field

2011 Deferred recording of past losses discovered
2012 Appointed new management team
Formed business and capital alliance with Sony Corporation
Transferred Information & Communication Business
2013 Security on Alert Designation placed on Company stock by TSE removed
Procured capital through public offering in overseas markets (approx. ¥110 billion)

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 endoscope development and production sites (Aizu, Shirakawa, and Aomori)
2017 Acquired Image Stream Medical, Inc., of the United States
2018 Introduced new Corporate Philosophy

2019–

Aiming to Become a Truly Global Medtech Company

2019 Announced corporate transformation plan, *Transform Olympus*
Announced corporate strategy

Please refer to Chapter 02 for details of corporate strategy

Evolution of Medical Field

Development of World's First Practical Gastrocamera

Olympus succeeded in creating a gastrocamera through joint development between the Company's R&D team and a physician in the Department of Gastroenterology of The University of Tokyo. The introduction of fiberscopes made it possible to see directly inside a patient's stomach in real time.

Entry into Surgical Device Business

Predicting that endoscopes would eventually be used in surgery, Olympus acquired German rigid endoscope manufacturer Winter & Ibe GmbH in 1979 and expanded its business into the surgical endoscope field.

New Era of Videoscopes

The development of videoscopes, which feature imaging elements such as CCDs built into their distal tips, contributed to a substantial increase in the accuracy of diagnoses. This increase in accuracy came from the ability to display images on monitors for multiple healthcare professionals to view.

Development of Endoscopic Surgery

Olympus continued to release innovative products, including HD surgical endoscopes—the world's first surgical energy device to integrate both advanced bipolar and ultrasonic energy—and 3D and 4K surgical endoscopes.

Advent of Observation Using Specific Light Spectra

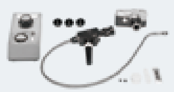
Olympus continued to accelerate the advance of technologies, such as narrow band imaging (NBI) technologies. As a result, endoscopes evolved from being mere observation tools to becoming medical devices capable of treatment and therapy.

Scientific Solutions and Imaging Products

1920
Introduced Asahi 600x microscope

1936
Introduced Olympus' first camera, the Semi-Olympus I, marking entry into camera business

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



1968
Launched Company's first industrial-use fiberscope

1983
Launch of AH2 microscope series, the world's first microscope with autofocus functionality

2006
Introduced OmniScan iX non-destructive testing instrument

2009
Introduced first Olympus mirrorless camera, OLYMPUS PEN E-P1

2013
Launched flagship mirrorless camera OLYMPUS OM-D E-M1

2016
Launched IPLEX NX industrial videoscope

2016
Released FV3000 laser scanning confocal microscope

2016
Introduced VANTA, handheld X-ray fluorescence (XRF) analyzer

2019
Launched OLYMPUS OM-D E-M1X, an OM-D system designed for professionals

Overview

At a Glance

The medical field, which consists of the Endoscopic Solutions Division and the Therapeutic Solutions Division, accounts for 80% of Olympus' revenue.

Medical Field

Endoscopic Solutions Division

Share of Revenue*1

53.4%

¥425.7 billion

The gastrointestinal endoscopes contribute to the early diagnosis of diseases while its surgical endoscopes allow for minimally invasive treatments for reducing the burden placed on patient bodies. By providing such device, we support healthcare professionals and contribute to the health of people around the world. Our global market share of gastrointestinal endoscopes, one of our core products, is over 70%.

Major Products

Gastrointestinal endoscopy systems

Surgical endoscopy systems

Surgical microscopes

Endoscope reprocessor

Maintenance / Service

System integration

Therapeutic Solutions Division

Share of Revenue*1

27.1%

¥216.1 billion

The Therapeutic Solutions Division provides a variety of medical device that meets the expectations of healthcare professionals and people around the world. Such device includes endotherapy devices equipped on gastrointestinal endoscopes for treatments and therapies, and energy devices for use in blood vessel sealing and tissue cutting in endoscopic surgery as well as endoscopes for use in urology/gynecology and the ENT field.

Major Products

GI-Endotherapy devices

Respiratory-Endotherapy devices

Urology/gynecology products

ENT products

Energy devices, surgical single-use devices

Overseas Revenue Over **80%**

Japan	North America	Europe	China	Asia / Oceania	Others
¥144.4 billion	¥266.7 billion	¥191.3 billion	¥103.0 billion	¥72.8 billion	¥19.2 billion
(18.1%)	(33.4%)	(24.0%)	(12.9%)	(9.1%)	(2.4%)

Scientific Solutions Division

Share of Revenue*1

13.2%

¥105.2 billion

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.

Major Products

Biological microscopes

Digital microscopes (industrial microscopes)

Industrial videoscopes

Non-destructive testing instruments

X-ray fluorescence (XRF) analyzers

Imaging Division*2

Share of Revenue*1

5.5%

¥43.6 billion

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.

Major Products

Mirrorless interchangeable-lens cameras

Interchangeable lenses

Compact digital cameras

IC recorders

*1 FY2020

*2 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. on January 1, 2021.

Others

Share of Revenue*1

0.9%

¥6.8 billion

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.

Overview

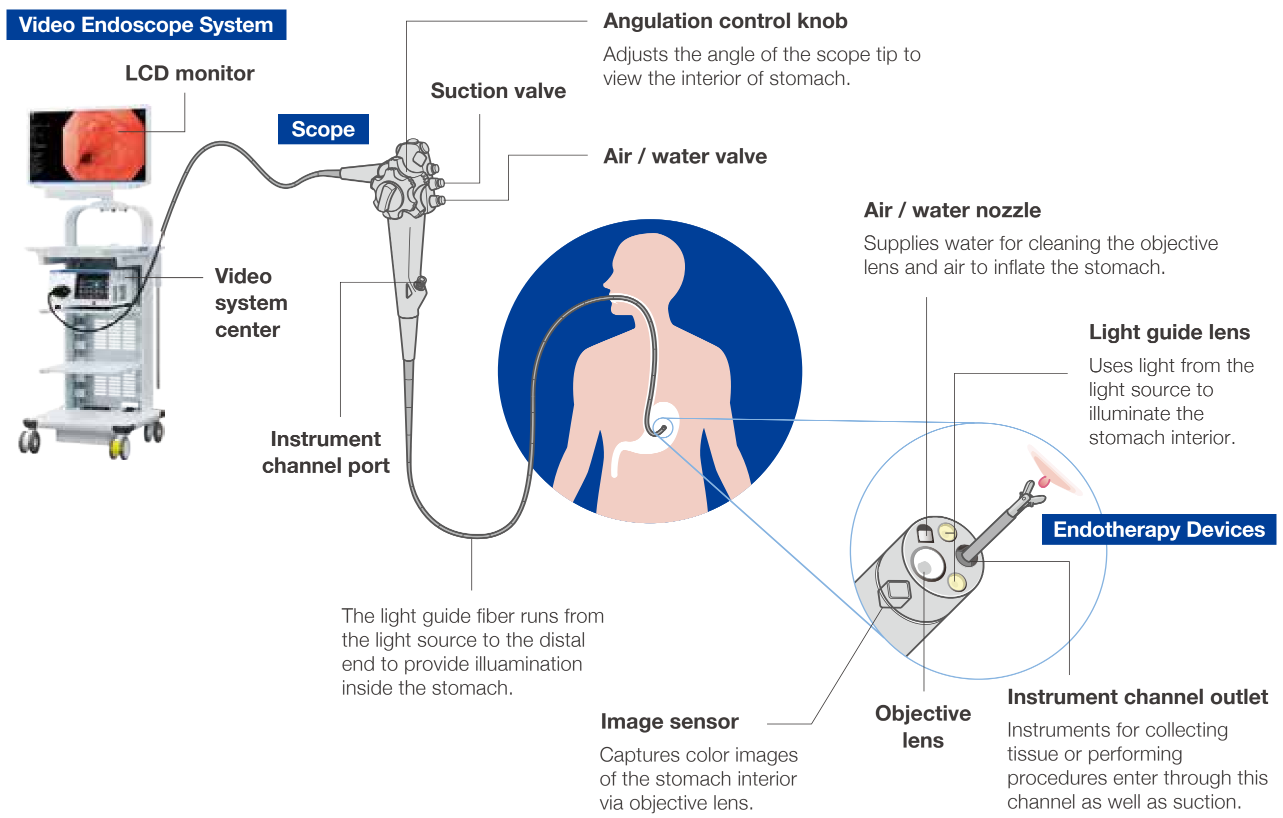
Our Products

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.

Example of early diagnosis of lesions with gastrointestinal endoscopes and minimally invasive treatment with endotherapy devices



Used in Organs

- Esophagus
- Stomach
- Colon
- Duodenum
- Bile duct
- Respiratory (bronchus)

Scope Types

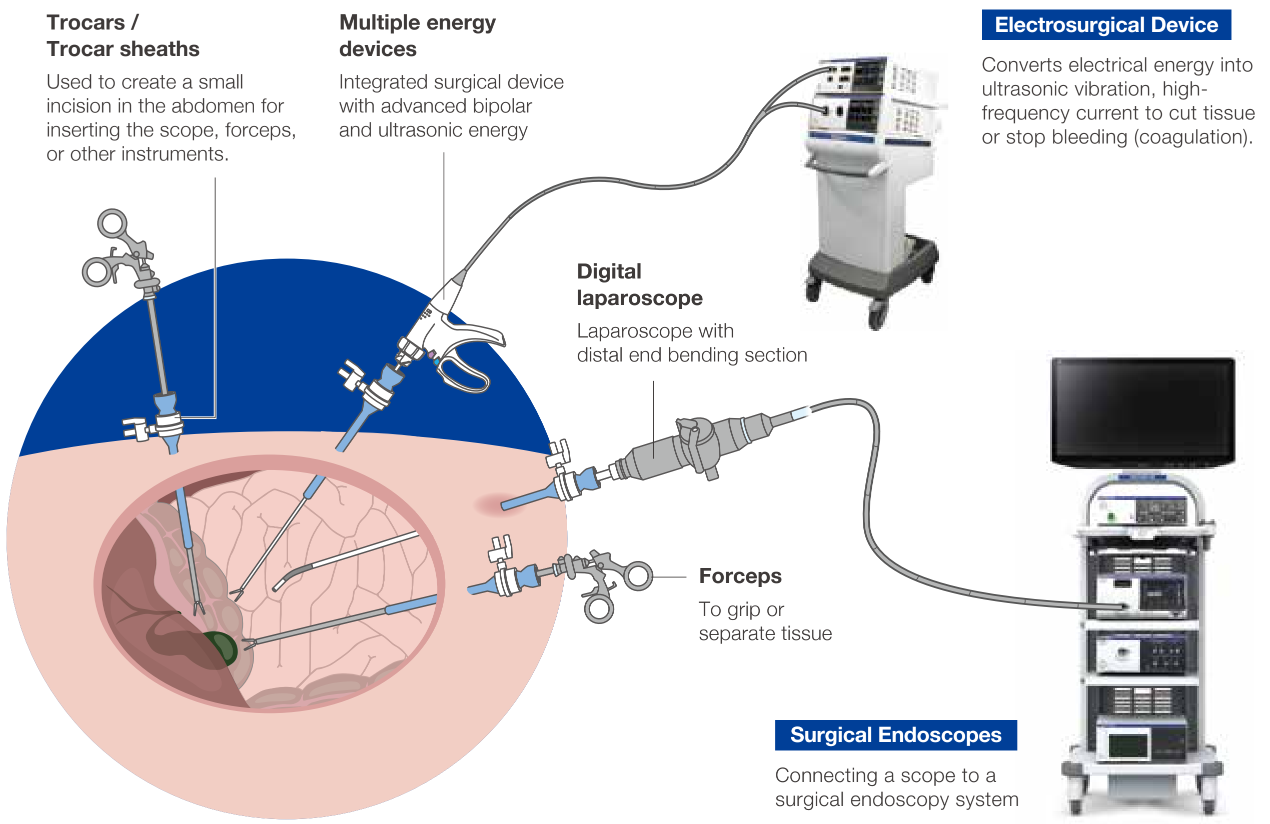
Flexible Endoscopes

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

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



Hospital Department

- Gastrointestinal surgery
- Bronchial surgery
- Urology
- ENT
- Gynecology

Scope Types

Rigid Endoscopes

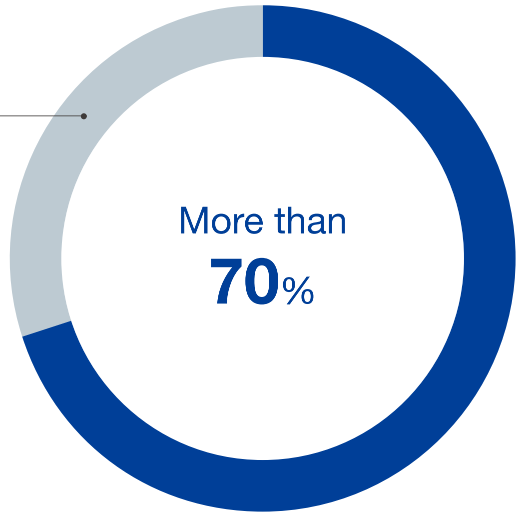
Suitable for laparoscopic surgical procedures, such as laparoscopy and cystoscopy, using a rigid endoscope made from a lens contained in a metal tube

Overview

Our Market Share

Endoscopic Solutions Division

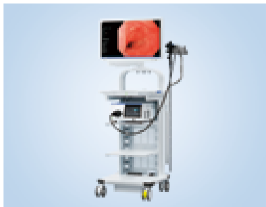
Gastrointestinal Endoscopes



Market Scale (Growth Forecasts)

¥350–¥370 billion

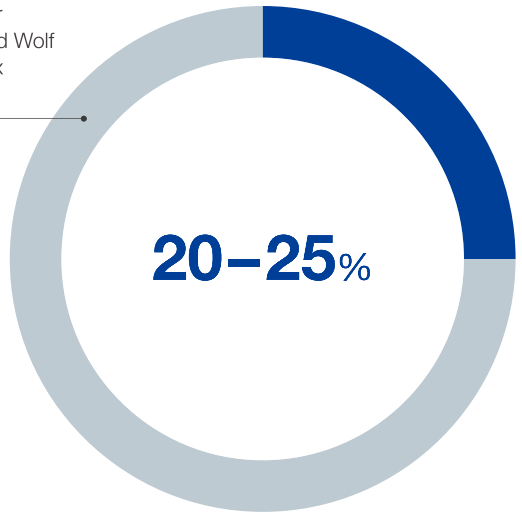
(CAGR: 4–6%)



EVIS X1

EVIS EXERA III
EVIS LUCERA ELITE

Surgical Endoscopes



Market Scale (Growth Forecasts)

¥260–¥290 billion

(CAGR: 2–4%)

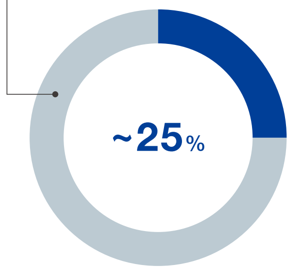
4K surgical endoscopy system

VISERA ELITE II:
Surgical endoscopy system compatible with infrared and 3D observation functions

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.

Therapeutic Solutions Division

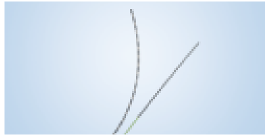
GI-Endotherapy



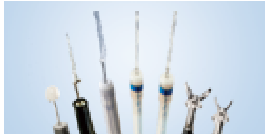
Market Scale (Growth Forecasts)

¥300–350 billion

(CAGR: 5–7%)



ERCP*1 and ultrasound products (Balloon with knife)

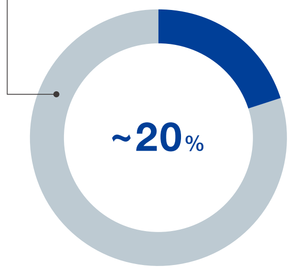


EMR and ESD*2 products (Knife, snare)

Hemostasis and stricture dilation products (Hemostasis clip)

*1 ERCP: Endoscopic Retrograde Cholangio Pancreatography
*2 EMR: Endoscopic Mucosal Resection
ESD: Endoscopic Submucosal Dissection

Urology



Market Scale (Growth Forecasts)

¥300–350 billion

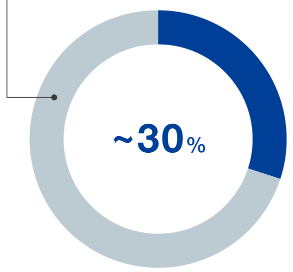
(CAGR: 5–7%)

Laser and stone disposables

Resection electrodes

Flexible cystoscope

Respiratory-Endotherapy



Market Scale (Growth Forecasts)

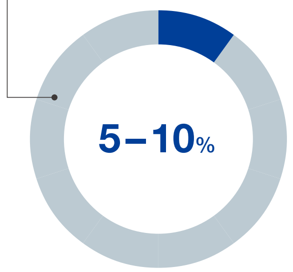
¥30–45 billion

(CAGR: 8–11%)

Single-use aspiration needle

Cytology brush

Other Therapeutic Areas



Market Scale (Growth Forecasts)

¥800–900 billion

(CAGR: 3–5%)

THUNDERBEAT*3

Bipolar & ultrasonic generators*3

Multidebride*4

Flexible hysteroscope

*3 For laparoscopic surgery and open surgery
*4 For rhinology surgery

“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.

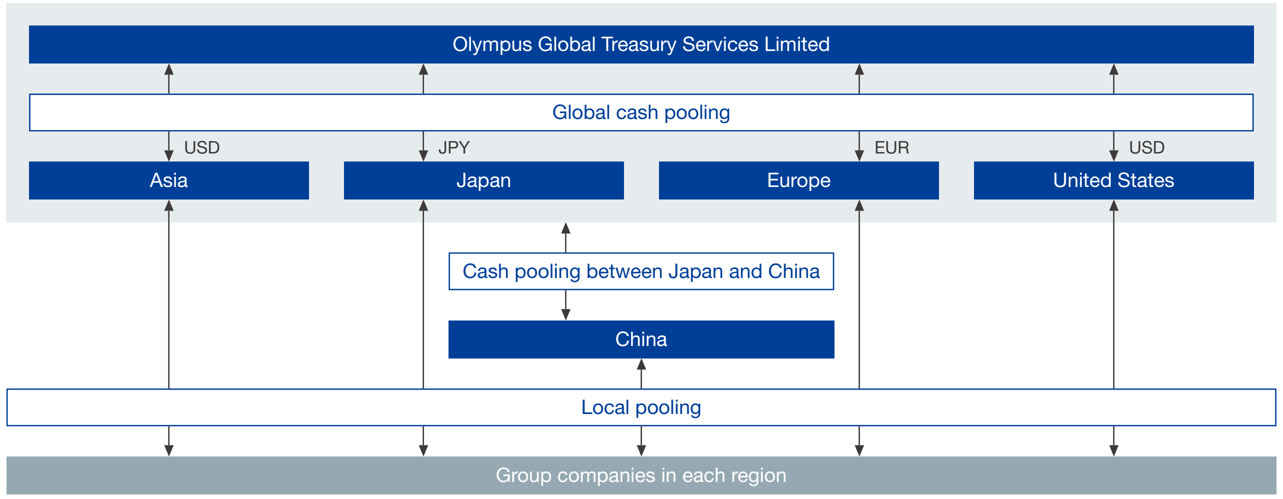
The first is the setup of a global cash management system. We have established a global cash pooling system by strengthening and expanding cash pooling, which had previously been concluded in each region, and consolidating funds in a financial subsidiary (Olympus Global Treasury Services Limited) located 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 procurement activities, which had been carried out within a limited range and with limited information, and capture previously hidden value. These are by no means an advanced or even an original initiative, but with regard to those themes in which there is still room for improvement, we believe that the first endeavor in creating value is to unhesitatingly incorporate best practices and promote them at an accelerated pace.

The impact of COVID-19 from the latter half of the fiscal year forced a financial slowdown in the fourth quarter, but including these efforts, I evaluate the fiscal year under review as one in which steady progress was made.

Global Cash Management System

From April 2020 Expanding cash pooling to a global level



Ensuring Liquidity on Hand

	FY2017	FY2018	FY2019	FY2020
Cash and cash equivalents	¥199.5 billion	¥191.2 billion	¥114.4 billion	¥162.5 billion
Interest-bearing debt	¥286.0 billion	¥248.0 billion	¥181.3 billion	¥280.9 billion

FY2023 Financial Guidance and Supporting Financial Indicators

		FY2023 Targets
Financial guidance	Operating margin*1	> 20%
Supporting financial indicators	Free cash flow growth*1	> 20%*2
	ROIC*1	> 20%
	EPS growth*1	> 25%*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 division thoroughly discussed the necessity of expenditures with the finance function and we significantly reduced SG&A expenses compared with the original plan by reviewing non-urgent expenses.

After three months had passed, anticipating the time after the lifting of the state of emergency and the situation returning to normal, we identified those activities that should be focused on in the current fiscal year to achieve our strategic goals and shared them with all the parties concerned. Specifically, there were five activities: focus our corporate portfolio; structural reform of fixed costs; the successful launch of next-generation gastrointestinal endoscopy system, EVIS X1; continued steady investment in product development for future growth; and driving efficiency in our R&D operations. These are only activities related to solving issues, such as how to grow and how to allocate management resources as a medtech company. While always considering the risks from COVID-19, we cannot focus exclusively on the situation in front of us. I will be resolutely prepared not to put off making tough and difficult decisions to achieve sustainable growth toward the achievement of the stated targets.

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' business is characterized by the fact that, while product development (investment) takes time, we can expect the effect of sales (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 measuring returns on invested assets, and the finance function is making efforts to further enhance related methods to enable the multifaceted analysis and evaluation for each individual project. We are also working to create a system that enables us to collaborate more as a partner of the business divisions. The finance function believes that it is necessary not only to evaluate projects, but also to actively support business divisions in creating added value. Through these kinds of efforts to realize the optimal allocation of resources, I would like to maximize the future cash flow generated from each project and maximize the corporate value that is the sum of them. I believe that these efforts will lead to improvements in corporate value for all, including doctors and other healthcare professionals, the patients, shareholders and investors, employees, and business partners.

I consider time to be another management resource, and always maintain an awareness of how I allocate time. What I should be doing now, how fast should I do it, or what I should stop doing. I think how to use time, which is allocated equally to everyone, is very important. In terms of its time resources, Olympus only has the same as other global medtech companies. 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 financing costs (rating levels). Currently, our credit ratings are A for R&I and BBB+ for S&P, but if conscious of the financing costs, the rating levels that should be aimed for and maintained are A- to A+ for R&I and BBB+ to A- for S&P. Going forward, we will work to reduce the cost of capital by referring not only to the equity ratio but also to the interest-bearing debt/EBITDA ratio as a financial KPI.

Ratings (As of July 20, 2020)

	Types of bonds	Rating
Rating and Investment Information, Inc. (R&I)	Long-term bond	A
	Short-term bond	a-1
S&P Global Ratings Japan Inc. (S&P)	Long-term bond	BBB+
	Short-term bond	—

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.

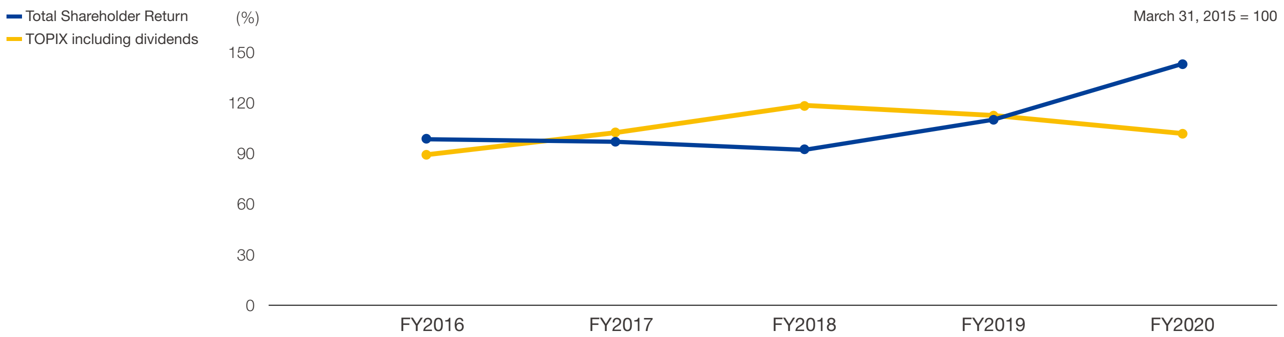
We are currently considering the future direction of shareholder returns so that they will be at a level commensurate for the type of global medtech company to which we aspire.

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 stakeholders. 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.

Total Shareholder Return



Shareholder Return

	FY2016	FY2017	FY2018	FY2019	FY2020
Cash dividends per share	¥17	¥28	¥28	¥30	¥10
Payout ratio (consolidated)	9.3%	22.4%	16.8%	125.7%	25.4%
Total return ratio (consolidated)	9.3%	22.4%	23.2%	125.7%	205.6%

Note: The Company conducted a stock split at the ratio of four shares for one ordinary share on April 1, 2019. Figures prior to the FY2019 represent actual cash dividends before the stock split.
Figures for the FY2020 represent the amounts after the stock split.
(Reference) Cash dividends per share without stock split: ¥40 (FY2020)

CHAPTER

02

Our Strategy

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.

Contents

For a Sustainable Society and Company Development

Driving Better Health and Happiness through Responsible Business

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	**4. Environment**
2. Economic sustainability	**5. People**
3. Product sustainability	**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
- Collect opinions of external experts and extract 6 important ESG areas

STEP 04
- Derivation of ESG items
- Identified 4 ESG topics

Healthcare Access and Outcomes

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.

Accomplishments

- A cancer awareness campaign as Olympus 100th anniversary rollout
- Medical insight and safety sciences
- Safe & efficient use training
- Evidence generation, biostatistics & data management, library sciences

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.

Accomplishments

- Renewed our Code of Conduct, which is now available around the world and in 18 languages
- Established a comprehensive tax policy
- Reviewed and enhanced our responses to risks associated with changes in medical administration policy while strengthening reprocessing regulations

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.

Accomplishments

- Introduced a multi-lingual global Integrity Hotline available 24/7
- Promoted an annual supplier questionnaire for major suppliers both in Japan and internationally
- Hosted several events with hundreds of suppliers that achieved a participation rate of 100%

Diversity and Inclusion

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.

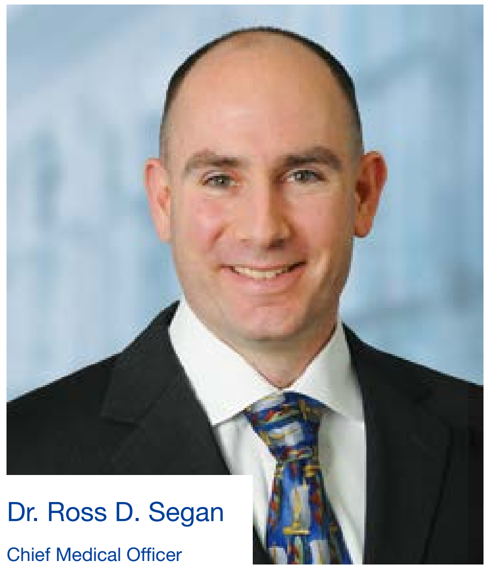
To support this, we are active in providing training for employees in unconscious bias and collaborating with other businesses around the world to nurture best practice.

Accomplishments

- 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.



Dr. Ross D. Segan
Chief Medical Officer

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.

MSA has a clear and compelling mission:

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.

Q 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 hospital resources. I believe my appointment is a very clear signal that Olympus is committed to understanding and improving the entire patient experience at every step of the journey, from bench to bedside.

Q 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.

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.

Q 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'm 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.

Q 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.

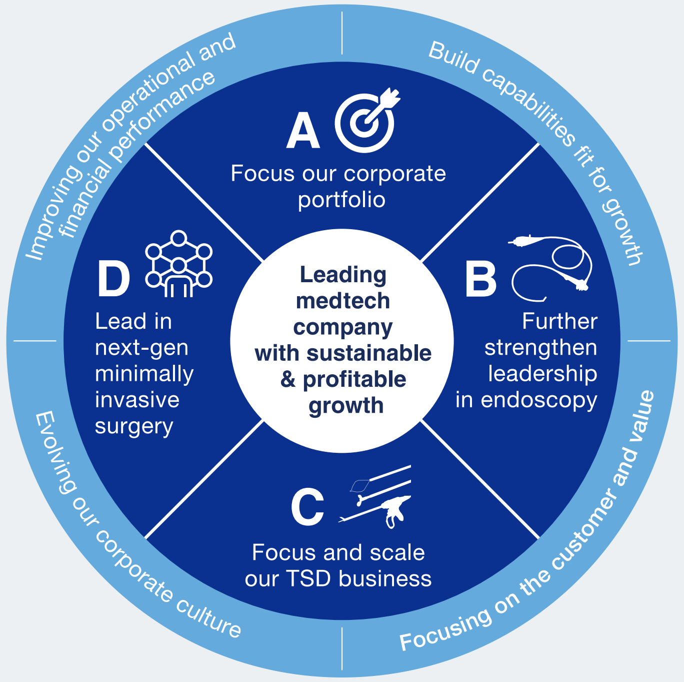
Q Why do you feel ESG is important to Olympus?

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.

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.



COMPONENT A

- **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.
- **Transfer of Norwalk Facility in United States**
  The Norwalk facility in the United States is one of the manufacturing sites for therapeutic devices. On August 6, 2020, an agreement was concluded with Nissha Co. Ltd. on the transfer of the Norwalk facility to Nissha Medical Technologies.

COMPONENT C

- Successfully launched Soltive™ SuperPulsed Laser System providing physicians and patients with breakthrough performance in kidney stone management
- Grew the overall Olympus GI-Endotherapy, portfolio with launches in ERCP, ESD, Hemostasis and the acquisition of Arc Medical Design including the innovative ENDOCUFF™ portfolio

COMPONENT B

- Launched EVIS X1, next-generation gastrointestinal endoscopy system, in EMEA, Japan, Australia, India and Hong Kong
- Finalizing AI system for CAD (detection and characterization) applications in GI endoscopy

COMPONENT D

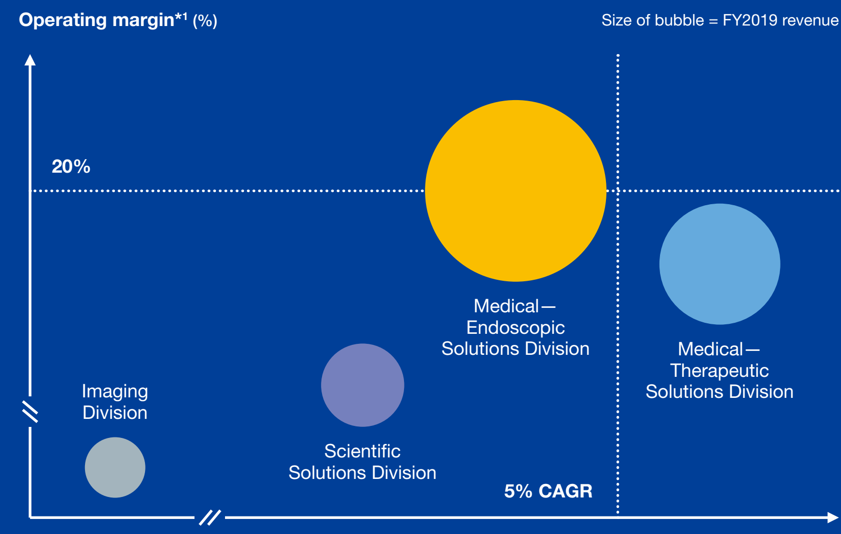
- Research and development of Advanced Information-Assisted Endoscopic Surgery System selected as a subsidized project by the Japan Agency for Medical Research and Development (AMED)

Four Key Components of Our Corporate Strategy: Component A

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.



*1 FY2019 adjusted
*2 FY2018-FY2019 YoY growth rate

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.

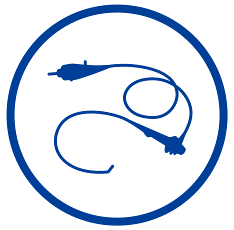
Olympus is moving forward with *Transform Olympus*, a multi-tiered plan aimed at making changes for sustainable growth as global medtech company. This transfer concerning our manufacturing functions is part of the overall efforts to optimize our global organizational structure.

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

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 Drewalowski (right)

Co-heads of Endoscopic Solutions Division

S Strengths
- More than 70% share of global gastrointestinal endoscope market
- Technological capabilities that led to development of world's first practical gastrocamera and have continued to lead innovation, such as NBI/RDI/TXI/EDOF
- Network of approx. 200 repair and service sites worldwide
- 4K, 3D, 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 case numbers 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
- Higher global awareness of cleaning, disinfection and sterilization

T Threats
- Strengthening medical equipment regulations worldwide
- Downward pressure on selling prices due to increased influence of GPOs and IDNs
- Appearance of overseas rivals due to reorganization of medical equipment industry
- Erosion in the reusable endoscope market in line with growth in the single-use endoscopes market
- More stringent cleaning, disinfection and sterilization requirements

Operating Environment / Priorities for Business Growth

Operating Environment

Gastrointestinal Endoscope
- Rising case numbers due to aging populations in developed countries and higher cancer prevention awareness
- Wider range of business opportunities accompanying economic growth and need for training to spread procedure usage in emerging countries
- Higher requirements for quality and efficiency
- Increased concern for cleaning, disinfection and sterilization processes

Surgical Endoscope
- Growing maturity of 3D system market over the medium term and normalization of imaging sensors and data transferring technology compatible with 4K systems driving acceleration of full 4K system introduction
- Distinctive R&D activities related to special light imaging technologies being advanced by various companies and permeating the market

Priorities for Business Growth

- Maintenance of endoscope market share and improvement of profitability
- Establishment of new de facto standard in surgical endoscopes market
- Significant upside in single-use endoscope
- Evolve the commercial model of endoscopes (Shift toward value-based payment)
- Contributions to development of endoscopic medicine in emerging countries

Target and Measures (FY2021–FY2023)

Maintain Leadership in Reusable Endoscopes	Product Innovation	● Contribute to improving quality of endoscopic procedure by supporting healthcare professionals (HCPs) in the detection, characterization, staging, and treatment of irregular lesions by NBI/RDI/TXI/EDOF function of EVIS X1 ● Introduce AI-enabled CAD (computer-aided diagnosis) to EVIS X1
	Commercial Excellence	● Build value proposition by clinical evidence to demonstrate the positive impact of new Olympus product features on the quality of endoscopic diagnosis
	Regional Growth	● 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 duodenum, biliary duct and urinary duct
	Strengthening R&D and Manufacturing	● 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

~6% Revenue Growth CAGR

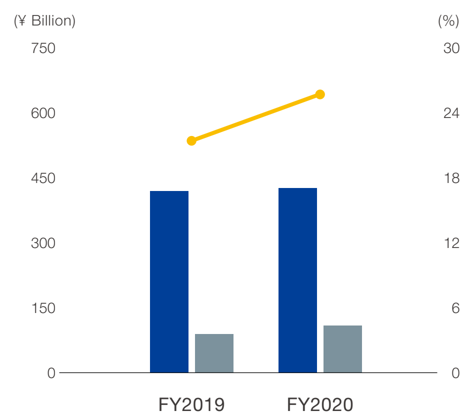
Progress

- Successful launch of next-generation EVIS X1 GI endoscopy system in EMEA, Japan and Asia Pacific introducing innovative imaging features like RDI/TXI/EDOF
- Launch of Medpresence SW solution to allow "medical virtual presence" in hospitals in times of global COVID-19 pandemic crisis
- Finalizing AI system for CAD (detection and characterization) applications in GI endoscopy
- Launch preparation on going ORBEYE (surgical microscope) IR/BL feature in the United States

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
- Enabling 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

Results



	FY2019	FY2020	
Revenue	418.8	425.7	(¥ billion)
Operating Profit	89.8	109.4	(¥ billion)
Operating Margin	21.4	25.7	(%)

Business Strategy

Introduced 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.

EVIS X1

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 LUCERA ELITE models for the first time in about eight years. The global key message for EVIS X1 is "Let's Be Clear—Elevating the Standard of Endoscopy." Aiming to improve the quality of endoscopic procedure in the detection, characterization, staging, and treatment of irregular lesions, as well as examination efficiency by endoscopy, the EVIS X1 system contributes to early detection, early diagnosis, and minimally invasive treatment of gastrointestinal diseases such as cancer by being equipped with a variety of new technologies that embody this message.

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*

* A video endoscope is a system whereby a charge-coupled device (CCD) is used to convert images into electrical signals transmitted to the monitor. This enables examinations while looking at the monitor.

1989

EVIS 100/130 series
EVIS 200/230 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

1996

EVIS 140 series
EVIS 240 series

Improved Basic Endoscopic Performance, Including Image Quality and Insertability

- Image quality
- Optical performance
- Smaller incision diameter
- Improved insertability (new insertion section, variable hardness function, scope guide)
- Improved reprocessability

2000–2002

100 Series EVIS EXERA
200 Series EVIS LUCERA

- Downsized CCD
- Introduction of endoscopes with HD technology

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)

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 best 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 Endocyto endoscope 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.

Creating Clinical Value with the New Features of 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.

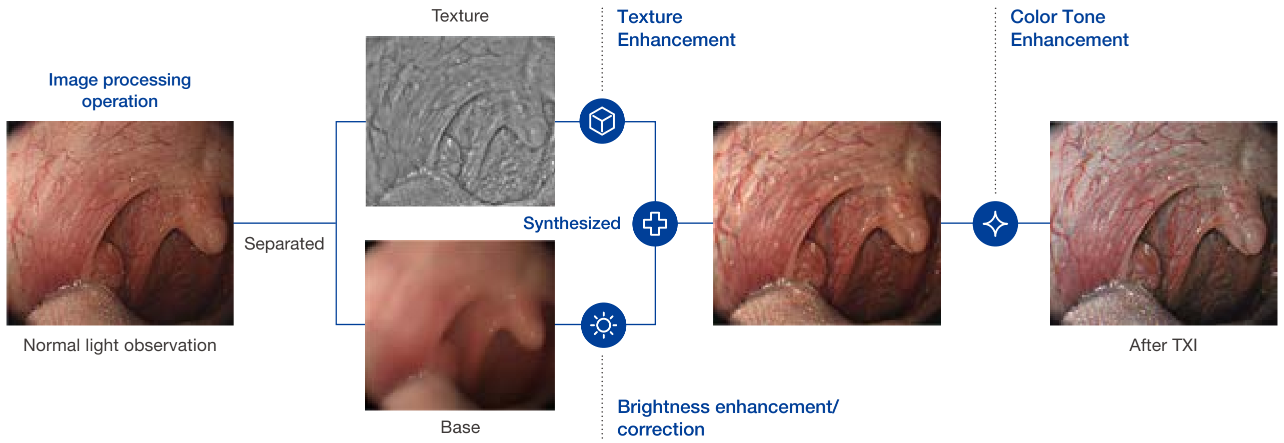
Four Key Components of Our Corporate Strategy: Component B

TECHNOLOGY

Innovative Imaging Technologies

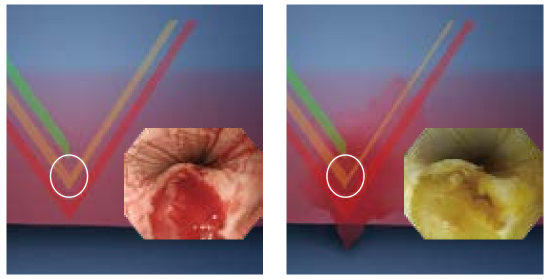
TXI Texture and Color Enhancement Imaging

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 reinvent 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.



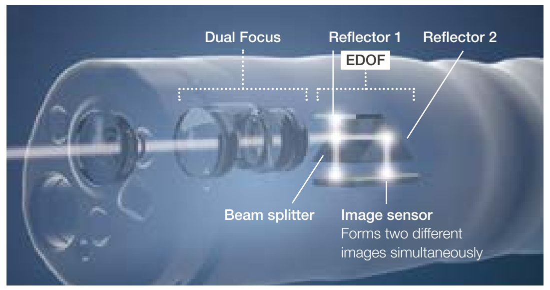
RDI Red Dichromatic Imaging

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 confidant 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.



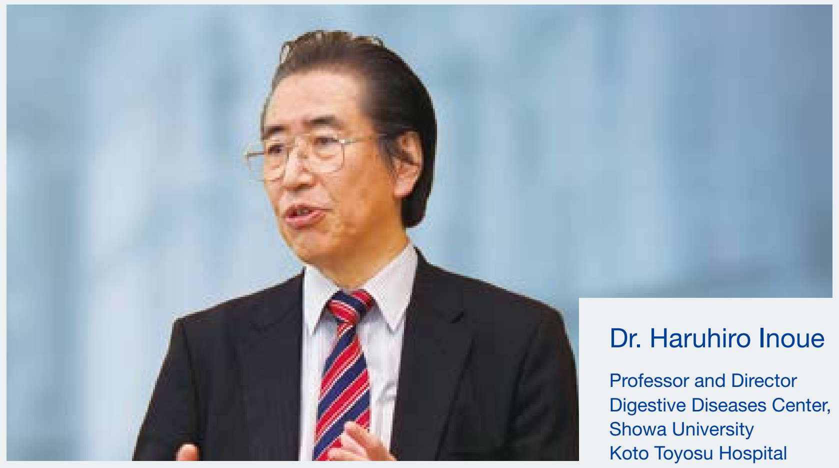
A Doctor's Perspective

To tell what kind of impact the EVIS X1 system is having on the medical field, we interviewed Dr. Haruhiro Inoue, Professor and Director of the Digestive Diseases Center at Showa University Koto Toyosu Hospital.

In 2020, Olympus introduced EVIS X1 which is the globally unified platform. It was about 35 years ago that Olympus introduced the first video endoscope system that allowed us to see lumens, such as those of the stomach and colon, in real time and share those images with an entire team of doctors and nurses via a monitor. I recall that, at that time, doctors in Europe and the United States preferred the simultaneous method, which enabled smooth and natural movements to be reproduced, and Japanese doctors preferred the sequential-frame method, which featured excellent image reproducibility and high-quality still images. Olympus subsequently fulfilled each need by introducing two complete endoscope systems. However, as Japanese doctors specializing in endoscopy gradually became more active internationally, they had to use different endoscope systems in Japan and overseas, which caused some confusion. Following requests from endoscopists—not only from Japan, but also from Europe and the United States—who have said that they would like endoscope system integration, Olympus has introduced the globally unified platform EVIS X1, which is compatible with the two existing systems.

The EVIS X1 system incorporates a variety of new functions. First, the video signal is now 4K, so the images are clear and bright. Since endoscopy is performed while looking at a monitor, the improved image quality is expected to lead to more precise manipulation, which may shorten examination time. The Narrow Band Imaging (NBI) that was installed in the conventional system was previously a little dark, but that has also become a lot brighter. In addition to NBI, a new enhanced image function has been included. A structural color enhancement function, Texture and Color Enhancement Imaging (TXI) emphasize surface irregularities and changes, such as lesions and polyps, in color tone. In contrast to normal lighting, this helps prevent things from being overlooked. Next, there is Red Dichromatic Imaging (RDI), which features the ability to make any areas with bleeding appear yellow, thereby making them easier to discern than red blood. Using RDI makes it easier to see where the bleeding is coming from and assists hemostasis in endoscopic treatments. In addition, the built-in Extended Depth of Field (EDOF) function allows a greater range of focus depth and makes it possible to focus at the push of a button. We hope that this EDOF function will promote the standardization of magnified imaging in the years to come. Until now, magnified imaging was not as common in the United States as it is in Japan, due to differences in medical systems and ways of thinking. However, with the advent of new technology that makes focusing easy, I believe that magnified image diagnostics could come to be accepted in the United States as well.

In this way, the EVIS X1 system can cover a wide range of functions, from diagnosis to treatment, in one scope. I believe that the diagnosis and treatment of early stage cancers will become easier not only for expert endoscopists but also for doctors who handle endoscopy in general clinics.



Dr. Haruhiro Inoue
Professor and Director
Digestive Diseases Center,
Showa University
Koto Toyosu Hospital

> "From screening to early-stage cancer diagnosis and treatment, EVIS X1 contributes to a wide range of endoscope diagnoses."

Business Strategy

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

Prof. Chen Minzhang (second from left), who was then head of the Department of Gastroenterology at Peking Union Medical College Hospital, performs the first endoscopic examination in China in 1972 under the instruction of Prof. Rikiya Fujita (left), an assistant professor at the University of Tokyo

Around **50** years

Number of years Olympus has been expanding in the Chinese market and building relationships of trust with local doctors

Approx. **23,000** people

Number of doctors who have participated in Olympus training programs over the past five years*

* FY2016 to FY2020

BUSINESS

Leveraging Long-standing Relationships of Trust while Strengthening Business Foundations

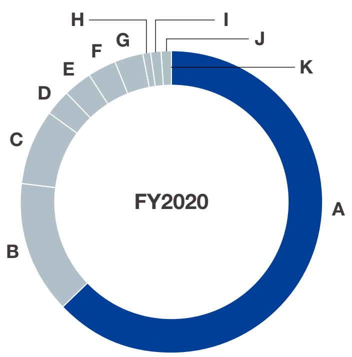
In 1972, the year when diplomatic relations between Japan and China were normalized, an Olympus endoscope was first used in China, and in the almost 50 years since, Olympus has been strengthening its business base in China ahead of other companies. As we expanded our business, it was very important to 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.

Number of Endoscopists per Million People

China	22
Malaysia	17
Vietnam	6
India	5
Thailand	4
Philippines	4
Indonesia	2
(Reference) Japan	250

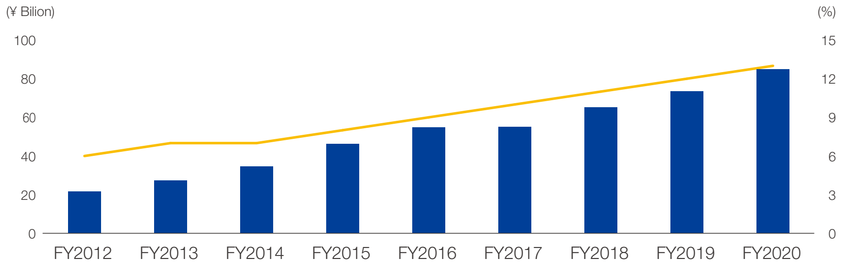
Source: Olympus Corporation (based on publicly available data)

Distribution of Revenue by Country in Asia / Oceania



A	China
B	South Korea
C	Australia
D	India
E	Hong Kong
F	Singapore
G	Thailand
H	New Zealand
I	Vietnam
J	Malaysia
K	Others

Chinese Sales Growth Trends in the Medical Field



Approx. **3.9** times

Comparison between sales in the Chinese market for FY2020 and FY2012

PERFORMANCE

Achieved High Growth with Strong Sales to Class II Hospitals

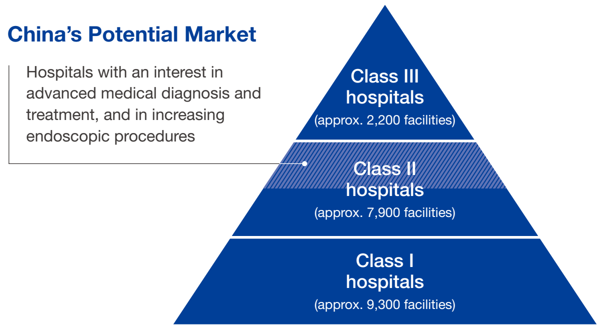
In China, healthcare standards vary according to the classification of hospitals, and patients tend to concentrate in large hospitals, or class III hospitals. The Chinese government has implemented a variety of measures with the aim of resolving this situation. For example, according to the "12th Five-Year 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 III 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%)

STRATEGY

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.

China's Potential Market



COLUMN

Olympus' Response to COVID-19

Online equipment training

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 endoscope 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.

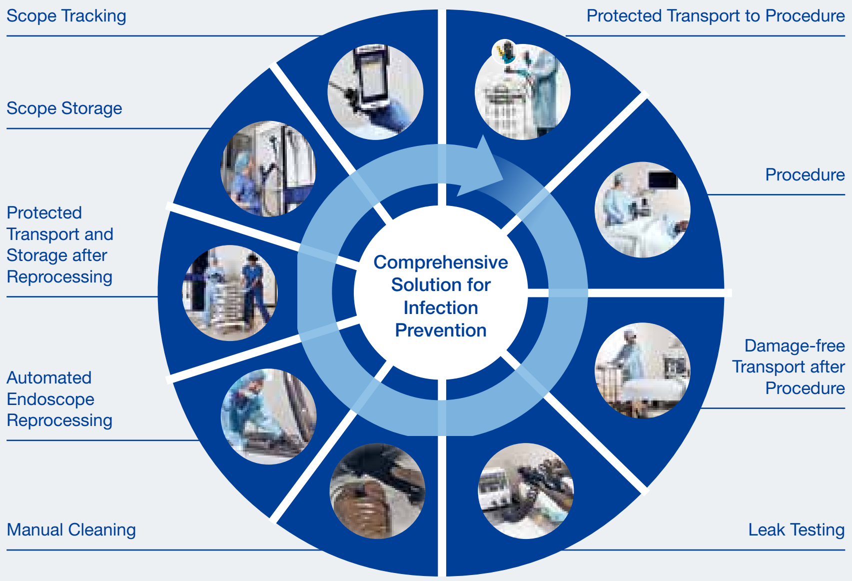
Four Key Components of Our Corporate Strategy: Component B

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.



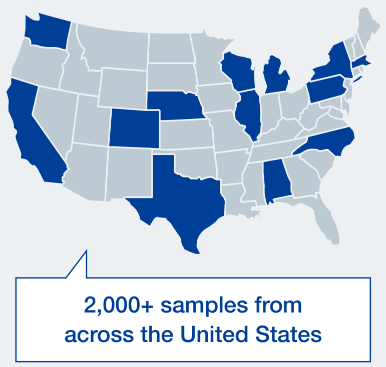
Olympus offers products supporting infection prevention while simplifying reprocessing and maximizing efficiency from pre-cleaning, leakage testing, manual cleaning, automated disinfection, drying, and transport to storage.

Olympus offers customized education and training programs, comprehensive service packages, a wide-ranging support network, and the power of cutting-edge workflow connectivity.

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.



Working Together with Hospitals

In the post-market surveillance study for duodenoscopes, Olympus visited hospitals and investigated endoscope conditions and reprocessing in clinical environments, residual bacteria in samples after reprocessing, genetic analysis of residual bacteria found after reprocessing, and root cause analyses.

Sampling at hospitals

Sampling from endoscope distal end

Bacteria analysis from a sample

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. Further, the same analyses provided valuable data for future improvements. It is important to note that the actual patient infection rate in the US associated with duodenoscopes is decreasing, and remains a very small percentage of the overall duodenoscope procedures conducted in the United States and worldwide.*

*FDA.gov <https://www.fda.gov/media/132346/download> [Accessed Oct. 2, 2020]; based on 2018 patient infection data

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.

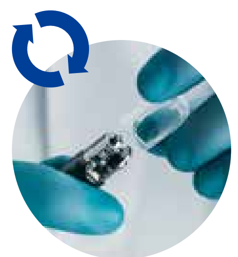
Regular Maintenance Service Program

Reprocessing Training to Healthcare Professionals

Easier-to-Read Instruction For Use

Easier-to-Clean Endoscopes

COLUMN



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.

Four Key Components of Our Corporate Strategy: Component C

C 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

S Strengths
- Diversified division with a served addressable market of ~U.S. $16 billion globally growing at ~6%
- Offering "See and Treat" solutions leveraging strong endoscopic imaging position
- Highly differentiated technologies
- Strong collaboration with HCPs to develop new procedures and devices
- Global technology and manufacturing footprint

W Weaknesses
- Evolving as a newly formed division
- Penetration of IDNs and GPOs not yet at maturity levels
- Traditional growth achieved organically with limited experience in rapid expansion through M&A and distribution partnerships

O Opportunities
- Increased demand for minimally invasive treatments that reduce healthcare expenses and improve patient QOL
- Rise 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

T Threats
- Increased worldwide medical device regulations
- Downward pressure on selling prices due to increased influence of GPOs and IDNs
- Entry into market by low-cost manufacturers

Operating Environment / Priorities for Business Growth

Operating Environment

- Increased procedures driven by aging global population, increased diseases and comorbidities, and greater access to care in emerging market populations
- Intensifying cost pressures on health systems continues to drive focus on both clinical and economic value
- Ongoing shift from open surgical approaches towards minimally invasive treatments to improve patient outcomes and optimize total cost of care. Additionally, care shifting from inpatient to outpatient, enabled by minimally invasive approaches and tools that decrease the risk to patients, improve safety, and create efficiencies

Priorities for Business Growth

Focus
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)

GI-Endotherapy	• Expand clinically differentiated product offerings across all key categories, including ERCP*1, ESD*2, stenting, and hemostasis devices
Urology	• 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
Respiratory-Endotherapy	• 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*3 (SVS) market
Other Therapeutic Areas	• 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
Commercial Excellence	• Strengthen sales and market development teams across therapeutic areas • Invest in additional clinical data and reimbursement efforts

*1 Endoscopic Retrograde Cholangio Pancreatography
*2 Endoscopic Submucosal Dissection
*3 Bronchoscopic Lung Volume Reduction

~8% Revenue Growth CAGR

Progress

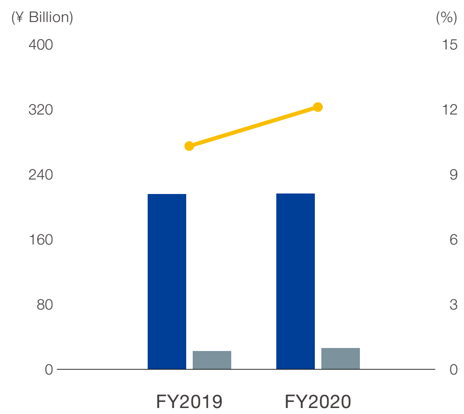
The TSD Division is a ~ U.S. $2 billion Division playing across multiple clinical specialties which collectively support a served addressable market of ~ U.S. $16 billion globally growing at a blended ~6% CAGR.

Focus ("*Choosing What Not To Do*")
- Shifted organic activities to ensure >70% investments are dedicated to key focus areas (GI-Endotherapy, Urology, and Respiratory and MIS)
- Prioritized inorganic activities in key areas of focus via both M&A and distribution deals

Delivering breadth and value through clinically differentiated solutions
- Successfully launched Soltive™ SuperPulsed Laser System providing physicians and patients with breakthrough performance in kidney stone management
- Grew the overall Olympus GI-Endotherapy portfolio with launches in ERCP, ESD, Hemostasis and the acquisition of Arc Medical Design including the innovative ENDOCUFF™ portfolio
- Significantly overachieved sales targets for Respiratory's Spiration® Valve System and received the Silver Edison Award for innovation

Operating efficiently to achieve profitable and sustainable growth
- Rightsized investments in non-focus areas to improve overall profitability and improving commercial efficiencies in key areas

Results



	FY2019	FY2020	
Revenue	215.5	216.1	(¥ billion)
Operating Profit	22.2	26.2	(¥ billion)
Operating Margin	10.3	12.1	(%)

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 skillsets and footprint in United States

Outside Director Perspectives

One of Olympus' outside directors, Jimmy C. Beasley, provides his thoughts regarding Therapeutic Solutions Division's efforts toward growth.

Growth Initiatives in Therapeutic Solutions Division Making Steady Progress

Jimmy C. Beasley

Outside Director
(Member of the Compensation Committee)

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 across highly competitive therapeutic areas, such as GI-endotherapy, urology and respiratory-endotherapy. 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 endoscopes 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 closer to our customers and have in compliance with laws and regulations as well.

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.

D 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 these 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.

Three Key Value Areas in MIS in the Future

Procedure innovation
Innovation that reduces procedure complexity or invasiveness By 2030, about 10% of total surgeries are expected to be done endoluminally

Enhanced instruments
Enhanced visualization and operating instruments that strengthen surgeons' visibility and dexterity, such as the Information-assisted Endoscopic Surgery System

Less invasive endoluminal manipulator
Less invasive endoluminal manipulator systems that allows use in office-based facilities as well as in operating rooms

Progress 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 field 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 teams 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.

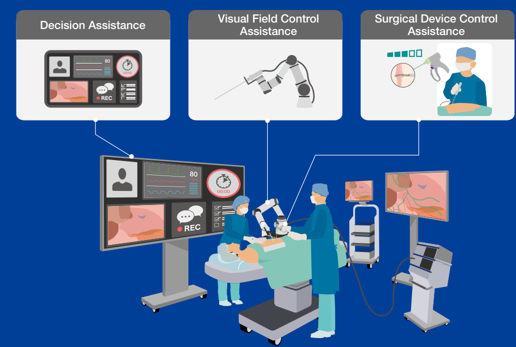
2 Autonomous View Control: Visual Field Control Assistance

In accordance with the surgery'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 developmental 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 Hospital East, Oita University's Faculty of Medicine, Fukuoka Institute of Technology's Faculty of Information Engineering, and the University of Tokyo's Faculty of Engineering (Graduate School of Engineering). The aim is for practical application in 2024 onward.

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 Japan. 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.

Nacho Abia

Executive Officer and Chief Operating Officer

"We have the responsibility to work with customers and understand their needs, but we need to involve our R&D colleagues because that is the only way we can define what is really possible."

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

Abia: This is simply the next step in a continuum from 1950, 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 for 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 exercise 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 disorders*1, but for functional disorders*2. Very early treatment related to cancer, like 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 disorders: A disease caused by pathological or anatomical abnormalities or changes in organs, nerves, muscles, or organ tissue.

*2 Functional disorders: 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 organ tissue.

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 Image Stream 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.

Akihiro Taguchi

Executive Officer and Chief Technology Officer

"Olympus is a leading company over the world in endoscopes, but to be number one in other medical fields we have to reinforce our technological innovation."

Scientific Solutions Division

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

Yoshitake Saito

Scientific Solutions Division Head

S Strengths

- Superior technological capability and high quality products / services in field of such as optics, imaging, ultrasound, X-ray fluorescence
- Top market share and strong customer contact points in each product segment
- Ownership of global sales, marketing and service network
- Total solutions provided through diverse product lineup

W Weaknesses

- High susceptibility to changes in economic conditions of specific regions and countries
- Commoditization in certain product segments by technological maturity
- Increased product- and sales costs and longer development cycle for certain products
- Increased workload for regulatory compliance in life science field

O Opportunities

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

T Threats

- Large foreign exchange rate movements
- Decrease of government budget and restraint of capital expenditures at private companies by environmental change
- “Digital disruption” that shifts the demand towards better customer experience from the hardware products established
- Emergence of alternative innovative technologies replacing conventional inspection method
- Low-priced products from emerging manufacturers gaining share

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 life science research, digital pathology and the activation of market supporting regenerative medicine, as well as the market expansion of semiconductors and electronic 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 custom- and new solutions by internal or third party collaboration, as well as the value proposition for customers’ total workflow.
- Life science segment contributes to fundamental medical research, pathological diagnosis and regenerative medicine. In the industrial segment, our value proposition utilizing advanced technologies are expected to roll out the process and know-how within Olympus.

Market Shares and Portfolios

	Biological Microscopes	Industrial Microscopes	Industrial Videoscopes	Non-Destructive Testing Instruments	X-Ray Fluorescence (XRF) Analyzers
Field	Life science	Industrial			
Share	40–50%	30–40%	35–45%	30–40%	25–35%
Competitors	Nikon, Zeiss, Leica	Nikon, Zeiss, Leica	GE	GE	Thermo Fisher
Products					
Uses	Biological and medical research and pathology research	Contribution to improvements in efficiency and quality in industry as well as in safety and security in everyday lives			
	Basic life science research and clinical pathology research aimed at a better understanding of illnesses and other topics	Semiconductor, electronic component, and automotive part inspections, etc.	Aircraft engine inspections, etc.	Plant and pipeline inspections, etc.	Resource and environmental surveys, RoHS directive compliance, etc.
Customer Segment	LS research / Clinical (Pathology research) / Regenerative / Medicine support & Drug discovery support	Manufacturing / Environment & natural resources / Infrastructure maintenance			

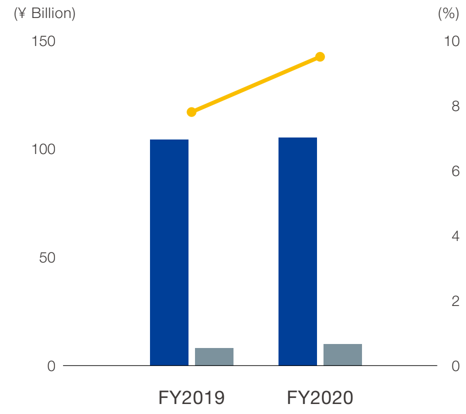
Progress

- Gross profit increase by strong sales of biological microscopes for hospitals and life science research, industrial videoscopes and non-destructive testing instruments, as well as the improvement of SG&A ratio contributed to the performance in profit (the highest past record).
- Received favorable reputation by introducing Olympus Scientific Cloud™ (OSC) to enhance Olympus connected industrial devices with data management, fleet management, and other features, as an example of our solution to improve customers’ productivity and efficiency for industrial market.
- Towards the medium- and long term growth in the life science segment, working on new solutions for regenerative medicine market, through launching CM20 Incubation Monitoring System as a first step and participating in a consortium in the field of drug discovery and regenerative medicine research.

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.

Results



	FY2019	FY2020	
Revenue	104.2	105.2	(¥ billion)
Operating Profit	8.1	10.0	(¥ billion)
Operating Margin	7.8	9.5	(%)

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

S Strengths	W Weaknesses
● Unique technologies accumulated by concentrating on mirrorless cameras ● Competencies in designing and manufacturing compact, lightweight, high-performance lenses ● Maintain high share in mirrorless camera market (domestic)	● Low shares of large United States and Chinese markets

O Opportunities	T Threats
● Expected increase in replacement purchase and additional purchase traditional single-lens-reflex cameras based on accelerated shift to mirrorless cameras throughout the market	● Intensified competition in mirrorless camera market ● Further evolution of smartphones and tablets

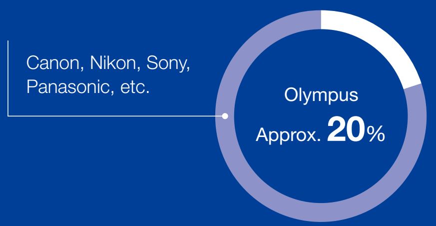
Operating Environment and Forecasts

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.

Meanwhile, the competition in the mirrorless camera market is fierce due to shift to mirrorless cameras by competitors. We are focusing on development of Micro Four Thirds mirrorless cameras. We will continuously enhance sales of mirrorless cameras through selection and focus and risk control.

Market Shares and Portfolios

Domestic Market Share (Mirrorless Cameras)



Digital Cameras

Mirrorless interchangeable-lens cameras, compact digital cameras, digital camera-related products

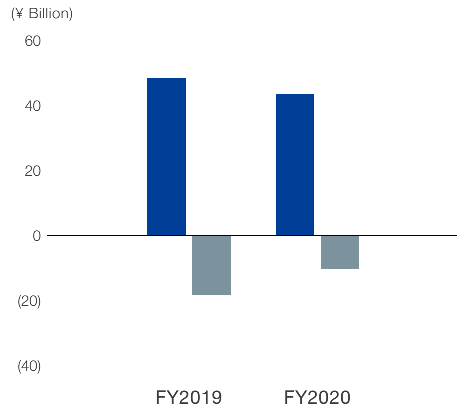
Others

IC recorders, binoculars

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

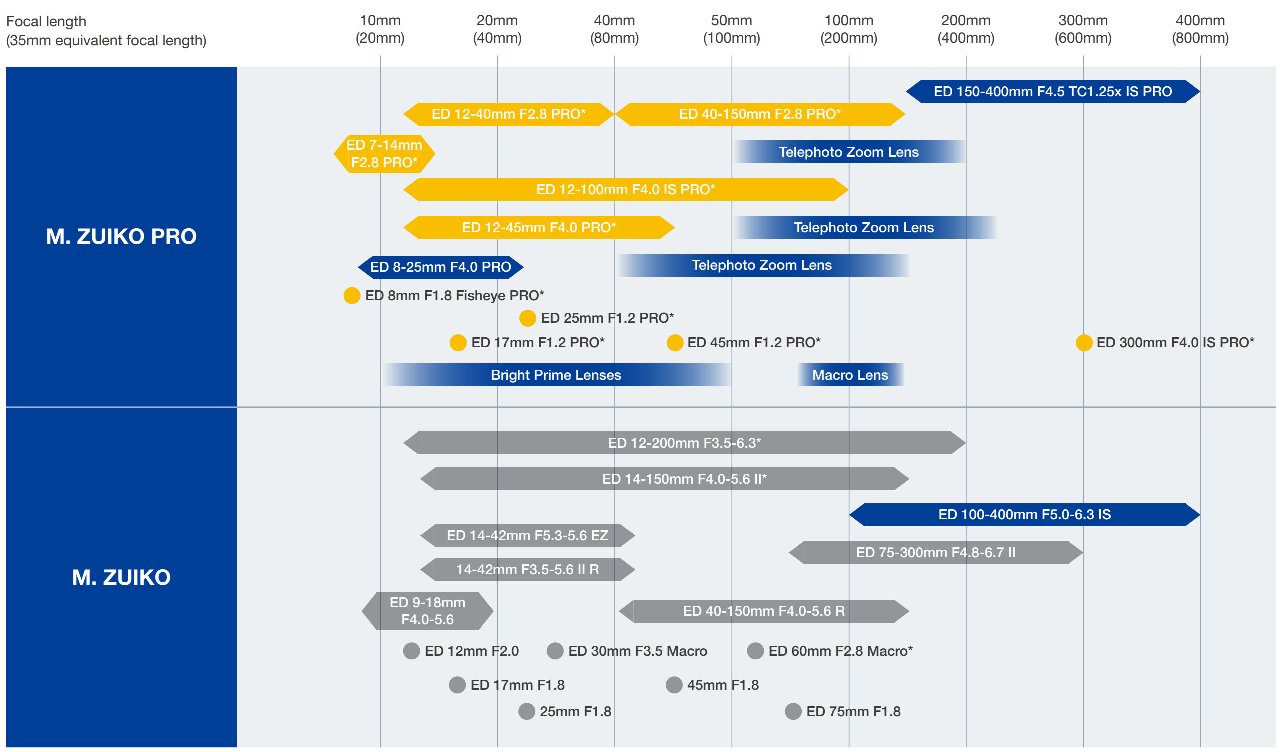
Results



	FY2019	FY2020	
■ Revenue	48.7	43.6	(¥ billion)
■ Operating Profit	(18.3)	(10.4)	(¥ billion)

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.



As of July 2020

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.

As CAO and CTrO, my highest priorities are to help our company become more global and more efficient. We live in a complex and complicated world, and I think it is a sign of the times that when balancing these priorities, the answer is not either/or—it is always both. We have to find a smart balance between goals that, at first glance, may seem conflicting.

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

There are two areas where we have revisited 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.

Product

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.

Commercial

02

Change the corporate culture without being obsessed with the past

Kuniaki Horiuchi

Medical, Service
Workstream Leader

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.

Central

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.

Central

04

Pursuing the possibility of cost reduction in all areas

Amy Leslie

Indirect Expenses
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.

Evolving Our Corporate Culture

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

Shigeto Ohtsuki

Corporate Officer,
Human Resources Head

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 have clearly defined job descriptions outlining the roles, responsibilities, and authority. The remuneration is decided accordingly 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. In Japan, we are promoting work style changes, such as abolishing the limit on teleworking days and improving the working environment for employees who work from home. For us, these challenges can be turned to an accelerator to become a truly global medtech company.

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.

Our Core Values workshop in Germany

Olympus China employees participating in Our Core Values Week activities

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.

Implementation skills workshop

Implementation skills online session

CHAPTER

03

Our Setup

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.

Contents

Directors (As of July 30, 2020)

Director, Representative Executive Officer, President and CEO

Yasuo Takeuchi

(Date of birth: February 25, 1957)
Apr. 1980 Joined the Company
Apr. 2005 General Division Manager, Olympus Medical Systems Corp.
Apr. 2009 Director, Olympus Europa Holding GmbH
Jun. 2009 Corporate Officer, the Company
Oct. 2011 Executive Managing Director and Chairman of the Board, Olympus Europa Holding GmbH
Apr. 2012 Director, the Company (present)
Senior Corporate Managing Officer, the Company
Group President of Group Management Office, the Company
Chairman of the Board, Olympus Corporation of the Americas (present)
Director, Olympus Corporation of Asia Pacific Limited
Mar. 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. 2019 Representative Director, the Company
President, the Company
Chief Executive Officer (CEO), the Company (present)
Jun. 2019 Representative Executive Officer, President, the Company (present)

Director, Executive Officer and Chief Administrative Officer

Stefan Kaufmann

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

Director

Nobuyuki Koga

(Date of birth: September 14, 1955)
Apr. 1978 Joined the Company
Apr. 2002 President and Representative Director, Shirakawa Olympus Co., Ltd.
Apr. 2006 General Manager, Human Resources Dept., the Company
Jun. 2009 Corporate Officer, the Company
Director, Olympus Medical Systems Corp.
Jul. 2009 Division Manager, Manufacturing Service Division, Olympus Medical Systems Corp.
Apr. 2010 President and Representative Director, Aizu 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)

Outside Director

Sumitaka Fujita

(Date of birth: December 24, 1942)
Apr. 1965 Joined ITOCHU Corporation
Jun. 1995 Director, ITOCHU Corporation
Apr. 1997 Managing Director, ITOCHU Corporation
Apr. 1998 Representative Managing Director, ITOCHU Corporation
Apr. 1999 Representative Senior Managing Director, ITOCHU Corporation
Apr. 2001 Representative Executive Vice President, ITOCHU Corporation
Apr. 2006 Representative Vice Chairman, ITOCHU Corporation
Jun. 2006 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, NIPPONKOA Insurance Company, Limited (currently Sompo Japan Insurance Inc.)
Jun. 2009 Director, Nippon Sheet Glass Co., Ltd.
Apr. 2010 Director, NKSJ Holdings, Inc. (currently Sompo Holdings, Inc.)
Jun. 2011 Chairman, Japan Association for CFOs (present)
Apr. 2012 Director, the Company (present)

<Important concurrent positions>
Director, Furukawa Electric Co., Ltd.
Chairman, Japan Association for CFOs

Outside Director

Susumu Kaminaga

(Date of birth: December 3, 1946)
May 1969 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 Advisers Co., Ltd. (present)
Dec. 2012 Director, DEFTA Capital Inc. (present)
Jun. 2016 Director, the Company (present)
May 2019 Chairman, The Japan Institute of Electronics Packaging (present)
Jun. 2020 Member of the Board, Toray Industries, Inc. (present)

<Important concurrent positions>
Representative Director & Chief Executive, SK Global Advisers Co., Ltd.
Director, DEFTA Capital Inc.
Chairman, The Japan Institute of Electronics Packaging
Member of the Board, Toray Industries, Inc.

Outside Director

Michijiro Kikawa

(Date of birth: August 2, 1947)
Apr. 1970 Joined Hitachi Construction Machinery Co., Ltd.
May 1995 President, Hitachi Construction Machinery (China) Co., Ltd.
Jun. 1999 Senior Officer and President, Hitachi Construction Machinery (China) 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. 2006 Representative Executive Officer, President, Chief Executive Officer, and Director, 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.
Jun. 2016 Director, the Company (present)

Directors

Outside Director
Tetsuo Iwamura

(Date of birth: May 30, 1951)
Apr. 1978 Joined Honda Motor Co., Ltd.
Jun. 2000 Director, Honda Motor Co., Ltd.
Apr. 2003 President and Director, Honda South America Ltda.
President and Director, Moto Honda da Amazonia Ltda.
President and Director, Honda Automoveis do Brasil Ltda.
Jun. 2006 Managing Director, Honda Motor Co., Ltd.
Apr. 2007 President and Director, Honda North America, Inc.
President and Director, American Honda Motor Co., Inc.
Jun. 2008 Senior Managing Director, Honda Motor Co., Ltd.
Apr. 2011 Senior Managing Officer and Director, Honda Motor Co., Ltd.
Jun. 2011 Senior Managing Officer, Honda Motor Co., Ltd.
Apr. 2012 Executive Vice President, Executive Officer, Honda Motor Co., Ltd.
Jun. 2012 Representative Director, Honda Motor Co., Ltd.
Apr. 2013 Risk Management Officer, Honda Motor Co., Ltd.
Apr. 2014 Corporate Brand Officer, Honda Motor Co., Ltd.
Chairman and Director, American Honda Motor Co., Inc.
Jun. 2017 Director, the Company (present)

Outside Director
Yasumasa Masuda

(Date of birth: February 27, 1957)
Apr. 1980 Joined Fujisawa Pharmaceutical Co., Ltd. (currently Astellas Pharma Inc.)
Jun. 2008 Corporate Executive, Vice President, Corporate Finance & Control, Astellas Pharma Inc.
Jun. 2011 Corporate Executive, Vice President, Corporate Finance & Control, and Chief Financial Officer, Astellas Pharma Inc.
Apr. 2012 Corporate Executive, Vice President and Chief Financial Officer, Astellas Pharma Inc.
Jun. 2012 Senior Corporate Executive, Senior Vice President and Chief Financial Officer, Astellas Pharma Inc.
Apr. 2017 Senior Corporate Executive, Senior Vice President and Assistant to President, Astellas Pharma Inc.
Jun. 2017 Independent Non-Executive, Deloitte Touche Tohmatsu LLC (present)
Jun. 2018 Independent Non-Executive, Deloitte Tohmatsu LLC (present)
Director, the Company (present)

<Important concurrent position>
Independent Non-Executive, Deloitte Touche Tohmatsu LLC
Independent Non-Executive, Deloitte Tohmatsu LLC

Outside Director
Katsuya Natori

(Date of birth: May 15, 1959)
Apr. 1986 Joined Masuda & Ejiri (currently Nishimura & Asahi)
Jun. 1990 Joined Davis Wright Tremaine LLP
Jul. 1992 Joined Wilmer, Cutler & Pickering
Jul. 1993 Joined Esso Petroleum Corporation (currently JXTG Nippon Oil & Energy Corporation)
Jan. 1995 Joined Apple Computer Co., Ltd. (currently Apple Japan, Inc.)
Jan. 1997 Director, Sun Microsystems, Inc. (currently Oracle Information Systems (Japan) G.K.)
Mar. 2002 Executive Officer, Fast Retailing Co., Ltd.
Jan. 2004 Director and Executive Officer, IBM Japan, Ltd.
Apr. 2010 Executive Officer, IBM Japan, Ltd.
Feb. 2012 Chief, Natori Law Office (present)
Apr. 2012 Outside Audit & Supervisory Board Member, the Company
Mar. 2015 Director, MODEC, INC. (present)
Apr. 2016 Supervisory Director, Global One Real Estate Investment Corp. (present)
Jun. 2019 Director, the Company (present)
Jun. 2020 Audit & Supervisory Board Member, Recruit Holdings Co., Ltd. (present)

<Important concurrent positions>
Chief, Natori Law Office
Director, MODEC, INC.
Supervisory Director, Global One Real Estate Investment Corp.
Audit & Supervisory Board Member, Recruit Holdings Co., Ltd.

Outside Director
Atsushi Iwasaki

(Date of birth: January 9, 1959)
Nov. 1990 Joined Century Audit Corporation (currently Ernst & Young ShinNihon LLC)
Mar. 1991 Registered as certified public accountant
Mar. 1997 Registered as real estate appraiser
Dec. 1997 Partner, Century Audit Corporation (currently Ernst & Young ShinNihon LLC)
Sep. 2005 Chief, Iwasaki CPA Office (present)
Jun. 2013 Director, ISEKI & CO., Ltd. (present)
Jun. 2015 Audit & Supervisory Board Member, NH Foods Ltd.
Jun. 2016 Outside Audit & Supervisory Board Member, the Company
Jun. 2019 Director, NH Foods Ltd. (present)
Director, the Company (present)

<Important concurrent positions>
Chief, Iwasaki CPA Office
Director, ISEKI & CO., Ltd.
Director, NH Foods Ltd.

Outside Director
D. Robert Hale

(Date of birth: December 21, 1984)
Sep. 2007 Joined the Parthenon Group (currently EY-Parthenon)
Jan. 2009 Assigned as Analyst to Strategic Value Capital, an investment subsidiary of The Parthenon Group
Jun. 2009 Senior Associate, The Parthenon Group
May 2010 Principal, The Parthenon Group
Jan. 2011 Joined ValueAct Capital Management L.P.
Dec. 2012 Vice President, ValueAct Capital Management L.P.
May 2014 Partner, ValueAct Capital Management L.P. (present)
Mar. 2015 Director, MSCI Inc.
Aug. 2015 Director, Bausch Health Companies Inc. (present)
Jun. 2019 Director, the Company (present)

<Important concurrent positions>
Partner, ValueAct Capital Management L.P.
Director, Bausch Health Companies Inc.

Outside Director
Jimmy C. Beasley

(Date of birth: April 6, 1963)
Mar. 1986 Territory Manager, Roche Laboratories (Division of Hoffman La Roche)
Jun. 1989 Various roles of increasing responsibility in sales and marketing including Vice President of Sales and Marketing, Bard Access Systems Division, C.R. Bard Inc.
Jun. 2003 President, Bard Access Systems Division, C.R. Bard Inc.
Apr. 2007 President, Bard Peripheral Vascular Division, C.R. Bard Inc.
May 2009 Group Vice President, C.R. Bard Inc.
Jun. 2013 Group President, C.R. Bard Inc.
May 2018 Consultant and Executive Advisor to ValueAct Capital Management L.P.*
Jun. 2019 Director, the Company (present)

* The executive advisor role is a consulting role to ValueAct Capital: it is not an employee position. This consulting agreement finished at the end of March 2019.

Governance Roundtable Discussion

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

Sumitaka Fujita
Outside Director (Chairman of the Board / Chairman of the Nominating Committee)

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.

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

Susumu Kaminaga
Outside Director (Chairman of the Compensation 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 (5EOs) 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 5EOs 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 5EOs 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 5EOs 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 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 5EOs, 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

"The challenge facing Olympus is strengthening its executive management capabilities."

Sumitaka Fujita

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 lifeline 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 abilities. 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 communicates the goals to management. In my experience, competitive employees 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.

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

D. Robert Hale

“To help improve its long-term corporate value, Olympus introduced a new compensation system.”

Susumu Kaminaga

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. Seizing 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 the divestiture of the Imaging business, provides proof that our executive management capabilities are being strengthened.

Corporate Governance

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

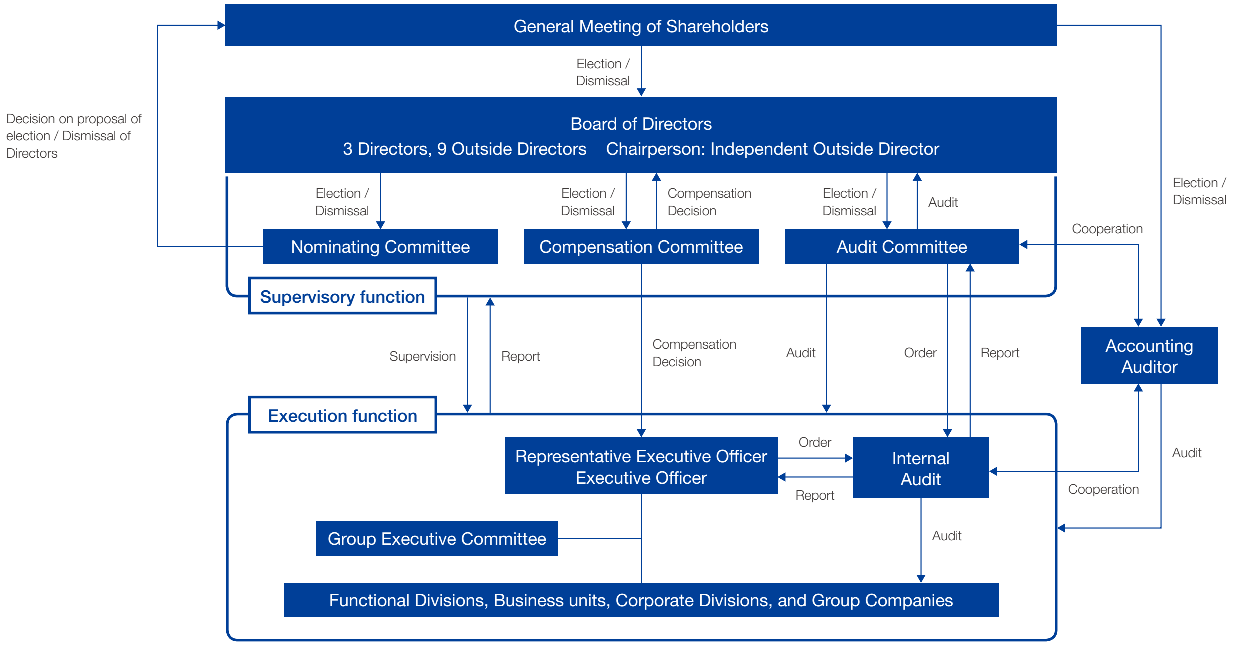
Olympus transitioned from a company with Audit & Supervisory Board to a company with Nominating Committee, etc., in June 2019 in order to accelerate decision-making in business execution, strengthen corporate governance, and further enhance transparency. In order to enhance the oversight functions of 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.

Overview of the 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

Corporate Governance Structure



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 the 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 at all times when needed or when considered appropriate 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, Compensation, and Audit Committees, each consisting in 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 the 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

Name	Chairperson	Outline	Members
Board of Directors	Independent outside director	The Board of Directors determines basic management policy, matters related to the internal control system, and other important matters, and supervises directors and executive officers, in the execution of their duties. (Meets at least once every three months and when needed.)	• Sumitaka Fujita (Chairman) • Yasuo Takeuchi • Stefan Kaufmann • Nobuyuki Koga • Susumu Kaminaga • Michijiro Kikawa • Tetsuo Iwamura • Yasumasa Masuda • Katsuya Natori • Atsushi Iwasaki • D. Robert Hale • Jimmy C. Beasley
Nominating Committee	Independent outside director	The Nominating Committee shall deliberate matters related to human resources at the director and executive officer level, and shall determine the content of proposals submitted to the General Meeting of Shareholders in relation 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.	• Sumitaka Fujita (Chairman) • Yasuo Takeuchi • Tetsuo Iwamura • Yasumasa Masuda • D. Robert Hale
Compensation Committee	Independent outside director	The Compensation Committee shall deliberate matters related to compensation of directors and executive officers, and prescribe policy in relation to determining the details of compensation, etc., and 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.	• Susumu Kaminaga (Chairman) • Tetsuo Iwamura • Yasumasa Masuda • Jimmy C. Beasley
Audit Committee	Independent outside director	The Audit Committee shall carry 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. An independent outside director serves as the chairperson. Moreover, at least one member shall be an individual who possesses extensive knowledge related to finance and accounting.	• Katsuya Natori (Chairman) • Nobuyuki Koga • Michijiro Kikawa • Atsushi Iwasaki
Group Executive Committee	Representative Executive Officer	In the Group Executive Committee, the Representative Executive Officer and executive officers deliberate on critical matters concerning business execution for the entire Olympus Group as entrusted by the Board of Directors, and provide support on the decision-making of executive officers so as to prevent decisions being made based solely on the discretion of an executive officer. Each executive officer reports on and shares the status of execution of business and functions under their jurisdiction to ensure the effectiveness of the committee as a body for monitoring the execution of business and functions of the entire Olympus Group. (Meets at least once a month and when needed.)	• Yasuo Takeuchi (Chairman) • Nacho Abia • Akihiro Taguchi • Chikashi Takeda • Stefan Kaufmann

Outside 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.

Outside directors	Reason for appointment	Attendance at meetings of the Board of Directors (Met 18 times in FY2020)	Attendance at meetings of the committees*1 (FY2020)
Sumitaka Fujita	Mr. Fujita has extensive experience and diverse knowledge as a business manager at ITOCHU Corporation and served as outside director and outside auditor at other companies. Since Mr. Fujita took the post of outside director of Olympus in April 2012, he has been giving guidance/advice to the business management of Olympus at meetings of the Board of Directors and the voluntarily established Compensation Committee. Since June 2018, he has been leading the Board of Directors as the chairman of the Board of Directors of Olympus. Furthermore, after the transition to a company with Nominating Committee, etc., in June 2019, as the chairman of the Nominating Committee, he facilitated decisions on an agenda item to elect directors in addition to supervising business execution of Olympus on the Board of Directors.	18/18	Nominating Committee: 10/10
Susumu Kaminaga	Mr. Kaminaga has extensive experience and diverse knowledge as a business manager at Sumitomo Precision Products, Co., Ltd. and served as Representative Director and other roles at other companies. Since Mr. Kaminaga took the post of outside director of Olympus in June 2016, he has been giving guidance/advice to the business management of Olympus at meetings of the Board of Directors and the voluntarily established Compliance Committee and Compensation Committee. Since the transition to a company with Nominating Committee, etc., in June 2019, he has been taking charge of the operation of the Compensation Committee as the chairman since February 2020 in addition to supervising business execution of Olympus on the Board of Directors.	18/18	Compensation Committee: 11/11
Michijiro Kikawa	Mr. Kikawa has extensive experience and diverse knowledge as a business manager at Hitachi Construction Machinery Co., Ltd. and served as director at Hitachi, Ltd. Since Mr. Kikawa took the post of outside director of Olympus in June 2016, he has been giving guidance/advice to the business management of Olympus at meetings of the Board of Directors and the voluntarily established Nominating Committee. Since the transition to a company with Nominating Committee, etc., in June 2019, he has been supervising the business execution of executive officers of Olympus as a member of the Audit Committee in addition to supervising business execution of Olympus on the Board of Directors.	18/18	Audit Committee: 17/17
Tetsuo Iwamura	Mr. Iwamura has extensive experience and diverse knowledge as a business manager at Honda Motor Co., Ltd. Since Mr. Iwamura took the post of outside director of Olympus in June 2017, he has been giving guidance/advice to the business management of Olympus at meetings of the Board of Directors and the voluntarily established Nominating Committee and Compliance Committee. After the transition to a company with Nominating Committee, etc., in June 2019, as a member of the Nominating Committee, he facilitated decisions on an agenda item to elect directors in addition to supervising business execution of Olympus on the Board of Directors.	18/18	Nominating Committee: 10/10
Yasumasa Masuda	Mr. Masuda has extensive experience and diverse knowledge as a business manager at Astellas Pharma Inc. and served as independent non-executive officer at the Deloitte Tohmatsu Group. Since Mr. Masuda took the post of outside director of Olympus in June 2018, he has been giving guidance/advice to the business management of Olympus at meetings of the Board of Directors and the voluntarily established Nominating Committee. After the transition to a company with Nominating Committee, etc., in June 2019, as a member of the Nominating Committee and the Compensation Committee, he facilitated decisions on an agenda item to elect directors, and decided directors' compensation in addition to supervising business execution of Olympus on the Board of Directors.	18/18	Nominating Committee: 10 / 10 Compensation Committee: 11/11
Katsuya Natori	Mr. Natori has extensive experience and diverse knowledge as a lawyer and served as director and supervisory director at other companies. Since taking the post of Audit & Supervisory Board member of Olympus in April 2012, Mr. Natori has been auditing/supervising the business execution of Olympus at the Audit & Supervisory Board and the Board of Directors. In addition, after the transition to a company with Nominating Committee, etc., in June 2019, he conducted an audit on the execution of duties of the directors and the executive officers of Olympus as the chairman of the Audit Committee, in addition to supervising business execution of Olympus on the Board of Directors.	17/18*1	Audit Committee: 17/17
Atsushi Iwasaki	Mr. Iwasaki has extensive experience and diverse knowledge as a certified public accountant and served as outside director and outside auditor at other companies. Since taking the post of Audit & Supervisory Board Member of Olympus in June 2016, Mr. Iwasaki has been auditing/supervising the business execution of Olympus at the Audit & Supervisory Board and the Board of Directors. In addition, after the transition to a company with Nominating Committee, etc., in June 2019, he conducted an audit on the execution of duties of the directors and the executive officers of Olympus as a member of the Audit Committee in addition to supervising business execution of Olympus on the Board of Directors.	16/18*1	Audit Committee: 15/17
D. Robert Hale	Mr. Hale is a partner of ValueAct Capital Management L.P. (VCM), one of Olympus' shareholders. He has a track record of helping global companies transform themselves with his knowledge of the global capital markets and the healthcare industry as a business management consultant and investor with experiences in diverse industries. Since Mr. Hale took the post of outside director of Olympus in June 2019, he has been giving guidance/advice to the business management of Olympus at meetings of the Board of Directors and the Nominating Committee. Since he serves as a partner at VAC, which is one of Olympus' shareholders, Olympus also believes that he will contribute to the enhancement of Olympus' corporate value by reflecting shareholders' voices in the business management of Olympus.	13/13*2	Nominating Committee: 10/10
Jimmy C. Beasley	Mr. Beasley has global business experience from over 30 years at the C. R. Bard Group, one of the leading global companies in the medical equipment industry and has abundant experience and deep insight as a member of management. Since Mr. Beasley took the post of outside director of Olympus in June 2019, he has been giving guidance/advice to the business management of Olympus on the Board of Directors.	13/13*2	Compensation Committee: 11/11

*1 Since Olympus transitioned from a company with an Audit & Supervisory Board to a company with Nominating Committee, etc. by the resolution of the 151st Ordinary General Meeting of Shareholders held on June 25, 2019, "Attendance at meetings of the committees" (Nominating Committee, Compensation Committee and Audit Committee) shows the status of attendance at the meetings held from June 25, 2019 onward. In addition, since Katsuya Natori and Atsushi Iwasaki were Audit & Supervisory Board members until the conclusion of the said General Meeting of Shareholders, their attendance at meetings of the Board of Directors includes attendance as Audit & Supervisory Board members.

*2 Since D. Robert Hale and Jimmy C. Beasley assumed the office of Director at the 151st Ordinary General Meeting of Shareholders held on June 25, 2019, their attendance at meetings of the Board of Directors reflects the status of attendance after they assumed their post.

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 our 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 and reviews it periodically. As for determining the successor, the Nominating Committee discusses whether the candidates, including outside candidates, have qualifications that are suitable for the role of 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. In any of the past 10 fiscal years, the outside officer has not directly received more than ¥10 million in remuneration (excluding remuneration from Olympus to officers) or other assets from Olympus and Olympus' affiliates (hereinafter, collectively the "Group"). If the outside officer is 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 2% of the consolidated revenue of either Olympus or Olympus group
   (ii) The relevant company is a principal shareholder of Olympus (holding more than 5% of the total number o voting rights of Olympus directly or indirectly; the same shall apply hereinafter)
   (iii) Olympus group is a principal shareholder of the relevant company
   (iv) The relevant company has substantive interests in Olympus group (as a main bank, consultant, etc.)
   (v) Olympus group and the relevant company have a relationship in which they mutually dispatch and appoint directors
3. The outside officer is not financially dependent on a person who falls under the categories of 1. or 2. above.
4. 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.
5. The outside officer does not belong to an auditing firm that conducts statutory audits of Olympus group.
6. 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 Pure Investment and Exercise of Related Voting Rights

Olympus holds shares of listed stock 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 after 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 purpose of a given holding and the benefits and risks associated with said holding. Those holdings that are deemed unsuitable 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 surrounding the management of Olympus in question as evaluated from the perspective of improving the corporate value of Olympus over the medium to long term.

Stocks Held for Purposes Other Than Pure Investment

	FY2017	FY2018	FY2019	FY2020
Number of holdings	57	48	37	29
Amounts of holdings (billions of yen)	27.9	26.9	18.9	14.4

Initiatives for Realizing Effective Corporate Governance

We have been continuously strengthening our corporate governance system and enhancing its effectiveness, positioning these tasks as top management priorities.

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 (in fiscal year 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 aptitude of the committees. The interview was also conducted by an external consultant with the purpose of objectively grasping the direction 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, we identified the following:

- 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 alertness created with the executive side.
- 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.
- Since the transition to a company with 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).
- 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).

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- and long-term corporate value enhancement, the Board of Directors and each Committee of Olympus will implement the following measures.

I Aim 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).

II Board composition: To consider business strategies from multiple perspectives more than ever before, the Nominating Committee and the Board of Directors will continuously work to ensure not only global diversity but also gender diversity. It enables us to identify necessary experience and expertise in consideration of factors such as the business characteristics and management strategies, and to hold more in-depth discussions at meetings.

III Continuously devise new ways of conducting operations to enable the Board of Directors and each committee to make the best strategic and operational decisions in business areas for which they bear long-term responsibilities (e.g., monitoring of strategically important issues, and enhancement of global risk management as a prerequisite for an effective supervisory structure).

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.

Our basic policy regarding officer compensation is to make officers have a strong sense of awareness that maximize the corporate value and meet shareholders' expectation, and reward their responsibilities with suitable and appropriate treatments. Based on said policy, the Compensation Committee focuses on appropriately setting the compensation portion linked to short-term, medium- to long-term performance, and decides officer compensation.

Officer Compensation in Fiscal Year 2020

Position		Total amount of compensation, etc. (¥ million)	Total compensation by type (¥ million)			Number of subject officers
			Basic compensation	Bonus	Stock compensation	
Directors	Inside directors	468	384	78	6	10
	Outside directors	131	131	—	—	12
Executive officers		140	85	42	13	3

Notes: 1. By the resolution of the 151st Ordinary General Meeting of Shareholders on June 25, 2019, Olympus made a transition from a company with Audit & Supervisory Board to a company with Nominating Committee, etc. The compensation of those who were Audit & Supervisory Board members prior to the transition is included under the abovementioned directors.
2. The compensation of executive officers who also serve as directors is included under directors.
3. The aforementioned inside directors include the three inside directors who retired at the close of the 151st General Meeting of Shareholders on June 25, 2019.

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 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.

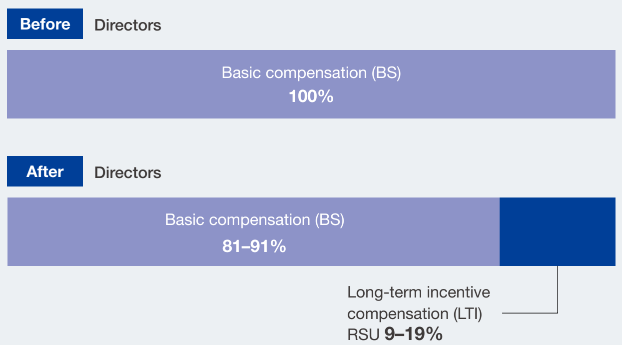
Compensation Level

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.

Compensation Structure

Directors

Given a position that supervises business management, compensation for directors is paid by fixed compensation as basic salary (BS). In addition, as directors contribute to creation of corporate value at various points of contact with the Board of Directors, each committee, and the execution side, non-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 (RSU: 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.



Notes: 1. The above table shows a compensation ratio by type for directors who are from Japan. As for directors who are not from Japan, a payment level of RSU is the same as directors who are from Japan, but the compensation ratio by type is different because of difference in total compensation.
2. For those who double as executive officers, cash compensation paid for management and supervisory functions performed as director is separate from the compensation of executive officers for those who are natives of Japan. For those who are not natives of Japan, cash compensation paid for management and supervisory functions performed as director is included in compensation of executive officer. In addition, for those who double as executive officer, RSU is set for compensation of executive officer. Therefore, RSU as director's compensation shall not be paid.

Executive Officers

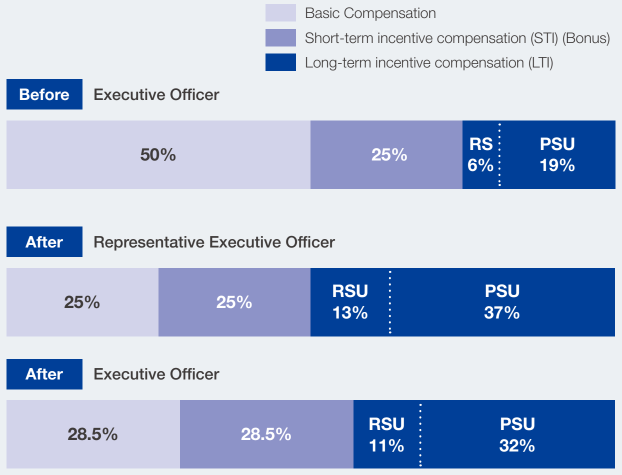
In order to achieve our management strategy and to create corporate value, it is essential that we have a compensation system that ensures that we have capable management personnel and that they can fully demonstrate their abilities. To this end, we have decided on a new compensation system based on 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
6. Enhance the motivation of executive officers by setting challenging and achievable targets

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 (BS: 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 revise or review 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. When the impact of COVID-19 on the corporate strategy and business in fiscal year 2021 becomes more clear, the compensation details for that fiscal year will be considered, and promptly disclosed in an appropriate manner.



Notes: 1. The above table shows the compensation ratio by type of compensation paid for the role of executive officer, and it does not include compensation paid for the role of supervision of a person who doubles as a director.
2. For those who are not natives of Japan, one-time payments, severance pay, housing allowances, pensions, etc. are established for making adjustments to the previous compensation agreements on an individual basis.

Evaluation Index and Evaluation Weight of Short-term Incentive Compensation (STI)

Item	Index	Weight
Companywide results	Revenue	30%
	Operating profit	50%
Strategic goals	Common to all executive officers	20%

Note: Strategic goals are non-financial goals for the current fiscal year, which are selected from among important management issues and measures, and evaluated for level of achievement.

Evaluation Index and Evaluation Weight of Performance-linked Stock Compensation (PSU)

Item	Index	Weight
Corporate strategy	Operating margin	40%
	ROIC	15%
	EPS growth rate	15%
Shareholder value	Relative TSR	20%
Social value	ESG	10%

Notes: 1. Shareholder value is an evaluation of the Company's TSR (total shareholder return) in comparison with 20 global medtech companies.
2 Social value is evaluated based on the Dow Jones Sustainability Index (DJSI), the world's leading ESG investment index.

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

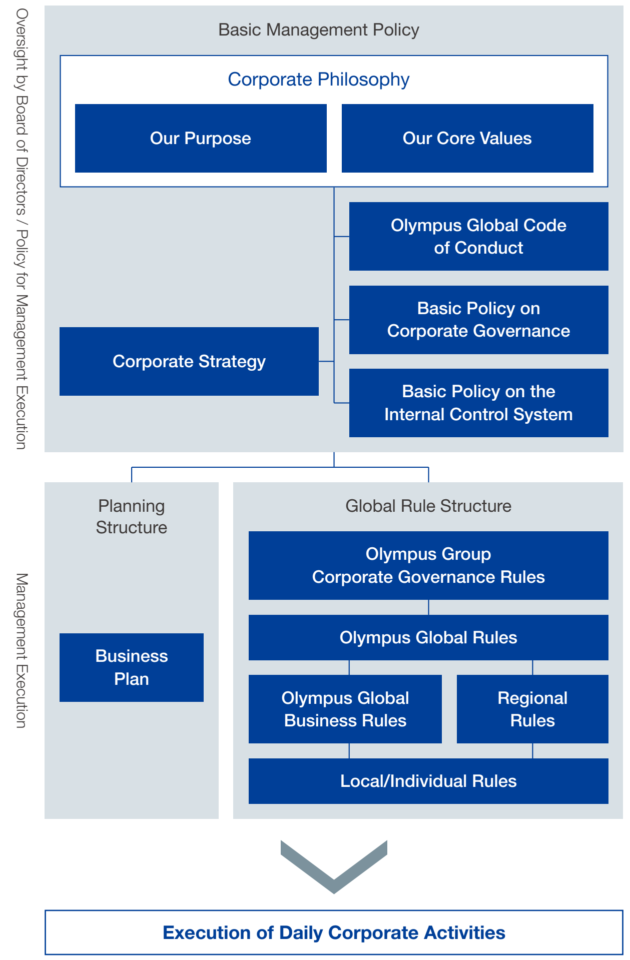
1. Framework to ensure the compliance by Executive Officers and employees of the Company and Directors and employees of its subsidiaries, in performance of duties, to applicable laws and regulations as well as the Articles of Incorporation
2. Framework regarding the maintenance of records and management 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 subsidiaries of 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

Basic Policy on the Internal Control System

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

Framework of Corporate Philosophy

The Olympus Group specifies the Basic Management Policies within the Framework of Corporate Philosophy, positioning its Corporate Philosophy at the top. The concrete guidelines for business execution are then compiled into two structures: Planning and Global Rules.



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.

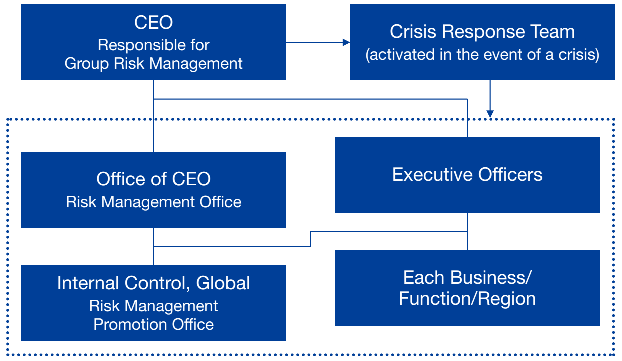
Risk Management

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 risk management
3. Improving the accuracy of efforts to achieve basic management policies through efficient and effective risk management

Risk Management Structure (FY2021)



Crisis Management

The Olympus Group is continually monitoring the global developments around the COVID-19 pandemic and had 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.

Major Business Risks

Risks associated with changes in policy of medical administration and strengthening of reprocessing regulations	When it is not possible to provide new products or services in a timely manner due to changes in healthcare laws and regulations or related administrative policies in each country and the requirements concerning reprocessing (i.e., cleaning, disinfection, and sterilization) became more complex. When the Group otherwise need to take certain actions corresponding such amendments or changes.
Risks Associated with Market Competition	When the unit price of our products declines or our market shares erodes due to the severe competitions with our competitors, or the emergence of alternative technologies or products occurs.
Risks Associated with Selling Activities	When there is a misinterpretation of wide-range of laws and regulations that cover fraud and misconduct in the healthcare industry, changes in guidelines, or significant changes in the business environment.
Risks Associated with Production/ Development Activities	When procurement is restricted, when products deficiency, malfunction, etc., occurs, or when it is not possible to develop products that meet customer needs in a timely manner.
Risks Associated with Foreign Currency Exchange Rate Fluctuations	When sudden fluctuations in foreign currency exchange rates occur, or when the amounts of accounts receivable or payable covered by such contracts significantly differ than expected.
Risks Associated with Business Collaborations and Corporate Acquisitions	When strategic alliances related to technologies, product development, sales and marketing cannot be maintained. When the Group fails to integrate the acquired business in line with its corporate strategy. When existing business or the acquired business's management resources cannot be efficiently used, and when the stock price and valuation of investment securities fluctuate significantly.
Risks Associated with Overall Investment	When an unexpected changes in the external environment occur, from the time of making an investment decision
Risks Associated with Leakage of Information	When important confidential information such as technical and personal information of customers and other related parties are leaked
Risks Associated with Internal Control System	When our internal control system fails due to various factors and we cannot take appropriate measures
Risks Associated with Laws and Regulations	Violation of legal regulations related to various laws targeting fraud and misconduct in the healthcare industry
Risks Associated with Litigation	When an important proceeding such as an indemnity claim or injunction is filed by a third party
Risks Associated with Financing	When our financing costs rise due to changes in the financial market environment or deterioration of the Group's business performance
Risks Associated with Business Structure Reform	When the company-wide efficiency improvement programs do not progress as scheduled in line with the Group's corporate strategy
Other Comprehensive Risks	When the appropriate measures cannot be taken with regard to the status of discussions/reports with domestic and overseas authorities. When additional tax burden is incurred due to changes in tax laws and regulations around the world or their interpretation or application guidelines, or when it is necessary to increase the valuation allowance for deferred tax assets. When a natural disaster, disease, war, terrorist attack, etc., occurs.
Risks Associated with COVID-19	When the effects of COVID-19 cause some restrictions or delays in the Group's business activities. When the number of medical treatments related to our business decrease. When the spread of the infection continues for a long period and the procurement of specific products and parts are restricted.

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/code.html

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.

Compliance Promotion System
(As of July 31, 2020)

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 if sought by the reporter (in accordance with local law). This resource complements a range of regional "helplines", 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 doing 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

CSR Data Book

https://www.olympus-global.com/csr/download/pdf/csr_db_2020.pdf

Governance

Compliance	https://www.olympus-global.com/csr/download/pdf/csr_db_2020.pdf#page=11
Tax	https://www.olympus-global.com/csr/download/pdf/csr_db_2020.pdf#page=18
Anti-corruption	https://www.olympus-global.com/csr/download/pdf/csr_db_2020.pdf#page=20
Information Disclosure	https://www.olympus-global.com/csr/download/pdf/csr_db_2020.pdf#page=23
Information Security	https://www.olympus-global.com/csr/download/pdf/csr_db_2020.pdf#page=26
Personal Information Protection	https://www.olympus-global.com/csr/download/pdf/csr_db_2020.pdf#page=28
Risk Management System	https://www.olympus-global.com/csr/download/pdf/csr_db_2020.pdf#page=30

Society

Product Responsibility	https://www.olympus-global.com/csr/download/pdf/csr_db_2020.pdf#page=32
Procurement	https://www.olympus-global.com/csr/download/pdf/csr_db_2020.pdf#page=42
Human Rights	https://www.olympus-global.com/csr/download/pdf/csr_db_2020.pdf#page=46
Employment	https://www.olympus-global.com/csr/download/pdf/csr_db_2020.pdf#page=49
Labor Relations	https://www.olympus-global.com/csr/download/pdf/csr_db_2020.pdf#page=54
Occupational Safety and Health	https://www.olympus-global.com/csr/download/pdf/csr_db_2020.pdf#page=55
Training and Education	https://www.olympus-global.com/csr/download/pdf/csr_db_2020.pdf#page=70
Diversity and Equal Opportunity	https://www.olympus-global.com/csr/download/pdf/csr_db_2020.pdf#page=73
Social Contribution Activities	https://www.olympus-global.com/csr/download/pdf/csr_db_2020.pdf#page=81

Environment

Environmental Management	https://www.olympus-global.com/csr/download/pdf/csr_db_2020.pdf#page=84
Environmental Performance	https://www.olympus-global.com/csr/download/pdf/csr_db_2020.pdf#page=92
Independent Assurance Statement Related to Environmental Data	https://www.olympus-global.com/csr/download/pdf/csr_db_2020.pdf#page=112

GRI Content Index	https://www.olympus-global.com/csr/download/gri/

Information Disclosure

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.

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.

Investor Relations Activities

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

Activity	Times conducted	Details
Briefing sessions on results for institutional investors and analysts	4	Meetings or teleconferences held quarterly to explain topics from the period, focused on financial performance and forecasts
IR events	1	Events featuring explanations of the Company's business strategies, each division's growth strategies, and product exhibitions
Conference calls for overseas institutional investors	4	Teleconferences with overseas institutional investors held on the day of financial results presentations for each quarter
Overseas IR roadshows	3	Meetings for institutional investors in which the president and the CFO visit overseas sites * Includes roadshows held remotely due to the COVID-19 pandemic
Conferences held by securities companies (including overseas conferences)	6	Participation in and meetings at conferences held by securities companies in Japan and overseas
Briefing sessions/events for individual investors	3	Meetings held at branch offices of securities companies and events for individual investors
Individual meetings with institutional investors and analysts	Approx. 700	Individual meetings held with the president, the CFO, and/or IR division representatives (including meetings conducted at overseas IR roadshows and conferences)

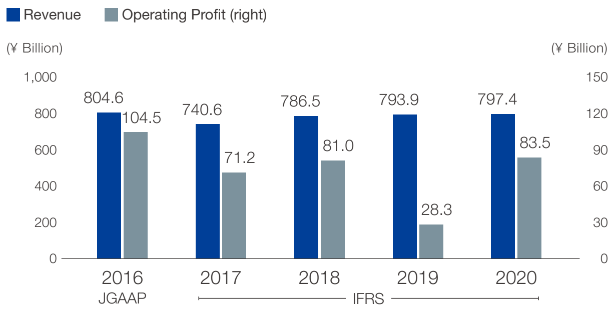
Data Section

Contents

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

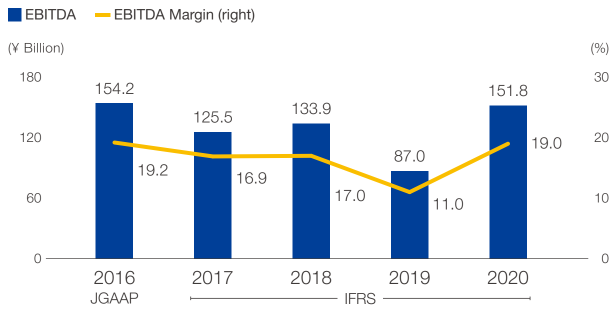
Financial Highlights

Revenue ¥797.4 billion | Operating Profit ¥83.5 billion



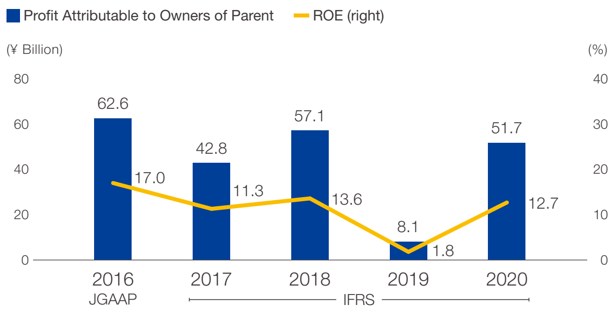
Revenue increased 4% year on year, excluding the impact of the foreign exchange rate, and driven by revenue in the Medical Business which reached an all-time high for the third year in a row. Operating profit increased significantly due to a decrease in both SG&A expenses and other expenses.

EBITDA ¥151.8 billion



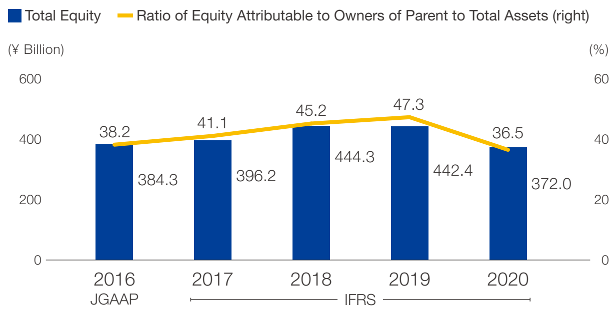
Earnings before interest, taxes, depreciation, and amortization (EBITDA) increased 75% due mainly to the increase in operating profit. The EBITDA margin increased 8 percentage points to 19.0%.

Profit Attributable to Owners of Parent ¥51.7 billion | ROE 12.7%



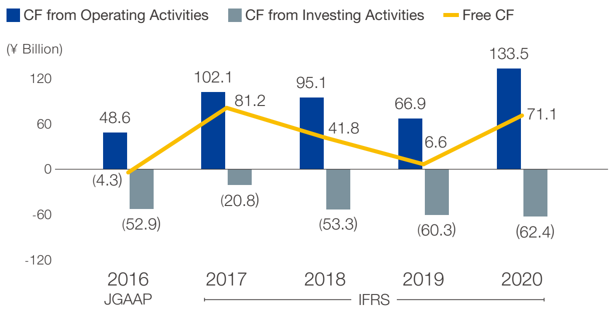
Profit attributable to owners of parent increased 534.2% year on year. ROE increased 10.9 percentage points to 12.7%.

Ratio of Equity Attributable to Owners of Parent to Total Assets 36.5%



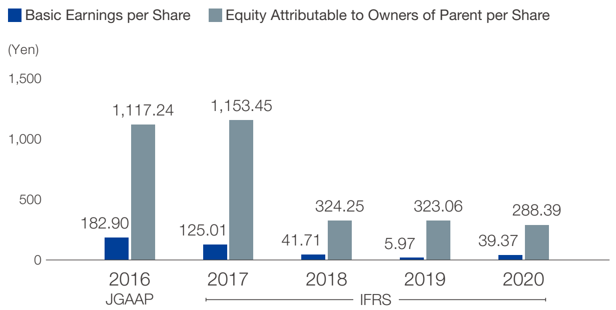
Total equity decreased as the net result of an increase in retained earnings reflecting ¥51.7 billion in profit attributable to owners of parent, a ¥93.4 billion decrease in purchase of treasury shares, and a ¥14.5 billion decrease in other components of capital. The ratio of equity attributable to owners of parent to total assets decreased by 10.8 percentage points.

Free Cash Flow ¥71.1 billion



Net cash provided by operating activities amounted to ¥133.5 billion. Free cash flow amounted to ¥71.1 billion due to increased profit.

Basic Earnings per Share ¥39.37



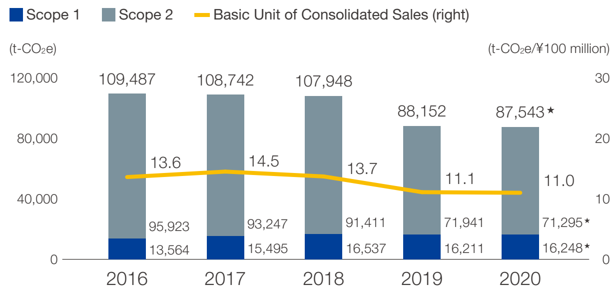
Basic earnings per share amounted to ¥39.37 resulting from the recording of profit attributable to owners of parent of ¥51.7 billion. Equity attributable to owners of parent per share declined by ¥34.67.

* On April 1, 2019, the Company conducted a four-for-one stock split of common stock. "Profit attributable to owners of parent per share" is expressed with the figure after the stock split. The figure for the fiscal year ended March 31, 2019 is recalculated using the same method. "Profit attributable to owners of parent per share" is "Total equity per share" under Japanese GAAP.

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

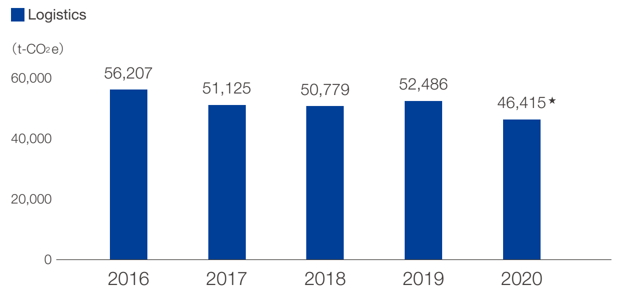
Non-Financial Highlights

CO_2 Emissions*1, *2, *3 87,543 t-CO_2e



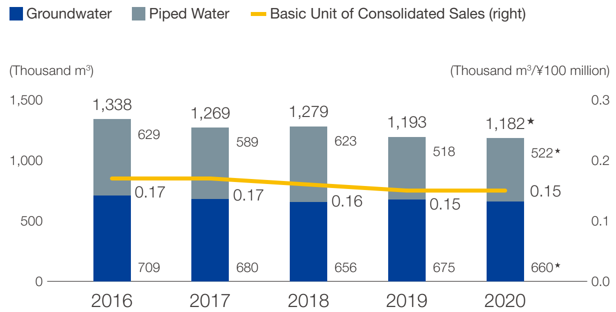
Olympus conducts continual improvements in manufacturing, energy-saving measures and is introducing the use of renewable energy at sites around the world.

CO_2 Emissions*3 (Scope 3*2, *4) 46,415 t-CO_2e



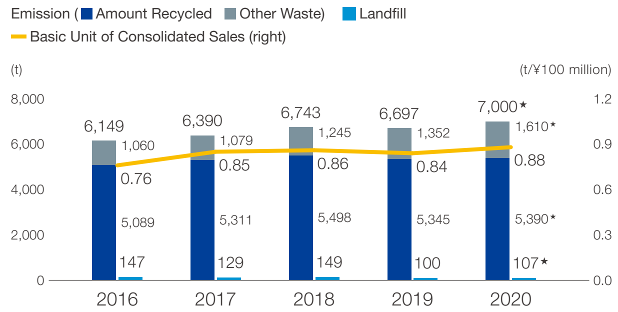
While continuously promoting modal shift in international transportation from aircraft to ships, Olympus is consolidating storage of sales promotion goods, streamlining routes between distribution bases, and reducing the distribution distances with direct delivery.

Water Use*1, *3 1,182 thousand m³



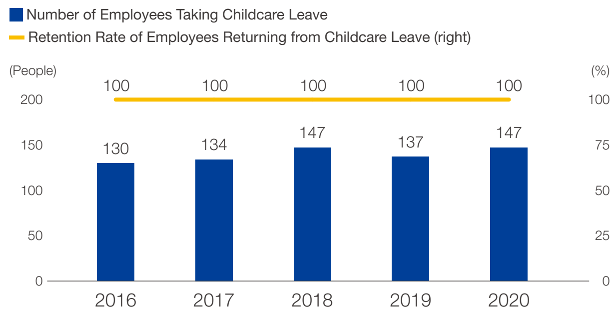
Olympus uses water mainly in production processes, such as for cleaning components and cooling. We implement thorough wastewater control by adopting stricter standards than the legal requirements in each region, and we continue to reduce water consumption and wastewater emissions by setting targets in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

Emission/Landfill*1, *3 7,000 t



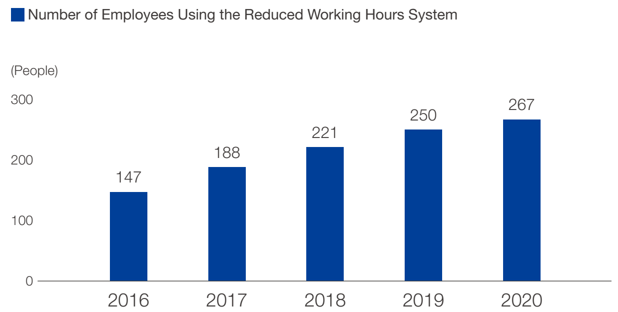
Olympus continues working to reduce waste volume and promote recycling, such as by improving production processes to minimize material loss and thorough waste separation.

Number of Employees Taking Childcare Leave*5 147 people | Retention Rate of Employees Returning from Childcare Leave*5 100%



Olympus is strengthening measures to strike 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.

Number of Employees Using the Reduced Working Hours System*5 267 people



Olympus introduced a reduced working hours system with the aim of supporting both work and childcare/nursing 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.

*1 Scope: Domestic and overseas business enterprises of the Olympus Group. However, small businesses are excluded.
*2 Reporting based on the following GHG Protocol scopes.
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
*3 ★ Indexes certified by external assurance. Please refer to the CSR Data Book for Independent Assurance Statement.
*4 Category 4 upstream transportation and distribution
*5 Scope: Olympus Corporation

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

(Millions of yen)

	JGAAP							IFRS			
	2011	2012	2013	2014	2015	2016	2017	2017	2018	2019	2020
Revenue	847,105	848,548	743,851	713,286	764,671	804,578	748,050	740,557	786,497	793,862	797,411
Selling, general and administrative (SG&A) expenses	349,306	348,287	343,121	367,011	398,889	430,773	414,855	397,697	426,596	437,510	405,023
Percentage of revenue (%)	41.2%	41.0%	46.1%	51.5%	52.2%	53.5%	55.5%	53.7%	54.2%	55.1%	50.8%
Operating profit	38,379	35,518	35,077	73,445	90,962	104,464	76,487	71,192	81,029	28,281	83,469
Percentage of revenue (%)	4.5%	4.2%	4.7%	10.3%	11.9%	13.0%	10.2%	9.6%	10.3%	3.6%	10.5%
Profit (loss) before tax	19,938	(9,495)	19,142	16,425	8,934	70,800	81,686	62,481	76,665	20,117	77,798
Net income (loss) (JGAAP) / Profit (loss) attributable to owners of parent (IFRS)	3,866	(48,985)	8,020	13,627	(8,737)	62,594	78,191	42,783	57,064	8,147	51,670
Percentage of revenue (%)	0.5%	—	1.1%	1.9%	—	7.8%	10.5%	5.8%	7.3%	1.0%	6.5%
EBITDA margin*1 (%)	9.9%	9.5%	10.6%	16.8%	18.5%	19.2%	17.4%	16.9%	17.0%	11.0%	19.0%
EBITDA margin (Medical Business)*2 (%)	26.9%	26.6%	29.0%	29.7%	29.1%	29.5%	27.4%	27.4%	26.5%	24.9%	29.3%
R&D expenditures	67,286	61,356	63,379	66,796	74,101	81,415	79,178	79,178	89,469	93,968	91,589
Percentage of revenue (%)	7.9%	7.2%	8.5%	9.4%	9.7%	10.1%	10.6%	10.7%	11.4%	11.8%	11.5%
Capital expenditures	32,699	37,961	28,109	37,810	47,743	64,445	49,347	60,683	65,255	66,830	77,184
Depreciation and amortization	34,188	33,787	33,899	36,850	41,219	39,912	44,658	54,290	52,913	58,669	68,309
Amortization of goodwill	11,619	11,103	9,683	9,457	9,421	9,867	8,642	—	—	—	—
Financial indicators											
Total assets*3	1,019,160	966,526	960,239	1,027,475	1,081,551	1,000,614	991,062	960,032	978,663	932,030	1,015,663
Total net assets (JGAAP)*3 / Total equity (IFRS)	115,579	48,028	151,907	331,284	357,254	384,283	430,880	396,228	444,259	442,387	371,958
Equity ratio (JGAAP) / Ratio of equity attributable to owners of parent to total assets (IFRS) (%)	11.0%	4.6%	15.5%	32.1%	32.9%	38.2%	43.3%	41.1%	45.2%	47.3%	36.5%
Interest-bearing debt	648,787	642,426	560,390	415,831	354,421	321,138	286,357	285,970	247,974	181,335	280,915
Net debt	435,226	442,338	330,780	163,710	144,546	154,584	86,926	86,505	56,735	66,909	118,421
Inventories	92,929	102,493	99,307	98,595	107,387	111,558	124,064	125,319	139,309	153,623	167,596
Inventory turnover period (months)	1.3	1.4	1.6	1.7	1.6	1.6	1.9	1.9	2.0	2.2	2.4
Cash and cash equivalents at end of year	210,385	198,661	225,782	251,344	209,809	166,323	199,431	199,465	191,239	114,563	162,717
Cash flows from operating activities	30,469	30,889	25,233	72,388	66,811	48,621	90,194	102,052	95,146	66,943	133,544
Cash flows from investing activities	19,003	(35,735)	33,455	(20,273)	(39,612)	(52,897)	(8,305)	(20,814)	(53,312)	(60,296)	(62,430)
Cash flows from financing activities	(37,359)	(5,761)	(42,436)	(39,693)	(70,185)	(33,870)	(44,244)	(43,615)	(51,058)	(82,948)	(19,462)
Return on equity (ROE) (%)	2.9%	(62.3)%	8.3%	5.7%	(2.6)%	17.0%	19.3%	11.3%	13.6%	1.8%	12.7%
Return on assets (ROA) (%)	0.4%	(4.9)%	0.8%	1.4%	(0.8)%	6.0%	7.9%	4.4%	5.9%	0.9%	5.3%
Net income (loss) per share*4 (JGAAP) / Profit attributable to owners of parent per share (IFRS) (yen)	14.39	(183.54)	28.96	41.05	(25.53)	182.90	228.47	125.01	41.71	5.97	39.37
Total equity per share*4 (JGAAP) / Equity attributable to owners of parent per share (IFRS) (yen)	421.37	167.76	493.30	962.83	1,038.64	1,117.24	1,252.96	1,153.45	324.25	323.06	288.39
Price earnings ratio (PER)*5 (times)	160.8	—	76.4	80.2	—	23.9	18.7	34.2	24.2	201.3	39.7
Price book-value ratio (PBR) (times)	5.5	8.1	4.5	3.4	4.3	3.9	3.4	3.7	3.1	3.7	5.4
Outstanding market value (billions of yen)	627.7	367.3	675.8	1,127.4	1,530.0	1,499.2	1,466.6	1,466.6	1,384.5	1,647.8	2,141.4
Cash dividends per share*6 (yen)	7.5	—	—	—	2.5	4.25	7	7	7	7.5	10
Average exchange rate											
U.S. dollar / Yen	85.72	79.08	83.10	100.24	109.93	120.14	108.38	108.38	110.85	110.91	108.74
Euro / Yen	113.12	108.98	107.14	134.37	138.77	132.58	118.79	118.79	129.70	128.41	120.82
Non-financial indicators											
Number of employees*7	34,391	34,112	30,697	30,702	31,540	33,336	34,687	34,687	35,933	35,124	35,174
[Average number of temporary employees]	[5,336]	[5,009]	[2,240]	[2,978]	[1,374]	[1,257]	[1,298]	[1,298]	[1,511]	[1,396]	[1,437]
Overseas employees as a percentage of employees (%)	62.4%	62.1%	62.4%	62.5%	63.2%	63.3%	63.7%	63.7%	63.7%	61.9%	61.3%
Percentage of women in management roles in Japan*8 (%)	0.9%	0.8%	0.9%	1.0%	1.2%	1.4%	1.9%	1.9%	2.3%	2.9%	3.2%
Percentage of women in management roles globally*9 (%)	—	—	—	—	—	—	—	—	—	—	8.4%
Percentage of employees with disabilities*10 (%)	1.8%	1.9%	1.9%	2.0%	2.1%	1.9%	2.1%	2.1%	2.2%	2.2%	2.3%

*1 At the Company, EBITDA 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
EBITDA margin = EBITDA / Revenue

*2 At the Company, EBITDA (Medical Business) 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
EBITDA margin (Medical Business) = EBITDA (Medical Business) / Revenue

*3 In line with the issuance of IAS No. 19 "Employee Benefits" (revised on June 16, 2011) to be applied for fiscal years beginning on or after January 1, 2013, certain overseas subsidiaries adopted IAS No. 19 effective from the fiscal year ended March 31, 2014, and changed their method of recognizing actuarial gain or loss. This change has been applied retroactively to the March 31, 2013.

*4 The Company conducted a stock split at the ratio of four shares for one ordinary share on April 1, 2019. "Profit attributable to owners of parent per share" is expressed with the figure after the stock split. The figure for the fiscal years ended March 31, 2019 is recalculated using the same method.

*5 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.

*6 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.

*7 The average number of temporary employees is stated in parentheses from the fiscal year ended March 31, 2011, as the number of temporary employees is over 10% of the total number of employees.

*8 Figures for Olympus Corporation as of March 31 of each respective year.

*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 in Japan (at eight special-purpose subsidiaries).

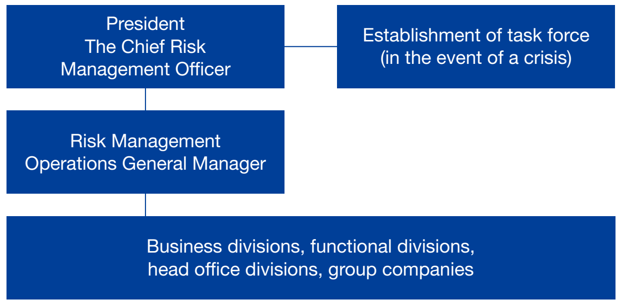
Risk Information (As of July 6, 2020)

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 efficient and effective measures based on the degree of importance of each risk factor. Those measures are discussed and formulated as Olympus Group level issues, 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.



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 for medical device 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 related administrative policies, or other unexpected environmental changes occur; and (ii)-a Olympus Group fails to launch new products or services in a timely manner or (ii)-b Olympus Group otherwise needs to take certain actions corresponding to such amendments or changes.

In March 2018, the U.S. Food and Drug Administration (FDA) has issued warning letters to duodenal endoscopy manufacturers including Olympus group, due to incompliance with the mandatory post-marketing surveillance studies relating to the cleaning and disinfection of such products. Although we have since performed the post-marketing surveillance research requirements with having dialogues with the FDA, further regulatory actions may be taken by the FDA depending on the future progress.

Risks Associated with Market Competition

In the business fields where the Olympus Group relates to, there are risks that: (i) severe competitions with our competitors may cause decline in the unit price of our products or in our market shares; and that (ii) the alternative technologies or products may emerge.

In addition to the research and development activities we have engaged in in the past, we will conduct both research and development activities and marketing and sales activities utilizing the technologies which we will acquire through alliances and open innovations. However, depending on the outcome, the Olympus Group’s earnings may be adversely affected.

Risks Associated with Selling Activities

As government-sponsored healthcare systems are widely developed around the world in the field of the medical business, the Olympus Group and many of the distributors and suppliers engages in business with government-affiliated companies, healthcare providers and officials. The Olympus Group and the distributors and suppliers operate in countries or jurisdictions where there has been governmental corruption in the past, and we are working to educate employees to carry out proper transactions. On the other hand, there are a wide range of laws and regulations that cover fraud and misconduct in the healthcare industry; if such laws and regulations or their application change in the future, that may adversely affect the Olympus Group’s sales or marketing activities.

In the Scientific Solutions Business, system provision to research activities funded by national budgets of countries accounts for a high proportion of earnings of the Olympus Group. Therefore, if such national budgets are curtailed in the wake of unfavorable macroeconomic fluctuations, the Olympus Group’s ability to secure its earnings may be adversely affected.

In the digital camera field of the Imaging business, if the market contracts more sharply than anticipated, the Olympus Group may be unable to adequately counter the resulting sales decline with the restructuring measures currently implementing, and this may adversely affect the Olympus Group’s earnings.

Risks Associated with Production/ Development Activities

For products and parts that depend on certain suppliers, if the procurement are restrained by such suppliers, the Olympus Group’s ability to produce and supply products may be adversely affected. In addition, if we are unable to appropriately respond to sudden changes in market conditions, the Olympus Group’s earnings as well as our supply chain may be adversely affected.

The Olympus Group and its manufacturing contractors manufacture products in accordance with strict quality standards. However, if any product deficiency, malfunction, etc., occurs, not only substantial costs including those of a recall would be incurred but also the Olympus Group’s reputation from the market would be undermined, which may adversely affect the Olympus Group’s earnings.

The Olympus Group is continuing to advance development of products adopting cutting-edge technologies. However, if a technological innovation causes unexpected change in market environment, and the Olympus Group fails to develop new products which adequately meets customers’ needs in a timely manner, the Olympus Group’s earnings may be adversely affected. In addition, if Olympus Group suffers cost increase due to the extension of development period and impairment loss of capitalized R&D assets, the Olympus Group’s earnings may be adversely affected.

Risks Associated with Foreign Currency Exchange Rate Fluctuations

The Olympus Group provides products and services in various markets all over the world, and the overseas sales ratio on a consolidated basis accounts for approximately 82% in the fiscal year ended March 31, 2020. Also, some of our production bases are located overseas.

Olympus mainly uses forward exchange contracts to reduce the risk of foreign exchange fluctuations. However, if (i) sudden fluctuations in foreign currency exchange rates occur or (ii) the amounts of accounts receivable or payable covered by such contracts significantly differ than expected, then the Olympus Group’s business performance may be adversely affected.

Risks Associated with Business Collaborations and Corporate Acquisitions

The Olympus Group has built long-term strategic partnerships with leading enterprises in connection with technologies, product development, sales and marketing. If we fail to maintain such partnerships due to reasons such as occurrence of financial or any other business-related issues or change of our or their strategies, our business activities may be adversely affected.

The Olympus Group may acquire a business enterprise in order to expand its business. If the Olympus Group fails to integrate the acquired business in line with its corporate strategy or to utilize the existing business or the acquired business in an efficient manner, Olympus Group’s business may be adversely affected, or its business performances and financial position may be adversely affected due to impairment of goodwill, loss on sale of business or liquidation or other related expenses.

The Olympus Group holds investment securities for business purposes which include facilitating business alliances. As such, our business performance and financial position could be adversely affected under some situations involving considerable volatility with respect to stock prices and valuations of such investments brought about by developments that include market fluctuations and changes in the financial position of entities targeted for investment.

The Olympus Group has been attempting to transfer of all the equity interests in Olympus (Shenzhen) Industrial Ltd., a consolidated subsidiary in Shenzhen, China and owned by Olympus (China) Co., Ltd., another consolidated subsidiary. However, depending on the future outcomes, the Olympus Group’s business performance and financial position may be adversely affected.

Risks Associated with Overall Investment

The Olympus Group is investing in various areas related to its business, and upon making investments, we make assessments from various aspects. However, in the event of an unexpected change in circumstances, such as a sudden change in the external environment, the Olympus Group’s business performance and financial position may be adversely affected.

Risks Associated with Leakage of Information

The Olympus Group possesses important confidential information such as technology information, as well as the personal information of its customers and other related parties. In order to prevent external leakages of this information, we take various countermeasures including the establishment of internal regulations, the provision of training programs to our employees widely and thoroughly, and the strengthening of security systems. Nevertheless, in case of unauthorized leakage of such information, the Olympus Group may suffer damage to its corporate value, loss of social credibility, and indemnity obligations to customers and related parties affected by such information leakage, which may in turn cause adverse effect to its business performances and financial position.

Risks Associated with Internal Control System

The Olympus Group has developed and is maintaining and continuously improving a system to ensure appropriate and reliable financial reporting. However, no matter how effective the internal control system is, there is a potential risk that it may not properly operate for reasons such as any actions made by willful misconduct or gross negligence or our employees or other persons. If the Olympus Group fails to properly respond to such a situation, of the Olympus Group may breach the laws and regulations, which may result in payment of fines under administrative action, penalties under criminal proceedings, or indemnity civil lawsuits. Moreover, in such case, we may suffer an adverse impact on our business from a loss of our social trust, which in turn may cause an adverse impact on our operating results.

In addition, The Olympus Group has developed, and is operating and continuously improving a system to ensure valid and efficient work processes. However, there is a potential risk that the said system may not properly work due to reasons such as unexpected changes in the business and social environment which invalidates the system, or mishandlings 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 a violation 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. (OMSC), to "undertake steps to enhance its regulatory compliance processes and procedures, and to regularly make certain certifications that OMSC is meeting the expectations of the settlement." Depending on OMSC'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 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 own 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 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), commercials (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 recoverability 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 convocation 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 related to our business may decrease, in which case, our sales activities may be further adversely affected. In addition, if the spread of the infection continues for a long period, (i) the procurement of specific products and parts will be restricted and the production and supply capacity of the Olympus Group may be affected, and (ii) business activities such as the announcement of financial results and the General Meeting of Shareholders may delay.

We have set up a global task force to ensure business continuity and to prevent infection. Specifically, we take measures such as ensuring physical distance at work, thorough wearing of masks, ventilation of facilities, and refraining of business trips and events. It should be noted that while the state of emergency in Japan was lifted from the end of March 2020, working from home measures remained in effect, in principle, until June 2020. Since that time, these measures have been lightened, but restrictions still remain in order to keep attendance rates low. We will continue to take every measure to maintain stable supply of our products and services to our customers, while maintaining the top priority of protecting the health and safety of our employees, healthcare professionals, patients, and communities.

Consolidated Financial Statements and Notes

Consolidated Statements of Financial Position

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

	Millions of yen 2019	Millions of yen 2020	Thousands of U.S. dollars (Note 2) 2020
ASSETS			
Current assets			
Cash and cash equivalents (Notes 7, 35)	¥114,426	¥ 162,494	$1,490,771
Trade and other receivables (Notes 8, 35)	155,321	143,062	1,312,495
Other financial assets (Notes 10, 35)	2,155	3,424	31,413
Inventories (Note 9)	153,623	167,596	1,537,578
Income taxes receivable	7,931	3,521	32,303
Other current assets (Note 11)	16,867	20,336	186,568
Subtotal	450,323	500,433	4,591,128
Assets held for sale (Note 12)	5,709	6,274	57,560
Total current assets	456,032	506,707	4,648,688
Non-current assets			
Property, plant and equipment (Note 13)	176,908	202,134	1,854,440
Goodwill (Note 14)	101,188	98,328	902,092
Intangible assets (Note 14)	69,269	74,792	686,166
Retirement benefit asset (Note 23)	30,239	31,111	285,422
Investments accounted for using equity method	2,440	2,267	20,798
Trade and other receivables (Notes 8, 35)	14,618	19,685	180,596
Other financial assets (Notes 10, 35)	32,808	27,266	250,147
Deferred tax assets (Note 37)	47,267	51,156	469,321
Other non-current assets (Note 11)	1,261	2,217	20,339
Total non-current assets	475,998	508,956	4,669,321
Total assets	¥932,030	¥1,015,663	$9,318,009

See accompanying notes to consolidated financial statements.

	Millions of yen 2019	Millions of yen 2020	Thousands of U.S. dollars (Note 2) 2020
LIABILITIES AND EQUITY			
Liabilities			
Current liabilities			
Trade and other payables (Notes 17, 35)	¥ 61,724	¥ 59,557	$ 546,394
Bonds and borrowings (Notes 18, 35)	59,707	81,018	743,284
Other financial liabilities (Notes 19, 35)	9,391	20,188	185,211
Income taxes payable	8,043	11,276	103,450
Provisions (Note 20)	10,803	20,598	188,973
Other current liabilities (Note 21)	133,311	136,912	1,256,073
Subtotal	282,979	329,549	3,023,385
Liabilities directly associated with assets held for sale (Note 12)	4,532	4,221	38,725
Total current liabilities	287,511	333,770	3,062,110
Non-current liabilities			
Bonds and borrowings (Notes 18, 35)	121,628	199,897	1,833,917
Other financial liabilities (Notes 19, 35)	7,799	30,733	281,954
Retirement benefit liability (Note 23)	43,116	49,607	455,110
Provisions (Note 20)	6,468	7,281	66,798
Deferred tax liabilities (Note 37)	12,101	13,147	120,615
Other non-current liabilities (Note 21)	11,020	9,270	85,046
Total non-current liabilities	202,132	309,935	2,843,440
Total liabilities	489,643	643,705	5,905,550
Equity			
Share capital (Note 24)	124,606	124,643	1,143,514
Capital surplus (Note 24)	91,310	91,157	836,303
Treasury shares (Note 24)	(4,764)	(98,135)	(900,321)
Other components of equity (Note 24)	(8,234)	(22,751)	(208,725)
Retained earnings (Note 24)	238,275	275,833	2,530,578
Total equity attributable to owners of parent	441,193	370,747	3,401,349
Non-controlling interests	1,194	1,211	11,110
Total equity	442,387	371,958	3,412,459
Total liabilities and equity	¥932,030	¥1,015,663	$9,318,009

Consolidated Statements of Profit or Loss

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

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2019	2020	2020
Revenue (Notes 6, 28)	¥793,862	¥797,411	$7,315,697
Cost of sales (Notes 9, 13, 14, 23)	284,297	297,844	2,732,514
Gross profit	509,565	499,567	4,583,183
Selling, general and administrative expenses (Notes 13, 14, 23, 29)	437,510	405,023	3,715,807
Share of profit (loss) of investments accounted for using equity method (Note 6)	603	485	4,450
Other income (Note 30)	6,234	2,976	27,303
Other expenses (Notes 16, 30)	50,611	14,536	133,358
Operating profit (Note 6)	28,281	83,469	765,771
Finance income (Note 31)	2,183	1,942	17,817
Finance costs (Note 31)	10,347	7,613	69,845
Profit before tax	20,117	77,798	713,743
Income taxes (Note 37)	12,068	26,143	239,844
Profit	¥ 8,049	¥ 51,655	$ 473,899
Profit (loss) attributable to:			
Owners of parent	¥ 8,147	¥ 51,670	$ 474,037
Non-controlling interests	¥ (98)	¥ (15)	$ (138)
Profit	¥ 8,049	¥ 51,655	$ 473,899

	Yen		U.S. dollars (Note 2)
	2019	2020	2020
Earnings per share			
Basic earnings per share (Note 32)	¥ 5.97	¥ 39.37	$ 0.36
Diluted earnings per share (Note 32)	¥ 5.96	¥ 39.36	$ 0.36

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

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

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2019	2020	2020
Profit	¥8,049	¥51,655	$473,899
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Financial assets measured at fair value through other comprehensive income (Note 33)	(3,254)	(1,126)	(10,330)
Remeasurements of defined benefit plans (Note 33)	858	(4,227)	(38,780)
Total of items that will not be reclassified to profit or loss (Note 33)	(2,396)	(5,353)	(49,110)
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations (Note 33)	1,855	(13,273)	(121,771)
Cash flow hedges (Note 33)	491	337	3,092
Share of other comprehensive income (loss) of associates accounted for using equity method (Note 33)	(2)	(97)	(890)
Total of items that may be reclassified to profit or loss (Note 33)	2,344	(13,033)	(119,569)
Total other comprehensive income	(52)	(18,386)	(168,679)
Comprehensive income	¥7,997	¥33,269	$305,220
Comprehensive income attributable to:			
Owners of parent	¥8,094	¥33,284	$305,358
Non-controlling interests	¥ (97)	¥ (15)	$ (138)
Comprehensive income	¥7,997	¥33,269	$305,220

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

	Millions of yen							
	Equity attributable to owners of parent							
	Share capital	Capital surplus	Treasury shares	Other components of equity	Retained earnings	Total	Non-controlling interests	Total equity
Balance at April 1, 2018	¥124,560	¥91,502	¥(4,775)	¥(5,810)	¥237,316	¥442,793	¥1,466	¥444,259
Profit					8,147	8,147	(98)	8,049
Other comprehensive income				(53)		(53)	1	(52)
Comprehensive income	—	—	—	(53)	8,147	8,094	(97)	7,997
Purchase of treasury shares (Note 24)			(8)			(8)		(8)
Disposal of treasury shares (Note 24)		(20)	19			(1)		(1)
Dividends from surplus (Note 26)					(9,559)	(9,559)	(368)	(9,927)
Transfer from other components of equity to retained earnings				(2,371)	2,371	—		—
Share-based payment transactions (Note 27)	46	21				67		67
Equity transactions with non-controlling interests		(193)				(193)	193	—
Total transactions with owners	46	(192)	11	(2,371)	(7,188)	(9,694)	(175)	(9,869)
Balance at March 31, 2019	¥124,606	¥91,310	¥(4,764)	¥(8,234)	¥238,275	¥441,193	¥1,194	¥442,387

	Millions of yen							
	Equity attributable to owners of parent							
	Share capital	Capital surplus	Treasury shares	Other components of equity	Retained earnings	Total	Non-controlling interests	Total equity
Balance at April 1, 2019	¥124,606	¥91,310	¥ (4,764)	¥ (8,234)	¥238,275	¥ 441,193	¥1,194	¥ 442,387
Profit					51,670	51,670	(15)	51,655
Other comprehensive income				(18,386)		(18,386)		(18,386)
Comprehensive income	—	—	—	(18,386)	51,670	33,284	(15)	33,269
Purchase of treasury shares (Note 24)			(93,381)			(93,381)		(93,381)
Disposal of treasury shares (Note 24)		(10)	10			0		0
Dividends from surplus (Note 26)					(10,243)	(10,243)	(126)	(10,369)
Transfer from other components of equity to retained earnings				3,869	(3,869)	—		—
Share-based payment transactions (Note 27)	37	15				52		52
Equity transactions with non-controlling interests		(158)				(158)	158	—
Total transactions with owners	37	(153)	(93,371)	3,869	(14,112)	(103,730)	32	(103,698)
Balance at March 31, 2020	¥124,643	¥91,157	¥(98,135)	¥(22,751)	¥275,833	¥ 370,747	¥1,211	¥ 371,958

	Thousands of U.S. dollars (Note 2)							
	Equity attributable to owners of parent							
	Share capital	Capital surplus	Treasury shares	Other components of equity	Retained earnings	Total	Non-controlling interests	Total equity
Balance at April 1, 2019	$1,143,174	$837,706	$ (43,706)	$ (75,541)	$2,186,009	$4,047,642	$10,954	$4,058,596
Profit					474,037	474,037	(138)	473,899
Other comprehensive income				(168,679)		(168,679)		(168,679)
Comprehensive income	—	—	—	(168,679)	474,037	305,358	(138)	305,220
Purchase of treasury shares (Note 24)			(856,707)			(856,707)		(856,707)
Disposal of treasury shares (Note 24)		(92)	92			0		0
Dividends from surplus (Note 26)					(93,973)	(93,973)	(1,156)	(95,129)
Transfer from other components of equity to retained earnings				35,495	(35,495)	—		—
Share-based payment transactions (Note 27)	340	139				479		479
Equity transactions with non-controlling interests		(1,450)				(1,450)	1,450	—
Total transactions with owners	340	(1,403)	(856,615)	35,495	(129,468)	(951,651)	294	(951,357)
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

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

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2019	2020	2020
Cash flows from operating activities			
Profit before tax	¥ 20,117	¥ 77,798	$ 713,743
Depreciation and amortization	58,669	68,309	626,688
Impairment loss (reversal) (Note 16)	3,618	5,501	50,468
Interest and dividend income	(1,901)	(1,911)	(17,532)
Interest expenses	4,617	3,810	34,954
Loss related to securities litigation (Note 30)	19,380	—	—
Loss related to duodenoscope investigation (Note 30)	9,653	—	—
Share of loss (profit) of investments accounted for using equity method	(603)	(485)	(4,450)
Decrease (increase) in trade and other receivables	5,584	1,276	11,706
Decrease (increase) in inventories	(14,357)	(16,401)	(150,468)
Increase (decrease) in trade and other payables	3,114	731	6,706
Increase (decrease) in retirement benefit liability	1,632	(2,303)	(21,128)
Decrease (increase) in retirement benefit asset	(2,391)	2,136	19,596
Increase (decrease) in provisions	9,866	9,637	88,413
Other	2,892	6,752	61,946
Subtotal	119,890	154,850	1,420,642
Interest received	1,299	1,456	13,358
Dividends received	602	455	4,174
Interest paid	(4,622)	(3,689)	(33,844)
Loss on litigation paid	(19,380)	—	—
Loss related to the duodenoscope investigation paid	(9,653)	—	—
Income taxes paid	(21,193)	(19,528)	(179,156)
Net cash provided by operating activities	66,943	133,544	1,225,174
Cash flows from investing activities			
Purchase of property, plant and equipment	(47,094)	(37,774)	(346,550)
Proceeds from sales of property, plant and equipment	4,300	198	1,817
Purchase of intangible assets	(14,372)	(28,155)	(258,303)
Purchase of investments in associates	(2,440)	-	-
Payments for loans receivable	(1,564)	(872)	(8,000)
Collection of loans receivable	1,193	1,755	16,101
Proceeds from sales of investments	5,031	3,031	27,807
Payments for acquisition of business (Notes 34, 40)	(3,743)	(571)	(5,239)
Other	(1,607)	(42)	(385)
Net cash used in investing activities	(60,296)	(62,430)	(572,752)
Cash flows from financing activities			
Increase (decrease) in short-term borrowings and commercial papers (Note 34)	647	69,534	637,927
Repayments of lease liabilities (Note 34)	—	(15,604)	(143,156)
Proceeds from long-term borrowings (Note 34)	9,425	39,780	364,954
Repayments of long-term borrowings (Note 34)	(64,302)	(58,874)	(540,128)
Dividends paid (Note 26)	(9,559)	(10,243)	(93,972)
Dividends paid to non-controlling interests	(368)	(126)	(1,156)
Proceeds from issuance of bonds (Notes 18, 34)	9,947	49,793	456,817
Redemption of bonds (Note 34)	(25,000)	—	—
Payments for purchase of treasury shares	(8)	(93,381)	(856,706)
Other	(3,730)	(341)	(3,130)
Net cash used in financing activities	(82,948)	(19,462)	(178,550)
Effect of exchange rate changes on cash and cash equivalents	(375)	(3,498)	(32,092)
Net increase (decrease) in cash and cash equivalents	(76,676)	48,154	441,780
Cash and cash equivalents at beginning of period	191,239	114,563	1,051,037
Cash and cash equivalents at end of period (Note 7)	¥114,563	¥162,717	$1,492,817

See accompanying notes to consolidated financial statements.

Notes to the Consolidated Financial Statements

Olympus Corporation and Consolidated Subsidiaries

1. Reporting Entity

Olympus Corporation (hereinafter, the "Company") is a corporation located in Japan. The address of its registered head office is Hachioji-shi, Tokyo. The Company's consolidated financial statements comprise the Company, its subsidiaries (hereinafter, the "Olympus Group") and interests in the Company's associates.

The Olympus Group is principally engaged in the manufacture and sales of endoscopic, therapeutic, scientific, imaging and other products. Details of each business are as described in Note 6 "Segment information."

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.

The consolidated financial statements for the fiscal year ended March 31, 2020 were approved by Yasuo Takeuchi, Director, Representative Executive Officer, President and CEO, and Chikashi Takeda, Executive Officer CFO, on July 6, 2020.

(2) Basis of measurement

The Olympus Group's consolidated financial statements have been prepared on a historical cost basis, except for certain items, such as financial instruments measured at fair value as described in Note 3 "Significant accounting policies."

(3) 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 been, or could in the future be converted into U.S. dollars at this or any other rate of exchange.

(4) Changes in presentation

(Consolidated statement of cash flows)

"Impairment loss (reversal)", which was included in "Other" in cash flows from operating activities for the fiscal year ended March 31, 2019, is separately presented for the fiscal year ended March 31, 2020 due to its increased significance. In order to reflect this change, ¥6,510 million, which was presented as "Other" in cash flows from operating activities in the consolidated statement of cash flows for the fiscal year ended March 31, 2019, is reclassified as ¥3,618 million of "Impairment loss (reversal)" and ¥2,892 million of "Other".

3. Significant Accounting Policies

(1) Basis of consolidation

1) Subsidiaries

A subsidiary is an entity that is 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 the exercise of 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 even if this results in 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.

If the Olympus Group loses control over a subsidiary, any resulting gains or losses shall be recognized in profit or loss.

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 acquisition-date 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 is 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, financial assets 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 based on 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 payment of the principal and interest on the principal balance

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.

(iii) 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 at the end 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 12 months are 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 are recognized as allowance for doubtful accounts.

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

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.

(iv) Derecognition

A financial asset is derecognized when the contractual rights to the cash flows from the financial asset expire or when the contractual rights to receive the cash flows from the financial asset are assigned and substantially all the risks and rewards of ownership are transferred.

2) Financial liabilities

(i) Initial recognition and measurement

The Olympus Group initially recognizes financial liabilities at the transaction date when the Olympus Group becomes a party to the contract for the financial liabilities. All financial liabilities are measured at fair value at initial recognition, whereas financial liabilities measured at amortized cost are measured at the amount less directly attributable transaction costs.

(ii) Classification and subsequent measurement

Financial liabilities are classified into financial liabilities measured at fair value through profit or loss or financial liabilities measured at amortized cost at initial recognition.

Changes in fair value of financial liabilities measured at fair value through profit or loss are recognized in profit or loss subsequent to the initial recognition.

Financial liabilities measured at amortized cost are measured at amortized cost subsequent to the initial recognition, by using the effective interest method. Amortization by the effective interest method, as well as gains and losses associated with derecognition shall be recognized in profit or loss.

(iii) Derecognition

The Olympus Group derecognizes a financial liability when it is extinguished, namely when the obligation specified in the contract is discharged, cancelled or expires.

3) Offsetting financial instruments

Financial assets and liabilities are offset, with the net amount presented in the consolidated statements of financial position, only if the Olympus Group holds a legal right to offset the recognized amounts, and there is an intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

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.

The Olympus Group applies cash flow hedges to interest rate-related derivative transactions that meet the criteria for hedge accounting.

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 until 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 occur.

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 of 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 include 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 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 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. Leased 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 apportioned 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 terms 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 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.

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 financial 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-cancellable 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 apportioned to each fiscal 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 expense.

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), the Olympus Group assesses at the end of each reporting period 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.

Assets that are not individually tested in impairment testing are integrated into the smallest cash-generating unit that generates cash inflows largely independent of cash inflows from other assets or asset groups. Corporate assets do not generate independent cash inflows. Therefore, if there is an indication that corporate assets may be impaired, the impairment test is performed based on the recoverable amount of the cash-generating unit to which the corporate assets belong.

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 pretax 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, impairment losses are reversed. The carrying amount after reversal of impairment losses does not exceed the carrying amount that would have been determined, net of depreciation or amortization had no impairment loss been 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.

(15) Government grants
Government grants are recognized at fair value, if there is reasonable assurance that the Olympus Group will comply with the conditions attached to them and that will receive the grants. Government grants associated with expenses are recognized in revenue over the period when the expenses, which the grant is intended to compensate, are incurred. Government grants related to the acquisition of assets are recognized as deferred income and then recognized in profit or loss over the expected useful life of the relevant asset on a systematic basis.

(16) Employee benefits
1) Post-employment benefits
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 by using the projected unit credit method.

The discount rate used for discounting to 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 associated with 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.

2) Short-term employee benefits
Short-term employee benefits are recognized as expenses in the period in which the employee renders the related service without discounting. When the Olympus Group has present legal or constructive obligations to make payments resulting from past services rendered by the employees and the amount can be estimated reliably, the amount estimated to be paid is recognized as a liability.

3) Other long-term employee benefits
The Olympus Group has a special leave system and incentive payment 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.

Stock option plans
Stock options 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-linked 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 sustainable improvement of corporate value, as well as further enhancing value sharing with shareholders. 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 the sales of these products, the Olympus Group mainly 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 income 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 items that are recognized directly in other comprehensive income or equity, and where they arise from business combinations.

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).
- Taxable temporary differences 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.
- Deductible temporary differences 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 on a net basis or to realize the tax asset or settle the 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%.

Reconciliation of non-cancelable operating lease agreements applying IAS 17 at the end of the previous fiscal year and lease liabilities recognized on the consolidated statement of financial position as of the date of initial application is as follows:

	Millions of yen	Thousands of U.S. dollars
Operating lease agreements disclosed at March 31, 2019	¥ 44,262	$ 406,073
Operating lease agreements disclosed at March 31, 2019 (after discounted using incremental borrowing rate)	42,232	387,450
Finance lease obligations (March 31, 2019)	9,035	82,890
Short-term leases and leases low-value assets	(896)	(8,220)
Options to extend or terminate the lease that the lessee is reasonably certain to exercise	13,539	124,211
Lease agreements entered into before the initial date of application (Executing date)	(19,896)	(182,532)
Others	3,520	32,293
Lease liabilities as of April 1, 2019	¥ 47,534	$ 436,092

In the application of IFRS 16, the Olympus Group has adopted the following practical expedients.

- Applied a single discount rate to a portfolio of leased assets with similar characteristics
- Accounted in the same way as short-term leases for leases with a lease term of 12 months or less
- Excluded initial direct costs from the measurement as of the adoption date for the right-of-use assets that existed at the beginning of the fiscal year ended March 31, 2020
- Used hindsight on exercising options to extend or terminate the lease when determining the lease term

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 (6) 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 are 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.
- Measurement of provisions (Note 3 “Significant accounting policies (13) Provisions,” Note 20 “Provisions”)
  Provisions are measured based on best estimates of expenditures required to settle obligations in the future at 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.
- Measurement of defined benefit obligation (Note 3 “Significant accounting policies (16) Employee benefits, ” Note 23 “Employee benefits”)
  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.

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 to the new segment classification. The principal products and services of each reportable segment are as follows.

Reportable Segment	Principal products and services
Endoscopic Solutions Business	Gastrointestinal endoscopes, surgical endoscopes, endoscopes system, 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

(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

For the year ended March 31, 2019

	Reportable Segment						Adjustment (Notes 2, 3, 4, 5)	Amount on consolidated financial statements
	Endoscopic Solutions	Therapeutic Solutions	Scientific Solutions	Imaging	Others	Total		
Revenue								
Revenue from outside customers	¥418,833	¥215,468	¥104,225	¥ 48,679	¥ 6,657	¥793,862	¥ —	¥793,862
Intersegment revenue (Note 1)	—	—	79	1	581	661	(661)	—
Total	418,833	215,468	104,304	48,680	7,238	794,523	(661)	793,862
Operating profit (loss)	89,771	22,163	8,135	(18,268)	(3,521)	98,280	(69,999)	28,281
Finance income								2,183
Finance costs								10,347
Profit before tax								20,117
Other items								
Share of profit (loss) of investments accounted for using equity method	603	—	0	—	—	603	—	603
Depreciation and amortization	29,654	16,438	6,842	1,654	491	55,079	3,590	58,669
Impairment losses (non-financial assets)	9	1,332	—	1,990	73	3,404	214	3,618
Segment assets	392,432	225,574	97,191	47,283	5,813	768,293	163,737	932,030
Investments accounted for using equity method	—	2,440	—	—	—	2,440	—	2,440
Capital expenditures	¥ 37,190	¥ 13,812	¥ 6,688	¥ 4,027	¥ 553	¥ 62,270	¥ 4,560	¥ 66,830

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.

Millions of yen

For the year ended March 31, 2020

	Reportable Segment						Adjustment (Notes 2, 3, 4, 5)	Amount on consolidated financial statements
	Endoscopic Solutions	Therapeutic Solutions	Scientific Solutions	Imaging	Others	Total		
Revenue								
Revenue from outside customers	¥425,742	¥216,075	¥105,189	¥ 43,615	¥ 6,790	¥797,411	¥ —	¥ 797,411
Intersegment revenue (Note 1)	—	—	50	3	483	536	(536)	—
Total	425,742	216,075	105,239	43,618	7,273	797,947	(536)	797,411
Operating profit (loss)	109,424	26,191	9,997	(10,393)	(2,744)	132,475	(49,006)	83,469
Finance income								1,942
Finance costs								7,613
Profit before tax								77,798
Other items								
Share of profit (loss) of investments accounted for using equity method	561	(76)	—	—	—	485	—	485
Depreciation and amortization	34,239	18,062	7,638	1,503	1,166	62,608	5,701	68,309
Impairment losses (non-financial assets)	1,663	1,109	—	1,518	10	4,300	1,201	5,501
Segment assets	414,978	256,239	94,841	47,538	7,752	821,348	194,315	1,015,663
Investments accounted for using equity method	—	2,267	—	—	—	2,267	—	2,267
Capital expenditures	¥ 47,557	¥ 12,897	¥ 6,427	¥ 3,045	¥ 875	¥ 70,801	¥ 6,383	¥ 77,184

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.

Thousands of U.S. dollars

For the year ended March 31, 2020

	Reportable Segment						Adjustment (Notes 2, 3, 4, 5)	Amount on consolidated financial statements
	Endoscopic Solutions	Therapeutic Solutions	Scientific Solutions	Imaging	Others	Total		
Revenue								
Revenue from outside customers	$3,905,890	$1,982,339	$965,037	$400,138	$ 62,293	$ 7,315,697	$ —	$7,315,697
Intersegment revenue (Note 1)	—	—	459	28	4,430	4,917	(4,917)	—
Total	3,905,890	1,982,339	965,496	400,166	66,723	7,320,614	(4,917)	7,315,697
Operating profit (loss)	1,003,890	240,284	91,716	(95,349)	(25,174)	1,215,367	(449,596)	765,771
Finance income								17,817
Finance costs								69,845
Profit before tax								713,743
Other items								
Share of profit (loss) of investments accounted for using equity method	5,147	(697)	—	—	—	4,450	—	4,450
Depreciation and amortization	314,119	165,706	70,073	13,789	10,698	574,385	52,303	626,688
Impairment losses (non-financial assets)	15,257	10,174	—	13,927	92	39,450	11,018	50,468
Segment assets	3,807,138	2,350,817	870,101	436,128	71,119	7,535,303	1,782,706	9,318,009
Investments accounted for using equity method	—	20,798	—	—	—	20,798	—	20,798
Capital expenditures	$ 436,303	$ 118,321	$ 58,963	$ 27,936	$ 8,027	$ 649,550	$ 58,560	$ 708,110

(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.

Revenue by country or region

	Millions of yen		Thousands of U.S. dollars
	2019	**2020**	**2020**
Japan	¥146,344	¥144,418	$1,324,936
North America	267,411	266,704	2,446,826
Europe	191,965	191,276	1,754,825
China	91,328	103,036	945,284
Asia and Oceania	77,185	72,782	667,725
Others	19,629	19,195	176,101
Total	¥793,862	¥797,411	$7,315,697

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 — United States, Canada
(2) Europe — Germany, United Kingdom, France, etc.
(3) Asia and Oceania — Singapore, South Korea, Australia, etc.
(4) Others — Central and South America, Africa, etc.
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.

Non-current assets (excluding financial instruments, deferred tax assets, and retirement benefit assets)

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Japan	¥140,968	¥163,308	$1,498,239
America	145,770	140,302	1,287,174
Europe and Middle East	43,726	52,329	480,083
Asia and Oceania	18,162	21,532	197,541
Total	¥348,626	¥377,471	$3,463,037

Notes: 1. Each geographic location is determined on the basis of geographic proximity.
2. Major countries and regions other than Japan were as follows:
(1) America United States, Canada, Mexico, and Brazil
(2) Europe and Middle East Germany, United Kingdom, France, etc.
(3) Asia and Oceania Singapore, China, South Korea, Australia, etc.

The balances of non-current assets (except financial instruments, deferred tax assets, and retirement benefit assets) in the United States were ¥139,657 million and ¥133,116 million ($1,221,248 thousand) as of March 31, 2019 and 2020, respectively. The balances of non-current assets (except financial instruments, deferred tax assets, and retirement benefit assets) in any individual country and region other than Japan and the United States were not material as of March 31, 2019 and 2020, respectively.

(5) Major customers

Information on revenue attributable to major customers for the years ended March 31, 2019 and 2020 was omitted because no single customer accounted for 10% or more of consolidated revenue.

7. Cash and Cash Equivalents

The breakdown of cash and cash equivalents in the consolidated statements of financial position and the relationship between the cash and cash equivalents in the consolidated statements of financial position and the cash and cash equivalents in the consolidated statements of cash flows as of March 31, 2019 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Cash and deposits	¥108,025	¥157,739	$1,447,147
Short-term investments	6,401	4,755	43,624
Cash and cash equivalents in the consolidated statements of financial position	¥114,426	¥162,494	$1,490,771
Cash and cash equivalents included in assets held for sale	137	223	2,046
Cash and cash equivalents in the consolidated statements of cash flows	¥114,563	¥162,717	$1,492,817

8. Trade and Other Receivables

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

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Trade notes receivable and trade accounts receivable	¥141,679	¥127,910	$1,173,486
Other receivables	12,584	12,678	116,311
Contract assets	754	367	3,367
Lease receivables	29,824	36,891	338,450
Allowance for doubtful accounts	(14,902)	(15,099)	(138,523)
Total	¥169,939	¥162,747	$1,493,091
Current	155,321	143,062	1,312,495
Non-current	14,618	19,685	180,596
Total	¥169,939	¥162,747	$1,493,091

Trade and other receivables are presented net of allowance for doubtful accounts in the consolidated statements of financial position.

9. Inventories

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

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Merchandise and finished goods	¥ 64,063	¥ 76,680	$ 703,486
Work in progress	30,940	29,919	274,486
Raw materials and supplies	58,620	60,997	559,606
Total	¥153,623	¥167,596	$1,537,578

The amounts of inventories recorded as cost of sales for the years ended March 31, 2019 and 2020 were ¥250,125 million and ¥253,847 million ($2,328,872 thousand), respectively.

Write-downs of inventories recognized as expenses for the years ended March 31, 2019 and 2020 were ¥12,129 million and ¥12,693 million ($116,450 thousand), respectively.

Inventories include materials not expected to be used or sold within 12 months from the end of each fiscal year, but all of them are held within the Olympus Group's normal operating cycle. The corresponding carrying amounts at March 31, 2019 and 2020 were ¥6,186 million and ¥6,219 million ($57,055 thousand), respectively.

10. Other Financial Assets

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

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Financial assets measured at fair value through profit or loss			
Derivative assets	¥ 599	¥ 1,455	$ 13,349
Equity securities	787	845	7,752
Financial assets measured at amortized cost			
Lease and guarantee deposits	5,207	4,938	45,303
Other	8,800	8,216	75,376
Financial assets measured at fair value through other comprehensive income			
Equity securities	19,570	15,236	139,780
Total	¥34,963	¥30,690	$281,560
Current	2,155	3,424	31,413
Non-current	32,808	27,266	250,147
Total	¥34,963	¥30,690	$281,560

11. Other Current Assets and Other Non-current Assets

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

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Prepaid expenses	¥ 7,019	¥ 9,514	$ 87,284
Consumption tax receivables	4,665	6,524	59,853
Other	6,444	6,515	59,770
Total	¥18,128	¥22,553	$206,907
Current	16,867	20,336	186,568
Non-current	1,261	2,217	20,339
Total	¥18,128	¥22,553	$206,907

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:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Assets			
Land	—	¥ 27	$ 248
Buildings and structures	—	274	2,514
Machinery and vehicles	—	543	4,981
Construction in progress	—	308	2,826
Other tangible fixed assets	—	19	174
Goodwill	—	310	2,844
Cash and cash equivalents	¥ 137	223	2,046
Other financial assets	4,771	4,482	41,120
Other current assets	801	88	807
Total	¥5,709	¥6,274	$57,560
Liabilities			
Trade and other payables	35	—	—
Provisions	4,477	4,196	38,495
Other current liabilities	20	25	230
Total	¥4,532	¥4,221	$38,725

Transactions involving the sale of assets and liabilities classified as assets held for sale and liabilities directly associated with assets held for sale as of March 31, 2019 were not completed during the year ended March 31, 2020 as follows.

The Olympus Group had executed a framework agreement concerning transfer of all the equity interests of Olympus (Shenzhen) Industrial Ltd. ("OSZ"), a consolidated subsidiary of the Company in Shenzhen, China, and owned by Olympus (China) Co., Ltd., another consolidated subsidiary of the Company, to Shenzhen YL Technology ("YL") (the "Transfer") with YL (the "Transfer Agreement") and had been preparing to complete the Transfer. However, the Transfer Agreement was canceled since the conditions precedent to the Transfer were not satisfied. On the other hand, the Olympus Group continues to consider transfer of all the equity interests of OSZ. Therefore, assets and liabilities at OSZ are recognized in assets held for sale and liabilities directly associated with assets held for sale, and their transfer is expected to be completed within one year from March 31, 2020.

A transaction involving the sale of assets owned by a subsidiary operating in the Therapeutic solutions business were classified as assets held for sale as of March 31, 2020 and their sale is expected to be completed within one year from March 31, 2020.

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:

Carrying amount

	Millions of yen					
	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
Balance at April 1, 2018	¥ 65,464	¥15,432	¥ 59,380	¥22,186	¥ 5,781	¥168,243
Additions	4,118	5,706	33,605	393	8,636	52,458
Depreciation	(5,527)	(3,475)	(28,071)	—	—	(37,073)
Impairment losses	(320)	(917)	(648)	(105)	—	(1,990)
Sales and disposals	(1,878)	(72)	(4,127)	(147)	—	(6,224)
Reclassification	2,582	1,072	1,537	79	(5,200)	70
Exchange differences on translation of foreign operations	(20)	(237)	1,827	(59)	(237)	1,274
Other	1	76	79	(6)	—	150
Balance at March 31, 2019	¥ 64,420	¥17,585	¥ 63,582	¥22,341	¥ 8,980	¥176,908
Impact of changes in accounting policy	29,622	2,408	2,285	317	—	34,632
Balance at April 1, 2019	¥ 94,042	¥19,993	¥ 65,867	¥22,658	¥ 8,980	¥211,540
Additions	11,275	6,796	23,771	639	6,547	49,028
Depreciation	(14,343)	(6,539)	(27,202)	(376)	—	(48,460)
Impairment losses	(1,311)	(521)	(2,133)	—	—	(3,965)
Sales and disposals	(2,620)	(360)	(2,061)	(8)	—	(5,049)
Transfer to non-current assets for sale	(274)	(543)	(19)	(27)	(308)	(1,171)
Reclassification	7,849	3,674	4,357	18	(11,280)	4,618
Exchange differences on translation of foreign operations	(2,543)	(448)	(2,809)	(161)	(289)	(6,250)
Other	(99)	(172)	1,693	(4)	425	1,843
Balance at March 31, 2020	¥ 91,976	¥21,880	¥ 61,464	¥22,739	¥ 4,075	¥202,134

	Thousands of U.S. dollars					
	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
Balance at April 1, 2019	$862,770	$183,422	$ 604,284	$207,871	$ 82,385	$1,940,732
Additions	103,440	62,349	218,083	5,862	60,064	449,798
Depreciation	(131,586)	(59,991)	(249,560)	(3,450)	—	(444,587)
Impairment losses	(12,028)	(4,780)	(19,568)	—	—	(36,376)
Sales and disposals	(24,037)	(3,303)	(18,908)	(73)	—	(46,321)
Transfer to non-current assets for sale	(2,514)	(4,981)	(174)	(248)	(2,826)	(10,743)
Reclassification	72,009	33,706	39,972	165	(103,485)	42,367
Exchange differences on translation of foreign operations	(23,330)	(4,110)	(25,771)	(1,477)	(2,651)	(57,339)
Other	(908)	(1,578)	15,533	(37)	3,899	16,909
Balance at March 31, 2020	$ 843,816	$200,734	$ 563,891	$208,613	$ 37,386	$1,854,440

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. Changes of carrying amount ¥2,448 million ($22,459 thousand) by company housing the company contracted and loaned to employees is recorded "Additions" and "Sales and disposals" of "Buildings and structures" for the year ended March 31, 2020. And that has no impact on balance.

Acquisition cost

	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
	Millions of yen					
Balance at April 1, 2018	¥151,521	¥59,469	¥243,583	¥22,186	¥5,781	¥482,540
Balance at March 31, 2019	156,436	56,634	260,876	22,341	8,980	505,267
Balance at March 31, 2020	¥195,563	¥64,040	¥261,650	¥23,249	¥4,075	¥548,577

	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
	Thousands of U.S. dollars					
Balance at March 31, 2020	$1,794,156	$587,523	$2,400,459	$213,294	$37,386	$5,032,818

Accumulated depreciation and accumulated impairment losses

	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
	Millions of yen					
Balance at April 1, 2018	¥ 86,057	¥44,037	¥184,203	—	—	¥314,297
Balance at March 31, 2019	92,016	39,049	197,294	—	—	328,359
Balance at March 31, 2020	¥103,587	¥42,160	¥200,186	¥510	¥—	¥346,443

	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
	Thousands of U.S. dollars					
Balance at March 31, 2020	$950,340	$386,789	$1,836,568	$4,681	$—	$3,178,378

(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:

	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Total
	Millions of yen				
Balance at April 1, 2019	¥29,622	¥4,886	¥2,285	¥317	¥37,110
Balance at March 31, 2020	¥25,195	¥4,588	¥2,335	¥308	¥32,426

	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Total
	Thousands of U.S. dollars				
Balance at March 31, 2020	$231,146	$42,092	$21,422	$2,826	$297,486

Notes: 1. As stated in Note 3 "Significant accounting policies (10) Leases", with the adoption of IFRS 16 "Leases", at the beginning of the current fiscal year, the entire amount of "Leased assets" as of March 31, 2019 was reclassified as "Right-of-use assets".
2. Right-of-use assets increased during the fiscal year ended March 31, 2020 by ¥13,380 million ($122,752 thousand).

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:

Carrying amount

	Goodwill	Capitalized development costs	Software	Other	Total
	Millions of yen				
		Intangible assets			
Balance at April 1, 2018	¥ 97,208	¥32,497	¥12,757	¥28,117	¥ 73,371
Additions	—	—	4,808	161	4,969
Additions through internal development	—	9,398	5	—	9,403
Additions through business combinations	98	—	—	3,815	3,815
Amortization	—	(7,421)	(4,934)	(9,241)	(21,596)
Impairment losses	—	(919)	(126)	(437)	(1,482)
Sales and disposals	—	—	(543)	(155)	(698)
Reclassification	—	—	(26)	—	(26)
Exchange differences on translation of foreign operations	3,860	(147)	268	(1,005)	1,126
Other	22	(79)	307	159	387
Balance at March 31, 2019	¥101,188	¥33,329	¥12,516	¥23,424	¥ 69,269
Additions	—	—	3,928	1,224	5,152
Additions through internal development	—	23,004	—	—	23,004
Additions through business combinations	—	—	—	—	—
Amortization	—	(7,157)	(4,327)	(8,365)	(19,849)
Impairment losses	—	(1,151)	(85)	(223)	(1,459)
Sales and disposals	—	—	(113)	(296)	(409)
Reclassification to assets held for sale	(310)	—	—	—	—
Reclassification	—	—	(59)	36	(23)
Exchange differences on translation of foreign operations	(2,550)	(423)	(199)	(470)	(1,092)
Other	—	94	69	36	199
Balance at March 31, 2020	¥ 98,328	¥47,696	¥11,730	¥15,366	¥ 74,792

	Goodwill	Capitalized development costs	Software	Other	Total
	Thousands of U.S. dollars				
		Intangible assets			
Balance at March 31, 2019	$928,330	$305,771	$114,826	$214,898	$635,495
Additions	—	—	36,037	11,229	47,266
Additions through internal development	—	211,046	—	—	211,046
Additions through business combinations	—	—	—	—	—
Amortization	—	(65,661)	(39,697)	(76,743)	(182,101)
Impairment losses	—	(10,560)	(780)	(2,045)	(13,385)
Sales and disposals	—	—	(1,037)	(2,715)	(3,752)
Reclassification to assets held for sale	(2,844)	—	—	—	—
Reclassification	—	—	(541)	330	(211)
Exchange differences on translation of foreign operations	(23,394)	(3,881)	(1,826)	(4,311)	(10,018)
Other	—	862	633	331	1,826
Balance at March 31, 2020	$902,092	$437,577	$107,615	$140,974	$686,166

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.

Acquisition cost

	Millions of yen				
		Intangible assets			
	Goodwill	Capitalized development costs	Software	Other	Total
Balance at April 1, 2018	¥ 97,208	¥53,318	¥47,790	¥114,625	¥215,733
Balance at March 31, 2019	101,188	58,229	51,683	123,580	233,492
Balance at March 31, 2020	¥ 98,328	¥72,665	¥53,962	¥121,662	¥248,289

	Thousands of U.S. dollars				
		Intangible assets			
	Goodwill	Capitalized development costs	Software	Other	Total
Balance at March 31, 2020	$902,092	$666,651	$495,064	$1,116,166	$2,277,881

Accumulated amortization and accumulated impairment losses

	Millions of yen				
		Intangible assets			
	Goodwill	Capitalized development costs	Software	Other	Total
Balance at April 1, 2018	¥—	¥20,821	¥35,033	¥ 86,508	¥142,362
Balance at March 31, 2019	—	24,900	39,167	100,156	164,223
Balance at March 31, 2020	¥—	¥24,969	¥42,232	¥106,296	¥173,497

	Thousands of U.S. dollars				
		Intangible assets			
	Goodwill	Capitalized development costs	Software	Other	Total
Balance at March 31, 2020	$—	$229,074	$387,449	$975,192	$1,591,715

(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 ($629,220 thousand), respectively.

15. Commitments

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

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Property, plant and equipment	¥5,004	¥2,183	$20,028
Intangible assets	1,699	944	8,660
Total	¥6,703	¥3,127	$28,688

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:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Property, plant and equipment			
Buildings and structures	¥ 320	¥1,311	$12,028
Machinery and vehicles	917	521	4,780
Tools, furniture and fixtures	648	2,133	19,568
Land	105	—	—
Intangible assets			
Capitalized development	919	1,151	10,560
Software	126	85	780
Other	437	223	2,045
Other			
Long-term prepaid expenses	146	77	707
Total	¥3,618	¥5,501	$50,468

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 capitalized development costs and other fixed assets related to gynecological products 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 ¥5,523 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 ¥1,522 million ($13,963 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.

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 ¥1,518 million ($13,927 thousand) of impairment losses. The recoverable amount was the fair value less costs of disposal and was measured at ¥5,412 million ($49,651 thousand) 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."

(2) Impairment test for goodwill

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

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Endoscopic solutions segment	—	¥17,364	$159,303
Therapeutic solutions segment	—	79,038	725,119
Medical segment			
Surgical business	¥ 95,557	—	—
Other	3,659	—	—
Scientific solutions segment	1,972	1,926	17,670
Total	¥101,188	¥98,328	$902,092

The Olympus Group tested 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—Endoscopic Solutions and Therapeutic Solutions.

As a result, the cash generating units have been changed from the previous “Surgical business” and “Other” to “Endoscopic 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 Business Unit 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 “Endoscopic 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 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 “Endoscopic 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:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Notes and account payable	¥42,261	¥44,311	$406,523
Other payable	19,463	15,246	139,871
Total	¥61,724	¥59,557	$546,394

18. Bonds and Borrowings

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

	Millions of yen		Thousands of U.S. dollars	Average interest rate (%)	Maturity
	2019	2020	2020		
Short-term borrowings	¥ 629	¥ 10,135	$ 92,981	0.00	—
Current portion of long-term borrowings	59,078	10,883	99,844	2.92	February 2021 to March 2021
Commercial papers	—	60,000	550,459	0.03	June 2020 to September 2020
Bonds (excluding current portion)	19,909	69,737	639,789	0.15	September 2022 to December 2024
Long-term borrowings (excluding current portion)	101,719	130,160	1,194,128	1.15	May 2021 to September 2029
Total	¥181,335	¥280,915	$2,577,201		
Current	59,707	81,018	743,284		
Non-current	121,628	199,897	1,833,917		
Total	¥181,335	¥280,915	$2,577,201		

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.

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

Company	Bond name	Issue date	Millions of yen 2019	Millions of yen 2020	Thousands of U.S. dollars 2020	Interest (%)	Maturity date
Olympus Corporation	22nd unsecured bonds	September 20, 2017	¥ 9,962	¥ 9,973	$ 91,495	0.22	September 2022
Olympus Corporation	23rd unsecured bonds	March 7, 2019	9,947	9,957	91,349	0.27	March 2024
Olympus Corporation	24th unsecured bonds	December 5, 2019	—	29,895	274,266	0.06	December 2022
Olympus Corporation	25th unsecured bonds	December 5, 2019	—	19,912	182,679	0.20	December 2024
Total			¥19,909	¥69,737	$639,789		

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

Financial institution	Millions of yen 2019	Millions of yen 2020	Thousands of U.S. dollars 2020	Interest rate (%)	Maturity date
Japanese Bank	¥17,997	¥ —	$ —	1.78	May 2019
Japanese Bank	9,999	—	—	1.50	May 2019
Japanese Bank	19,983	—	—	1.75	September 2019
Japanese Bank (Foreign Currency)	7,769	—	—	2.78	March 2020
Japanese Bank (Foreign Currency)	3,330	—	—	2.80	March 2020
Japanese Bank	12,894	12,946	118,771	0.86	September 2029
Japanese Bank	1,446	1,452	13,321	0.73	September 2027
Japanese Bank	10,000	10,000	91,743	1.38	September 2025
Japanese Bank	9,401	9,469	86,872	0.53	August 2027
Japanese Bank	10,000	10,000	91,743	1.39	September 2025
Japanese Bank	15,000	15,000	137,615	2.04	May 2021
Japanese Bank (Foreign Currency)	5,550	5,441	49,917	2.91	February 2021
Japanese Bank (Foreign Currency)	5,550	5,442	49,927	2.92	March 2021
Japanese Bank (Foreign Currency)	11,100	10,884	99,853	2.91	February 2023
Japanese Bank (Foreign Currency)	11,100	10,884	99,853	2.92	March 2023
Japanese Bank	9,469	9,525	87,385	0.55	June 2028
Japanese Bank	—	39,798	365,119	0.10	November 2023
Other	209	202	1,853		
Total	¥160,797	¥141,043	$1,293,972		

19. Other Financial Liabilities

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

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Financial liabilities measured at fair value through profit and loss			
Derivative liabilities	¥ 3,031	¥ 1,960	$ 17,982
Other	584	163	1,495
Financial liabilities measured at amortized cost			
Lease liabilities	—	41,743	382,963
Lease obligations	9,035	—	—
Other	4,540	7,055	64,725
Total	¥17,190	¥50,921	$467,165
Current	9,391	20,188	185,211
Non-current	7,799	30,733	281,954
Total	¥17,190	¥50,921	$467,165

20. Provisions

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

	Millions of yen				
	Provision for product warranties	Provision for loss on litigation	Provision for duodenoscope market response	Other	Total
Balance at April 1, 2019	¥ 3,998	¥1,818	¥ 2,070	¥ 9,385	¥17,271
Increase during the year	1,274	396	10,373	5,943	17,986
Decrease (Provisions used)	(484)	(862)	(402)	(2,397)	(4,145)
Decrease (Provisions reversed)	(1,153)	(915)	(41)	(619)	(2,728)
Exchange differences on translation of foreign operations	(163)	(52)	—	(290)	(505)
Balance at March 31, 2020	¥ 3,472	¥ 385	¥12,000	¥12,022	¥27,879
Current	¥ 3,329	¥ 385	¥12,000	¥ 4,884	¥20,598
Non-current	143	—	—	7,138	7,281
Total	¥ 3,472	¥ 385	¥12,000	¥12,022	¥27,879

	Thousands of U.S. dollars				
	Provision for product warranties	Provision for loss on litigation	Provision for duodenoscope market response	Other	Total
Balance at April 1, 2019	$ 36,679	$16,679	$ 18,991	$ 86,101	$158,450
Increase during the year	11,688	3,633	95,165	54,523	165,009
Decrease (provisions used)	(4,441)	(7,908)	(3,688)	(21,991)	(38,028)
Decrease (provisions reversed)	(10,578)	(8,395)	(376)	(5,679)	(25,028)
Exchange differences on translation of foreign operations	(1,495)	(477)	—	(2,660)	(4,632)
Balance at March 31, 2020	$ 31,853	$ 3,532	$110,092	$110,294	$255,771
Current	$ 30,541	$ 3,532	$110,092	$ 44,808	$188,973
Non-current	1,312	—	—	65,486	66,798
Total	$ 31,853	$ 3,532	$110,092	$110,294	$255,771

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.

(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 expended 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 expended 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.

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:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Accrued expenses	¥ 93,928	¥ 95,112	$ 872,587
Contract liabilities	31,295	34,480	316,330
Other	19,108	16,590	152,202
Total	¥144,331	¥146,182	$1,341,119
Current	133,311	136,912	1,256,073
Non-current	11,020	9,270	85,046
Total	¥144,331	¥146,182	$1,341,119

22. Government Grants

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

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Other current liabilities	¥ 470	¥ 523	$ 4,798
Other non-current liabilities	3,088	2,714	24,899

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, its pension funds and institutions that manage its plan assets are legally required to faithfully administer and manage plan assets in the aim of providing reliable pension benefits to plan participants into the indefinite future. They fulfill their management responsibilities in accord with basic policies prepared by the funds.

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 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.

(1) Defined benefit plans

1) Defined benefit obligations

The changes in defined benefit obligations were as follows:

	Millions of yen 2019	Millions of yen 2020	Thousands of U.S. dollars 2020
Balance at April 1	¥201,985	¥207,009	$1,899,165
Current service cost	7,651	7,412	68,000
Past service cost	(1,936)	(105)	(963)
Interest cost	3,779	3,295	30,229
Remeasurements			
Actuarial gains and losses arising from changes in demographic assumptions	(69)	(374)	(3,431)
Actuarial gains and losses arising from changes in financial assumptions	2,742	5,601	51,385
Other	11	1,074	9,853
Contributions by employees	132	125	1,147
Benefits paid	(8,682)	(18,255)	(167,477)
Exchange differences on translation of foreign operations	1,547	(3,037)	(27,862)
Other	(151)	(107)	(982)
Balance at March 31	¥207,009	¥202,638	$1,859,064

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.

The Olympus Group conducts a financial verification at the end of every fiscal year to ascertain the extent of any funding deficit and determine whether contributions need to be recalculated.

In the fiscal year ending March 31, 2021, the Olympus Group plans to contribute ¥3,359 million ($30,817 thousand) to the plan.

	Millions of yen 2019	Millions of yen 2020	Thousands of U.S. dollars 2020
Balance at April 1	¥192,354	¥194,132	$1,781,028
Interest income	3,301	2,956	27,119
Remeasurements			
Return on plan assets	262	859	7,881
Contributions by employer	6,074	8,227	75,477
Contributions by employees	131	126	1,156
Benefits paid	(8,024)	(18,080)	(165,872)
Exchange differences on translation of foreign operations	160	(3,985)	(36,560)
Other	(126)	(93)	(853)
Balance at March 31	¥194,132	¥184,142	$1,689,376

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:

	Millions of yen 2019	Millions of yen 2020	Thousands of U.S. dollars 2020
Present value of the funded defined benefit obligations	¥ 190,387	¥ 185,372	$ 1,700,660
Fair value of plan assets	(194,132)	(184,142)	(1,689,376)
subtotal	(3,745)	1,230	11,284
Present value of the unfunded defined benefit obligations	16,622	17,266	158,404
Net defined benefit liabilities (assets)	¥ 12,877	¥ 18,496	$ 169,688
Amounts recognized in the consolidated statement of financial position			
Retirement benefit liability	43,116	49,607	455,110
Retirement benefit asset	(30,239)	(31,111)	(285,422)
Net defined benefit liabilities (assets)	¥ 12,877	¥ 18,496	$ 169,688

4) Components of plan assets

The breakdown of plan assets by category was as follows:

	Millions of yen 2019	Millions of yen 2020	Thousands of U.S. dollars 2020
Assets with quoted market prices in an active market			
Japanese equity securities	¥ 1,515	¥ 1,284	$ 11,780
Overseas equity securities	10,536	—	—
Overseas debt securities	49,315	35,838	328,789
Cash and cash equivalents	2,657	4,573	41,954
Other	1,195	881	8,083
Total	¥ 65,218	¥ 42,576	$ 390,606
Assets without quoted market prices in an active market			
Overseas equity securities	¥ 11,198	¥ 18,653	$ 171,128
Overseas debt securities	4,130	12,049	110,541
General account for life insurance companies	57,187	57,178	524,569
Jointly managed money trust	54,282	51,570	473,119
Other	2,117	2,116	19,413
Total	¥128,914	¥141,566	$1,298,770
Total of plan assets	¥194,132	¥184,142	$1,689,376

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:

	2019	2020
Discount rate	0.47%	0.56%

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.

	Millions of yen 2019	Millions of yen 2020	Thousands of U.S. dollars 2020
Discount rate			
0.5% increase (decrease in obligations)	¥(13,661)	¥(13,077)	$(119,972)
0.5% decrease (increase in obligations)	15,614	15,401	141,294

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:

	Number of shares	
	2019	2020
Authorized shares	1,000,000,000	4,000,000,000
Issued shares (Note 1)		
As of April 1	342,691,224	342,713,349
Increase or decrease (Note 3) (Note 4)	22,125	1,028,201,614
As of March 31	342,713,349	1,370,914,963
Treasury shares (Note 2)		
As of April 1	1,295,351	1,292,520
Increase or decrease (Note 3) (Note 5)	(2,831)	84,037,260
As of March 31	1,292,520	85,329,780

Notes: 1. All of the shares of the Company are ordinary shares that have no par value and no limitations on the rights. Issued shares are fully paid.
2. The Company has adopted stock option plans and utilizes treasury shares for delivery of shares due to exercise. Contract conditions and amounts are described in Note 27 "Share-based payments".
3. On April 1, 2019, the Company conducted a four-for-one stock split of common stock. As a result, Authorizes 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 3,877,560 shares.
4. The major reasons of changes in the number of issued shares were issuing shares under the "Restricted Share-Based Remuneration Plan" described in Note 27 "Share-based payments".
5. The major reason for the increase in the number of treasury shares was the purchase of 80,153,100 shares determined at the Board of Directors' meeting held on August 29, 2019.

(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 legal 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-tenth of the amount of reductions in surplus due to dividend distributions funded by the surplus is to be accumulated 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 deficits. They may also be utilized pursuant to a shareholder resolution at a General Meeting of Shareholders.

The amount of the Company's retained earnings distributable as dividends is measured based on the amount of retained earnings carried on the Company's accounting books prepared in accordance with accounting principles generally accepted in Japan.

Additionally, the Companies Act imposes certain restrictions on how the amount of retained earnings distributable as dividends is measured. The Company distributes retained earnings within the constraints stipulated by those restrictions.

(4) Other components of equity

The changes in other components of equity were as follows:

	Millions of yen					
	Exchange difference on translation of foreign operations	Cash flow hedges	Financial assets measured at fair value through other comprehensive income	Remeasurement of defined benefit plans	Share of other comprehensive income (loss) of associates accounted for using equity method	Total
Balance at March 31, 2018	¥(16,344)	¥(1,344)	¥11,876	¥ —	¥ 2	¥ (5,810)
Other comprehensive income	1,854	491	(3,254)	858	(2)	(53)
Reclassification to retained earnings	—	—	(1,513)	(858)	—	(2,371)
Balance at March 31, 2019	¥(14,490)	¥ (853)	¥ 7,109	¥ —	¥—	¥ (8,234)
Other comprehensive income	(13,273)	337	(1,126)	(4,227)	(97)	(18,386)
Reclassification to retained earnings	—	—	(358)	4,227	—	3,869
Balance at March 31, 2020	¥(27,763)	¥ (516)	¥ 5,625	¥ —	¥(97)	¥(22,751)

	Thousands of U.S. dollars					
	Exchange difference on translation of foreign operations	Cash flow hedges	Financial assets measured at fair value through other comprehensive income	Remeasurement of defined benefit plans	Share of other comprehensive income (loss) of associates accounted for using equity method	Total
Balance at March 31, 2019	$(132,935)	$(7,826)	$ 65,220	$ —	$ —	$ (75,541)
Other comprehensive income	(121,771)	3,092	(10,330)	(38,780)	(890)	(168,679)
Reclassification to retained earnings	—	—	(3,285)	38,780	—	35,495
Balance at March 31, 2020	$(254,706)	$(4,734)	$ 51,605	$ —	$(890)	$(208,725)

1) Exchange differences on translation of foreign operations

Exchange differences that arise when foreign operations' financial statements prepared in a foreign currency are consolidated

2) Cash flow hedges

The Company hedges to avert the risk of changes in future cash flows. Changes in the fair value of derivatives designated as cash flow hedges are recognized in other comprehensive income to the extent the hedges are deemed effective.

3) Financial assets measured at fair value through other comprehensive income

Valuation gains/losses on financial assets measured at fair value through other comprehensive income

4) Remeasurements of defined benefit plans

Changes in defined benefit obligations due to actuarial gains/losses and the effects of changes in actuarial assumptions; they are recognized in other comprehensive income when they occur and immediately transferred from other components of equity to retained earnings.

5) Share of other comprehensive income (loss) of associates accounted for using equity method

The Company's share of the exchange differences on translation of the financial statements of foreign operations of associates accounted for using equity method

25. Capital Policy

To enhance its corporate value, the Olympus Group has adopted a basic policy, premised on maintaining a stable financial foundation, of continually returning value to shareholders while placing priority on investing in growth businesses, mainly the Medical Business.

The Olympus Group manages all of its equity and interest-bearing debt as components of its capital cost. Cognizant of financial stability and capital efficiency, the Olympus Group aims to improve its credit ratings issued by rating agencies to more readily procure funding globally. The Olympus Group is not subject to any significant capital restrictions (except for general provisions stipulated in Japan's Companies Act).

To fulfill its basic policy, the Olympus Group has designated its equity ratio (ratio of total equity attributable to owners of parent to total assets) and return on equity (ROE) as equity-related key performance indicators. These indicators as of or for the years ended March 31, 2019 and 2020 were as follows.

	2019	2020
Equity ratio (Note 1)	47.3%	36.5%
Return on equity (ROE) (Note 2)	1.8%	12.7%

Notes: 1. Total equity attributable to owners of parent / Total assets
2. Profit attributable to owners of parent / Total equity attributable to owners of parent (Average)

26. Dividends

Dividends paid during the years ended March 31, 2019 and 2020 were as follows:

Resolution	Class of shares	Amount of dividends paid (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
General Shareholders' Meeting (June 26, 2018)	Common stock	¥9,559	¥28.00	March 31, 2018	June 27, 2018
General Shareholders' Meeting (June 25, 2019)	Common stock	¥10,243 ($93,972 thousand)	¥30.00 ($0.275)	March 31, 2019	June 26, 2019

Note: 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.

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.

Resolution	Class of shares	Amount of dividends paid (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
General Shareholders' Meeting (July 30, 2020)	Common stock	¥12,856 ($117,945 thousand)	¥10.00 ($0.092)	May 31, 2020	July 31, 2020

Note: 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 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 day 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 Company introduced a Restricted Share-Based Remuneration Plan and Performance-Linked Share-Based Remuneration Plan from the year ended March 31, 2018, and the stock options plan was terminated. No stock options have been granted since such time. The exercise period for stock options already granted ends on July 13, 2046.

2) Outline of stock options

	Grant date	Number of shares granted	Exercise price (Yen)	Exercise period
First series of stock subscription rights	August 26, 2013	160,400	1	From August 27, 2013 to August 26, 2043
Second series of stock subscription rights	July 11, 2014	164,000	1	From July 12, 2014 to July 11, 2044
Third series of stock subscription rights	July 13, 2015	154,800	1	From July 14, 2015 to July 13, 2045
Fourth series of stock subscription rights	July 13, 2016	158,000	1	From July 14, 2016 to July 13, 2046

Notes: 1. The number of share options is presented as the number of underlying shares.
2. On April 1, 2019, the Company conducted a four-for-one stock split of common stock.
The above-mentioned amount of exercise price is the actual amount after the share split.

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

	2019		2020	
	Number of shares	Weighted average exercise price (Yen)	Number of shares	Weighted average exercise price (Yen)
Outstanding at beginning of year	593,200	1	572,400	1
Granted	—	—	—	—
Exercised	(20,800)	1	(8,800)	1
Expired	—	—	—	—
Outstanding at end of year	572,400	1	563,600	1
Exercisable at end of year	189,200	1	271,200	1

Notes: 1. The number of stock options is presented as the number of underlying shares.
2. The weighted average share prices of stock options at the time of exercise were ¥1,041 and ¥1,659 ($15.22) for the years ended March 31, 2019 and 2020, respectively.
3. 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.
4. On April 1, 2019, the Company conducted a four-for-one stock split of common stock.
The above-mentioned amount of weighted average exercise price is the actual amount after the share split.

(2) Restricted Share-Based Remuneration Plan

1) Overview of Restricted Share-Based Remuneration Plan

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-tenure requirement.

Issuance of the Company's common shares as restricted share-based remuneration is contingent on the Company and the eligible directors and other executives serving in qualifying positions entering into an agreement that includes provisions (1) prohibiting the shares from being transferred or pledged to a third party or otherwise disposed of in any manner during a certain specified period and (2) allowing the Company to reclaim the shares at no cost under certain specified circumstances.

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

	2019	2020
Grant date	July 26, 2018	Jun 25, 2019
Number of shares	88,500	61,567
Fair value at grant date	¥1,034	¥1,205 ($11.05)

Note: On 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-tenure requirement and upon attainment of predetermined performance targets set by the Company's Board of Directors.

The performance-linked share-based remuneration has a term of three fiscal years. It will deliver a certain number of shares of the Company's common stock to eligible directors in accordance with the directors' standard variable remuneration calculated based on their position and adjusted within a 0-150% 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.

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 0-150% 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 as described above in (3) 1) .

(4) Share-based Payment Expenses

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Selling, general and administrative expenses	¥53	¥30	$275

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.

	Millions of yen					
	For the year ended March 31, 2019					
	Endoscopic Solutions	Therapeutic Solutions	Scientific Solutions	Imaging	Others	Total
Japan	¥ 67,680	¥ 41,243	¥ 17,021	¥14,325	¥6,075	¥146,344
North America	148,898	81,164	29,754	7,410	185	267,411
Europe	100,991	53,035	20,883	16,983	73	191,965
China	54,322	19,284	16,254	1,352	116	91,328
Asia and Oceania	36,371	17,544	14,592	8,471	207	77,185
Others	10,571	3,198	5,721	139	—	19,629
Total	¥418,833	¥215,468	¥104,225	¥48,679	¥6,657	¥793,862
Revenue from contracts with customers	371,807	209,951	104,207	48,679	6,657	741,301
Revenue from other sources	48,155	4,388	18	—	—	52,561

Revenue from other sources includes revenue from lease contracts as defined under IAS17.

	Millions of yen					
	For the year ended March 31, 2020					
	Endoscopic Solutions	Therapeutic Solutions	Scientific Solutions	Imaging	Others	Total
Japan	¥ 65,457	¥ 43,003	¥ 16,308	¥13,342	¥6,308	¥144,418
North America	147,424	80,786	31,367	6,950	177	266,704
Europe	101,241	52,926	21,083	15,960	66	191,276
China	65,615	19,168	17,026	1,210	17	103,036
Asia and Oceania	36,200	16,767	13,642	5,951	222	72,782
Others	9,805	3,425	5,763	202	—	19,195
Total	¥425,742	¥216,075	¥105,189	¥43,615	¥6,790	¥797,411
Revenue from contracts with customers	372,367	210,372	105,119	43,615	6,790	738,263
Revenue from other sources	53,375	5,703	70	—	—	59,148

	Thousands of U.S. dollars					
	For the year ended March 31, 2020					
	Endoscopic Solutions	Therapeutic Solutions	Scientific Solutions	Imaging	Others	Total
Japan	$ 600,523	$ 394,522	$149,615	$122,404	$57,872	$1,324,936
North America	1,352,514	741,156	287,770	63,762	1,624	2,446,826
Europe	928,817	485,560	193,422	146,422	604	1,754,825
China	601,972	175,853	156,202	11,101	156	945,284
Asia and Oceania	332,110	153,826	125,156	54,596	2,037	667,725
Others	89,954	31,422	52,872	1,853	—	176,101
Total	$3,905,890	$1,982,339	$965,037	$400,138	$62,293	$7,315,697
Revenue from contracts with customers	3,416,211	1,930,018	964,395	400,138	62,293	6,773,055
Revenue from other sources	489,679	52,321	642	—	—	542,642

Revenue from other sources includes revenue from lease contracts as defined under IFRS16.

1) Endoscopic Solutions Business

The Endoscopic Solutions Business sells and leases medical devices, including gastrointestinal endoscopes, surgical endoscopes and endoscopy systems, as well as provides repair service for these products, to customers who are primarily medical institutions in Japan and overseas.

The Company recognizes related product sales as revenue once control of the product has transferred to the customer–i.e., when the product is delivered 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. The transaction consideration is mostly received within one year from the fulfillment of the specific performance obligations. Such product sales do not involve a significant financing component. For transactions comprising multiple components such as products and maintenance services, the Company treats each constituent component as a separate performance obligation if every product sold, service provided and other component individually has independent value. In such cases, the total transaction consideration is allocated proportionally to the transaction's constituent components based on their standalone sales prices.

For maintenance contracts related to medical equipment, 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, transaction consideration is generally received as a single prepayment at the contract's inception.

Leasing transactions as lessor involving medical equipment are accounted for in the manner described in Note 3 "Significant accounting policies (10) Leases." Lease payments associated with lease contracts are received in accord with payment terms stipulated in individual contracts.

2) Therapeutic Solutions Business

The Therapeutic Solution Business sells medical devices, including endo-therapy devices, energy devices and urology, gynecology and ENT (ear, nose and throat) products, to customers who are primarily medical institutions in Japan and overseas.

The Company recognizes related product sales as revenue once control of the product has transferred to the customer–i.e., when the product is delivered 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. The transaction consideration is mostly received within one year from the fulfillment of the specific performance obligations. Such product sales do not involve a significant financing component.

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 control of the product has transferred to the customer–i.e., when the product is delivered 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 control of the product has transferred 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 biomedical materials, etc.

(2) Contract balances

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

	Millions of yen	
	April 1, 2018	March 31, 2019
Receivables from contracts with customers	¥136,164	¥136,252
Contract assets	535	754
Contract liabilities	28,537	31,295

	Millions of yen		Thousands of U.S. dollars
	April 1, 2019	March 31, 2020	March 31, 2020
Receivables from contracts with customers	¥136,252	¥121,174	$1,111,688
Contract assets	754	367	3,367
Contract liabilities	31,295	34,480	316,330

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:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Within 1 Year	¥4,058	¥7,293	$66,908
Over 1 Year	3,590	2,643	24,248
Total	¥7,648	¥9,936	$91,156

The transactions for which individual estimated contract terms are within one year were excluded.

29. Selling, General and Administrative Expenses

Major items of selling, general and administrative expenses for the years ended March 31, 2019 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Personnel expenses (Note)	¥224,087	¥223,277	$2,048,413
Depreciation	29,866	38,332	351,670
Advertising and promotion expenses	27,745	21,503	197,275

Note: Personnel expenses mainly include wages, bonuses, legal welfare expenses, expenses related to post-employment benefits, and personnel expenses incurred by the development division.

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 revision of retirement benefit plan)
The Company recorded gain on revision of retirement benefit plan in Europe of ¥1,883 million in "Other income."
(Gain on sale of fixed assets)
The Company recorded gain on sale of fixed assets of ¥1,059 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 locations)
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.

(Loss related to litigation of consolidated subsidiary)
Regarding the lawsuit filed by Shenzhen Anping Tai Investment and Development Co., Ltd. against the Company's consolidated subsidiary Olympus (Shenzhen) Industrial Ltd. (OSZ), the Shenzhen Intermediate People's Court issued a verdict on July 30, 2018, which was sent to OSZ on August 3, 2018. While the verdict recognized some of the claims of the subsidiary's, it was ordered to pay damages. To prepare for losses associated with the lawsuit, the Company recorded ¥3,817 million in "Other expenses" as a reasonable estimate of the required amount.

(Costs related to litigation of consolidated subsidiary)
Regarding costs associated with a lawsuit between the Company's consolidated subsidiary KeyMed(Medical & Industrial Equipment) Ltd., and certain former officers, the Company recorded ¥1,197 million in "Other expenses" as a reasonable estimate of the required amount.

(Investigation on duodenoscopes in the United States)
In March and August 2015, subpoenas were issued to Olympus Medical Systems Corp. (OMSC), a subsidiary of the Company, by the U.S. Department of Justice (DOJ), seeking information relating to duodenoscopes that the Olympus Group manufactures and sells, and the DOJ had continued an investigation relating to the U.S. Federal Food, Drug and Cosmetic Act (FDCA). On December 3, 2018, OMSC entered into a plea agreement with the DOJ regarding this matter, and the agreement was approved by a U.S. federal court and thus became final on December 10, 2018. OMSC paid a criminal fine and criminal forfeiture in the amount of ¥9,653 million.

(Impairment losses)
Regarding business assets in the Imaging Business and development assets in the Therapeutic Solutions Business, as the revenue projected at the time the assets were acquired is now not expected due to changes in the market environment, carrying values have been written down to the recoverable amount, and impairment losses of ¥1,990 million and ¥1,332 million have been recognized, respectively, as "Other expenses."

(Additional taxes at consolidated subsidiaries)
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, 2020 (April 1, 2019 – March 31, 2020)

(Business restructuring expenses)
The Company recorded ¥3,954 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 ¥1,522 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. Finance Income and Finance Costs

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

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Finance income			
Interest income			
Financial assets measured at amortized cost	¥ 1,299	¥1,456	$13,358
Dividends received			
Financial assets measured through other comprehensive income	602	455	4,174
Other	282	31	285
Total	¥ 2,183	¥1,942	$17,817
Finance costs			
Interest expense			
Financial liabilities measured at amortized cost	4,420	3,702	33,963
Bond interest			
Financial liabilities measured at amortized cost	197	108	991
Foreign exchange loss (Note 1)	5,313	3,205	29,404
Other	417	598	5,487
Total	¥10,347	¥7,613	$69,845

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

32. Earnings per Share

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

	Yen		U.S. dollars
	2019	2020	2020
Basic earnings per share	¥5.97	¥39.37	$0.361
Diluted earnings per share	¥5.96	¥39.36	$0.361

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

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Profit used to calculate basic earnings per share and diluted earnings per share			
Profit attributable to owners of parent	¥8,147	¥51,670	$474,037
Profit not attributable to owners of parent	—	—	—
Profit used to calculate basic earnings per share	8,147	51,670	474,037
Adjustment to profit	—	—	—
Profit used to calculate diluted earnings per share	¥8,147	¥51,670	$474,037

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

	Thousand shares	
	2019	2020
Average number of shares during the period	1,365,659	1,312,285
Increase in number of shares of common stock		
Increase due to exercise of subscription rights to shares	578	570
Increase due to Performance-Linked Share-Based Remuneration Plan	73	8
Average number of shares of diluted common stock during the period	1,366,310	1,312,863

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:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Items that will not be reclassified to profit or loss			
Financial instruments measured at fair value through other comprehensive income			
Amount arising during the year	¥(3,831)	¥ (1,314)	$ (12,055)
Tax effect	577	188	1,725
Financial instruments measured at fair value through other comprehensive income	¥(3,254)	¥ (1,126)	$ (10,330)
Remeasurements of defined benefit plans			
Amount arising during the year	¥(2,422)	¥ (5,442)	$ (49,927)
Tax effect	3,280	1,215	11,147
Remeasurements of defined benefit plans	¥ 858	¥ (4,227)	$ (38,780)
Total of items that will not be reclassified to profit or loss	¥(2,396)	¥ (5,353)	$ (49,110)
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations			
Amount arising during the year	¥ 1,854	¥(13,305)	$(122,064)
Reclassification adjustments	1	32	293
Before tax effect	1,855	(13,273)	(121,771)
Tax effect	—	—	—
Exchange differences on translation of foreign operations	¥ 1,855	¥(13,273)	$(121,771)
Cash flow hedges			
Amount arising during the year	¥ (134)	¥ 11	$ 101
Reclassification adjustments	843	474	4,349
Before tax effect	709	485	4,450
Tax effect	(218)	(148)	(1,358)
Cash flow hedges	¥ 491	¥ 337	$ 3,092
Share of other comprehensive income (loss) of associates accounted for using equity method			
Amount arising during the year	¥ (2)	¥ (97)	$ (890)
Reclassification adjustments	—	—	—
Before tax effect	¥ (2)	¥ (97)	$ (890)
Tax effect	—	—	—
Share of other comprehensive income (loss) of associates accounted for using equity method	¥ (2)	¥ (97)	$ (890)
Total of items that may be reclassified to profit or loss	¥ 2,344	¥(13,033)	$(119,569)
Total of other comprehensive income	¥ (52)	¥(18,386)	$(168,679)

34. Cash Flow Information

(1) Non-cash transactions

The major non-cash transactions are follows:

	Millions of yen 2019	Millions of yen 2020	Thousands of U.S. dollars 2020
Tangible assets acquired through finance lease transactions	¥4,208	—	—
Right-of-use assets acquired through lease transactions	—	¥13,380	$122,752

(2) Liabilities arising from financing activities

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

Millions of yen — For the year ended March 31, 2019

	Beginning balance	Movement due to cash inflows/ outflows from financing activities	Non-cash items: Effect of exchange rate changes on cash and cash equivalents	Non-cash items: Other	Ending balance
Short-term borrowings	¥ —	¥ 647	¥ (18)	¥ —	¥ 629
Bonds (Note)	34,942	(15,053)	—	20	19,909
Long-term borrowings (Note)	¥213,032	¥(54,877)	¥2,362	¥280	¥160,797

Note: Balances redeemable within one year are included.

Millions of yen — For the year ended March 31, 2020

	Beginning balance	Movement due to cash inflows/ outflows from financing activities	Non-cash items: Increase due to new lease	Non-cash items: Effect of exchange rate changes on cash and cash equivalents	Non-cash items: Other	Ending balance
Short-term borrowings	¥ 629	¥ 9,534	¥ —	¥ (28)	¥ —	¥ 10,135
Bonds (Note 1)	19,909	49,793	—	—	35	69,737
Commercial papers	—	60,000	—	—	—	60,000
Long-term borrowings (Note 1)	160,797	(19,094)	—	(881)	221	141,043
Lease liabilities (Note 1, 2)	¥ 47,534	¥(15,604)	¥13,380	¥(1,261)	¥(2,306)	¥ 41,743

Thousands of U.S. dollars — For the year ended March 31, 2020

	Beginning balance	Movement due to cash inflows/ outflows from financing activities	Non-cash items: Increase due to new lease	Non-cash items: Effect of exchange rate changes on cash and cash equivalents	Non-cash items: Other	Ending balance
Short-term borrowings	$ 5,771	$ 87,468	$ —	$ (258)	$ —	$ 92,981
Bonds (Note 1)	182,651	456,817	—	—	321	639,789
Commercial papers	—	550,459	—	—	—	550,459
Long-term borrowings (Note 1)	1,475,202	(175,174)	—	(8,083)	2,027	1,293,972
Lease liabilities (Notes 1, 2)	$ 436,092	$(143,156)	$122,752	$(11,569)	$(21,156)	$ 382,963

Notes: 1. Balances redeemable within one year are included.
2. Beginning balance of Lease liabilities includes ¥38,499 million as an adjustment due to applying IFRS 16. Please refer Note 3 "Significant accounting policies" for details of lease liabilities recognized in the consolidated statements of financial position on the date of initial application.

(3) Payments for acquisition of business

A reconciliation of the consideration paid for the acquisition of business and payments for acquisition was as follows:

	Millions of yen 2019	Millions of yen 2020	Thousands of U.S. dollars 2020
Consideration for acquisitions paid in cash	¥3,743	¥571	$5,239
Payments for acquisition of business	¥3,743	¥571	$5,239

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 counterparts 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 conditions," 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 loan loss 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 the 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 were as follows:

These carrying amounts represent the maximum amount of exposure to credit risk.

Millions of yen

Trade receivables	Debtors that are not facing serious problems in their management conditions	Debtors that are facing serious problems in repaying their debts	Debtors that are bankrupt	Total
Balance at March 31, 2019	¥167,314	¥5,737	¥173	¥173,224
Balance at March 31, 2020	¥161,358	¥4,992	¥356	¥166,706

Thousands of U.S. dollars

Trade receivables	Debtors that are not facing serious problems in their management conditions	Debtors that are facing serious problems in repaying their debts	Debtors that are bankrupt	Total
Balance at March 31, 2020	$1,480,349	$45,798	$3,266	$1,529,413

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.

	Millions of yen			
		Significant increase in credit risk		
Receivables other than trade receivables	No significant increase in credit risk	Non-credit-impaired financial assets	Credit-impaired financial assets	Total
Balance at March 31, 2019	¥16,677	¥8,246	¥575	¥25,498
Balance at March 31, 2020	¥16,605	¥8,225	¥517	¥25,347

	Thousands of U.S. dollars			
		Significant increase in credit risk		
Receivables other than trade receivables	No significant increase in credit risk	Non-credit-impaired financial assets	Credit-impaired financial assets	Total
Balance at March 31, 2020	$152,339	$75,459	¥4,743	$232,541

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.

The changes in allowance for doubtful accounts related to above financial assets were as follows:

	Millions of yen			
		Receivables other than trade receivables		
			Significant increase in credit risk	
	Trade receivables	No significant increase in credit risk	Non-credit-impaired financial assets	Credit-impaired financial assets
Balance at April 1, 2018	¥ 7,014	¥ 16	¥8,203	¥587
Increase	897	—	44	0
Decrease	(1,411)	(15)	—	(2)
Other	(388)	(1)	(2)	(10)
Balance at March 31, 2019	¥ 6,112	¥ —	¥8,245	¥575
Increase	2,057	0	—	—
Decrease	(523)	—	(20)	(7)
Other	(202)	—	—	(51)
Balance at March 31, 2020	¥ 7,444	¥ 0	¥8,225	¥517

	Thousands of U.S. dollars			
		Receivables other than trade receivables		
			Significant increase in credit risk	
	Trade receivables	No significant increase in credit risk	Non-credit-impaired financial assets	Credit-impaired financial assets
Balance at March 31, 2019	$56,073	$—	$75,642	$5,275
Increase	18,872	0	—	—
Decrease	(4,798)	—	(183)	(64)
Other	(1,853)	—	—	(468)
Balance at March 31, 2020	$68,294	$ 0	$75,459	$4,743

(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 within one year and their contractual cash flows are nearly equal to the carrying amount.

As of March 31, 2019

	Millions of yen			
		Contractual cash flows		
	Carrying amount	Total	Within 1 year	Over 1 year
Non-derivative financial liabilities				
Bonds and borrowings	¥181,335	¥192,149	¥62,479	¥129,670
Lease obligations	9,035	9,407	3,478	5,929
Derivative financial liabilities				
Currency derivatives	1,803	1,803	1,568	235
Interest rate derivatives	¥ 1,228	¥ 1,226	¥ 507	¥ 719

As of March 31, 2020

	Millions of yen			
		Contractual cash flows		
	Carrying amount	Total	Within 1 year	Over 1 year
Non-derivative financial liabilities				
Bonds and borrowings	¥280,915	¥289,505	¥82,948	¥206,557
Lease liabilities (Note)	41,743	44,542	15,092	29,450
Derivative financial liabilities				
Currency derivatives	1,217	1,217	1,126	91
Interest rate derivatives	¥ 743	¥ 742	¥ 316	¥ 426

	Thousands of U.S. dollars			
		Contractual cash flows		
	Carrying amount	Total	Within 1 year	Over 1 year
Non-derivative financial liabilities				
Bonds and borrowings	$2,577,201	$2,656,009	$760,991	$1,895,018
Lease liabilities	382,963	408,642	138,459	270,183
Derivative financial liabilities				
Currency derivatives	11,165	11,165	10,330	835
Interest rate derivatives	$ 6,817	$ 6,807	$ 2,899	$ 3,908

The Olympus Group does not expect the cash flows included in the maturity analysis to occur much earlier than anticipated or to differ significantly from the anticipated monetary amounts.

Note: As described in Note 3 "Significant Accounting Policies", the Olympus Group has applied IFRS16 effective from the current fiscal year.

(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.

(i) Foreign exchange forward contracts, currency options and currency swaps

The details of foreign exchange forward contracts, currency options and currency swaps were as follows:

	Millions of yen				Thousands of U.S. dollars	
	2019		2020		2020	
	Contract amount	Fair value	Contract amount	Fair value	Contract amount	Fair value
Foreign exchange forward contracts:	¥ 91,643	¥(1,224)	¥78,263	¥ 33	$718,009	$ 303
U.S. dollar	25,598	(742)	23,002	(540)	211,028	(4,954)
Other currency	66,045	(482)	55,261	573	506,981	5,257
Currency options	14,865	20	—	—	—	—
Other currency	14,865	20	—	—	—	—
Currency swaps	—	—	16,095	205	147,661	1,880
Receive other currencies / pay Euro	—	—	15,639	208	143,477	1,908
Receive Euro / pay other currencies	—	—	456	(3)	4,184	(28)
Total	¥106,508	¥(1,204)	¥94,358	¥ 238	$865,670	$2,183

(ii) Sensitivity analysis of currency fluctuation risk
The following table illustrates the impact on profit before tax in the consolidated statements of profit or loss from financial instruments held by the Olympus Group at the end of each fiscal year if the Japanese yen appreciated by 1 Japanese yen against the U.S. dollar and the Euro. This analysis assumes that all other variables are held constant.

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
U.S. dollar	¥(87)	¥(69)	$(633)
Euro	¥(50)	¥(62)	$(569)

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.

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Other comprehensive income (before tax effect)	¥(186)	¥(144)	$(1,321)

(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

	Millions of yen			
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets measured at fair value through profit and loss				
Derivative assets	¥ —	¥ 599	¥ —	¥ 599
Equity securities	—	—	787	787
Financial assets measured at fair value through other comprehensive income				
Equity securities	18,583	—	987	19,570
Financial liabilities				
Financial liabilities measured at fair value through profit and loss				
Derivative liabilities	—	3,031	—	3,031
Contingent consideration	¥ —	¥ —	¥584	¥ 584

As of March 31, 2020

	Millions of yen			
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets measured at fair value through profit and loss				
Derivative assets	¥ —	¥1,455	¥ —	¥ 1,455
Equity securities	—	—	845	845
Financial assets measured at fair value through other comprehensive income				
Equity securities	14,423	—	813	15,236
Financial liabilities				
Financial liabilities measured at fair value through profit and loss				
Derivative liabilities	—	1,960	—	1,960
Contingent consideration	¥ —	¥ —	¥163	¥ 163

	Thousands of U.S. dollars			
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets measured at fair value through profit and loss				
Derivative assets	$ —	$13,349	$ —	$ 13,349
Equity securities	—	—	7,752	7,752
Financial assets measured at fair value through other comprehensive income				
Equity securities	132,321	—	7,459	139,780
Financial liabilities				
Financial liabilities measured at fair value through profit and loss				
Derivative liabilities	—	17,982	—	17,982
Contingent consideration	$ —	$ —	$1,495	$ 1,495

The changes in financial assets categorized within level 3 were as follows:

	Millions of yen 2019	Millions of yen 2020	Thousands of U.S. dollars 2020
Balance at April 1	¥1,595	¥1,774	$16,275
Gains and losses (Note)			
Profit or loss	77	(129)	(1,184)
Other comprehensive income	(607)	(185)	(1,697)
Purchases	1,030	229	2,101
Sales	—	(6)	(55)
Other	(321)	(25)	(229)
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.

Total losses recognized in profit or loss included losses of ¥67 million and (¥20) million (($183) thousand) on financial instruments held as of the years ended March 31, 2019 and 2020, respectively.

The changes in financial liabilities categorized within level 3 were as follows:

	Millions of yen 2019	Millions of yen 2020	Thousands of U.S. dollars 2020
Balance at April 1	¥ 662	¥ 584	$ 5,358
Business combinations	489	163	1,495
Settlement	(693)	(571)	(5,239)
Change in fair value	85	—	—
Other	41	(13)	(119)
Balance at March 31	¥ 584	¥ 163	$ 1,495

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.

	Millions of yen 2019		Millions of yen 2020		Thousands of U.S. dollars 2020	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets						
Lease receivables	¥29,824	¥29,803	¥ 36,891	¥ 36,819	$ 338,450	$ 337,789
Financial liabilities						
Bonds	19,909	19,897	69,737	69,513	639,789	637,734
Borrowings	97,811	98,218	116,036	118,053	1,064,550	1,083,055
Lease obligations	¥ 9,035	¥ 9,140	¥ —	¥ —	$ —	$ —

4) Equity instruments

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

The fair values of major equity instruments were as follows:

Issuer	Millions of yen 2019
ASAHI INTECC CO., LTD.	¥3,511
CASIO COMPUTER CO., LTD.	3,451
USHIO INC.	1,449
Sumitomo Realty & Development Co., Ltd.	1,307
FUJI CORPORATION	¥1,287

Issuer	Millions of yen 2020	Thousands of U.S. dollars 2020
ASAHI INTECC CO., LTD.	¥3,608	$33,101
CASIO COMPUTER CO., LTD.	2,716	24,917
FUJI CORPORATION	1,441	13,220
USHIO INC.	1,159	10,633
Mitsubishi UFJ Financial Group, Inc.	¥ 845	$ 7,752

The fair value at the date of sale and cumulative gains or losses on sales of equity instruments sold during the year were as follows:

	Millions of yen 2019	Millions of yen 2020	Thousands of U.S. dollars 2020
Fair value at the date of sale	¥4,998	¥3,032	$27,817
Cumulative gains or losses on sale	¥2,486	¥1,579	$14,486

The breakdown of dividends received recognized from equity instruments was as follows:

	Millions of yen 2019	Millions of yen 2020	Thousands of U.S. dollars 2020
Equity instruments derecognized during the year	¥114	¥ 46	$ 422
Equity instruments held at the end of year	488	409	3,752
Total	¥602	¥455	$4,174

(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:
As of March 31, 2019

	Millions of yen				
			Carrying amount (Note)		
	Notional amount	Over 1 year	Assets	Liabilities	Interest rate
Interest rate swaps	¥63,000	¥25,000	¥—	¥1,228	Variable rate receipt: 6-month Japanese yen TIBOR Fixed rate payment: 1.3815% to 2.040%

As of March 31, 2020

	Millions of yen				
			Carrying amount (Note)		
	Notional amount	Over 1 year	Assets	Liabilities	Interest rate
Interest rate swaps	¥25,000	¥25,000	¥—	¥743	Variable rate receipt: 6-month Japanese yen TIBOR Fixed rate payment: 1.3815% to 2.040%

	Thousands of U.S. dollars				
			Carrying amount (Note)		
	Notional amount	Over 1 year	Assets	Liabilities	Interest rate
Interest rate swaps	$229,358	$229,358	$—	$6,817	Variable rate receipt: 6-month Japanese yen TIBOR Fixed rate payment: 1.3815% to 2.040%

Note: The amount in the consolidated statements of financial position are recorded in "Other financial assets" or "Other financial liabilities" of each current and non-current based on their maturity date.

The cash flow hedge reserve regarding the above table was as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Interest rate swaps	¥(1,228)	¥(743)	$(6,817)

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

	Millions of yen	
	Changes in the fair value recognized in other comprehensive income	Amount of reclassification adjustment from cash flow hedge to profit or loss (Note)
Interest rate swaps	¥(134)	¥843

As of March 31, 2020

	Millions of yen	
	Changes in the fair value recognized in other comprehensive income	Amount of reclassification adjustment from cash flow hedge to profit or loss (Note)
Interest rate swaps	¥11	¥474

	Thousands of U.S. dollars	
	Changes in the fair value recognized in other comprehensive income	Amount of reclassification adjustment from cash flow hedge to profit or loss (Note)
Interest rate swaps	$101	$4,349

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

Transferred financial assets that are not derecognized in their entirety

The Olympus Group transfers a part of trade receivables to a third party in order to diversify fund-raising channels and conduct stable fund procurement. The third party has 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 which 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.

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Transferred financial assets	¥3,253	¥2,869	$26,321
Related liabilities	2,518	2,178	19,982
Net position of transferred financial assets	¥ 735	¥ 691	$ 6,339

The fair values are equivalent to the carrying amounts in the above table.

36. Leases

Previous year (March 31, 2019)

(1) Lessor

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:

	Millions of yen	
	Gross investment in the lease	Present value of minimum lease receivables
	2019	2019
Within 1 year	¥14,647	¥13,752
More than 1 year, but within 5 years	17,250	15,603
More than 5 years	121	115
Total	¥32,018	¥29,470
Unguaranteed residual values	354	
Unearned finance income	2,194	
Present value of minimum lease receivables	¥29,470	

The amount of the allowance for uncollectable minimum lease receivables as of March 31, 2019 was ¥1,466 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:

	Millions of yen
	2019
Within 1 year	¥18,870
More than 1 year, but within 5 years	20,177
More than 5 years	112
Total	¥39,159

The total of variable lease payments recognized as revenue for each fiscal year was as follows:

	Millions of yen
	2019
Total of variable lease payments	¥11,696

(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:

	Millions of yen	
	Total of minimum lease payments	Present value of minimum lease payments
	2019	2019
Within 1 year	¥3,478	¥3,319
More than 1 year, but within 5 years	5,859	5,658
More than 5 years	69	58
Total	¥9,406	¥9,035
Future finance costs	371	
Present value	¥9,035	

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:

	Millions of yen
	2019
Within 1 year	¥ 6,430
More than 1 year, but within 5 years	17,394
More than 5 years	20,438
Total	¥44,262

The total of minimum lease payments of operating leases recognized in profit or loss was as follows:

	Millions of yen
	2019
Total of minimum lease payments	¥6,505

Current year (March 31, 2020)

(1) Lessor

The Olympus Group leases endoscopes and other equipment under finance leases and also leases endoscopic, property, and other equipment as operating leases.

The breakdown of revenue under finance leases was as follows:

	Millions of yen	Thousands of U.S. dollars
	2020	2020
Revenue		
Lease income	¥8,233	$75,532
Interest income	¥1,495	$13,716

The breakdown of future lease payments receivable under finance leases was as follows:

	Millions of yen	Thousands of U.S. dollars
	2020	2020
Undiscounted lease payments to be received		
Within 1 year	¥17,911	$164,321
More than 1 year, but within 2 years	11,246	103,174
More than 2 years, but within 3 years	6,392	58,642
More than 3 years, but within 4 years	2,698	24,752
More than 4 years, but within 5 years	972	8,917
More than 5 years	55	506
Total	¥39,274	$360,312
Discounted unguaranteed residual value	863	7,917
Unearned finance income	(3,246)	(29,779)
Net investment in the lease	¥36,891	$338,450

The breakdown of revenue under operating leases was as follows:

	Millions of yen	Thousands of U.S. dollars
	2020	2020
Revenue		
Lease income	¥ 6,075	$ 55,734
Variable lease payments (Note)	¥20,646	$189,413

Note: Income that is not determined by an index or a rate.

The breakdown of future lease payments receivable under operating leases was as follows:

	Millions of yen	Thousands of U.S. dollars
	2020	2020
Within 1 year	¥19,970	$183,211
More than 1 year, but within 2 years	12,764	117,101
More than 2 years, but within 3 years	5,535	50,780
More than 3 years, but within 4 years	1,747	16,028
More than 4 years, but within 5 years	514	4,716
More than 5 years	508	4,659
Total	¥41,038	$376,495

(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.

Mainly, a lease related to an asset (contract amount: ¥18,837 million ($172,817 thousand)) scheduled to be used as an office of a regional headquarters in Europe is under construction as of March 31, 2020, and is scheduled to commence in December 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 described in Note 13 "Property, plant and equipment".

The total amount of cash outflows related to leases is ¥18,694 million ($171,505 thousand).

The breakdown of lease-related income and expenses is as follows:

	Millions of yen	Thousands of U.S. dollars
	2020	2020
Revenue from sublease of right-of-use assets	¥ 39	$ 358
Depreciation of right-of-use assets by underlying asset class		
Land	376	3,450
Buildings and structures	8,696	79,780
Machinery and vehicles	1,118	10,257
Tools, furniture and fixtures	2,683	24,615
Interest expense under lease obligations	902	8,275
Expenses under short-term leases	704	6,459
Expenses under leases of low-value asset	¥1,608	$14,752

Note: The balance of lease liabilities by date is described in Note "35. Financial Instruments".

37. Income Taxes

(1) Deferred tax assets and liabilities

The breakdown of major deferred tax assets and liabilities by cause was as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Deferred tax assets			
Inventories	¥ 9,348	¥ 9,520	$ 87,339
Prepaid expenses	8,794	11,200	102,752
Accrued bonuses	5,900	6,327	58,046
Accrued expenses	4,450	4,577	41,991
Unrealized intercompany profits	5,276	6,290	57,706
Depreciation of property, plant and equipment	6,745	7,014	64,349
Amortization of intangible assets	4,029	4,908	45,028
Interest rate swaps	376	227	2,083
Retirement benefit liabilities	6,471	6,556	60,147
Loss carryforwards	9,844	3,783	34,706
Other	8,187	9,344	85,725
Total	¥ 69,420	¥ 69,746	$ 639,872
Deferred tax liabilities			
Depreciation of property, plant and equipment	¥ (8,122)	¥ (4,435)	$ (40,688)
Financial liabilities measured at fair value through other comprehensive income	(2,027)	(1,694)	(15,541)
Retirement benefit assets	(6,524)	(4,689)	(43,018)
Fair value differences on acquisition	(3,888)	(1,992)	(18,275)
Capitalized development costs	(9,363)	(13,499)	(123,844)
Other	(4,330)	(5,428)	(49,800)
Total	¥(34,254)	¥(31,737)	$(291,166)
Net deferred tax assets	¥ 35,166	¥ 38,009	$ 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.

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Loss carryforwards	¥21,238	¥19,682	$180,569
Deductible temporary differences	29,135	28,364	260,220
Tax credits carried forward	1,096	723	6,633
Total	¥51,469	¥48,769	$447,422

Loss carryforwards for which deferred tax assets have not been recognized and expires as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Within 4th year	¥13,787	¥15,441	$141,661
5th year and thereafter	7,451	4,241	38,908
Total	¥21,238	¥19,682	$180,569

The Company does not recognize deferred tax liabilities for the temporary differences associated with undistributed profits of subsidiaries when the Company 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. Total temporary differences associated with the undistributed profits of subsidiaries which have not been recognized as deferred tax liabilities (income base) were ¥194,077 million and ¥234,087 million ($2,147,587 thousand) as of March 31, 2019 and 2020, respectively.

(2) Income tax expenses

The breakdown of income tax expenses was as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Current tax expenses (Notes 1)	¥15,827	¥26,701	$244,963
Deferred tax expenses (Notes 2, 3, 4)	(3,759)	(558)	(5,119)
Total of income tax expenses	¥12,068	¥26,143	$239,844

Notes: 1. The current tax expense includes tax losses which were previously not recorded, tax credits or benefits resulting from temporary differences for prior periods. Consequently, the current tax expense for the fiscal years ended March 31, 2019 and 2020 decreased by ¥1,255 million and ¥474 million ($4,349 thousand), respectively.
In addition, the current tax expense for the fiscal year ended March 31, 2020 includes the corporation tax for the previous fiscal year of ¥(849) million ($(7,789) thousand).
2. The deferred tax expense includes tax losses which were previously not recorded, tax credits or benefits resulting from temporary differences for prior periods. Consequently, the deferred tax expense for the fiscal years ended March 31, 2019 and 2020 decreased by ¥4,799 million and ¥529 million ($4,853 thousand), respectively.
3. The deferred tax expense includes devaluation of deferred tax assets and the reversal of devaluation of deferred tax assets which was previously recorded (assessment of recoverability of deferred tax assets). Consequently, the deferred tax expense for the fiscal year ended March 31, 2019 and 2020 increased by ¥1,329 million and ¥2,167 million ($19,881 thousand), respectively.
4. The deferred tax expense decreased by ¥266 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.

	2019	2020
Effective statutory tax rate	30.6%	30.6%
Non-deductible expense, such as entertainment expenses	40.5	13.9
Non-taxable income, such as dividend income	(6.9)	(1.3)
Tax credit for experimental research cost and others	(4.7)	(4.5)
Different tax rates applied to subsidiaries	(9.2)	3.5
Subsidiaries reserve	5.5	2.8
Change in unrecognized deferred tax assets and liabilities	4.2	(8.9)
Change in deferred tax assets at the end of fiscal year due to changes in tax rates	(1.3)	(1.5)
Other	1.3	(1.0)
Average actual tax rate	60.0%	33.6%

38. Major Subsidiaries

(1) Structured entities

Major subsidiaries as of March 31, 2020 were as follows:

Company name	Location	Main business	Voting rights held by the Company (%) (Note 1)
(Consolidated subsidiaries)			
Olympus Medical Systems Corp.	Shibuya-ku, Tokyo	Manufacturing Endoscopic Solutions Business products and Therapeutic Solutions Business products	100
Aizu Olympus Co., Ltd.	Aizu-Wakamatsu-shi, Fukushima	Manufacturing Endoscopic Solutions Business products	100
Aomori Olympus Co., Ltd.	Kuroishi-shi, Aomori	Manufacturing Therapeutic Solutions Business products	100
Nagano Olympus Co., Ltd.	Tatsuno-machi, Kamiina-gun, Nagano	Manufacturing Scientific Solutions Business products	100
Shirakawa Olympus Co., Ltd.	Nishigo-mura, Nishishirakawa-gun, Fukushima	Manufacturing Endoscopic Solutions Business products	100
Olympus Medical Science Sales Corp.	Shinjuku-ku, Tokyo	Sales of Endoscopic Solutions Business products, Therapeutic Solutions Business products and Scientific Solutions Business products	100
Olympus Logitex Co., Ltd.	Minami-ku, Sagamihara-shi, Kanagawa	Logistics	100

Company name	Location	Main business	Voting rights held by the Company (%) (Note 1)
Olympus Systems Co., Ltd.	Shibuya-ku, Tokyo	Information services	100
Olympus Terumo Biomaterials Corp.	Shibuya-ku, Tokyo	Research and development in the biomaterials field	66.6
TmediX Corporation	Shinjuku-ku, Tokyo	Leasing of Endoscopic Solutions Business products	100
Olympus Corporation of the Americas	Pennsylvania, U.S.A.	Holding company of corporate planning and financial support to affiliated companies in Americas region	100
Olympus America Inc.	Pennsylvania, U.S.A.	Sales of Endoscopic Solutions Business products, Therapeutic Solutions Business products and Scientific Solutions Business products	100 (100)
Olympus Latin America, Inc.	Florida, U.S.A.	Sales of Endoscopic Solutions Business products, Therapeutic Solutions Business products and Scientific Solutions Business products	100 (100)
Gyrus ACMI, Inc.	Massachusetts, U.S.A.	Manufacturing Therapeutic Solutions Business products	100 (100)
Gyrus ACMI LP	Minnesota, U.S.A.	Manufacturing Therapeutic Solutions Business products	100 (100)
Olympus Scientific Solutions Americas Corp.	Massachusetts, U.S.A.	Manufacturing Scientific Solutions Business products	100 (100)
Olympus Scientific Solutions Technologies Inc.	Massachusetts, U.S.A.	Manufacturing Scientific Solutions Business products	100 (100)
Olympus NDT Canada Inc.	Québec, Canada	Manufacturing Scientific Solutions Business products	100 (100)
Olympus Europa Holding SE	Hamburg, Germany	Holding company of corporate planning to affiliated companies in Europe region	100
Olympus Europa SE & Co. KG	Hamburg, Germany	Holding company and sales of Endoscopic Solutions Business products, Therapeutic Solutions Business products, Scientific Solutions Business products and Imaging Business products	100 (100)
Olympus Soft Imaging Solutions GmbH	Munster, Germany	Information services and system development	100 (100)
Olympus Deutschland GmbH	Hamburg, Germany	Sales of Endoscopic Solutions Business products, Therapeutic Solutions Business products, Scientific Solutions Business products and Imaging Business products	100 (100)
Olympus France S.A.S.	Rungis Cedex, France	Sales of Endoscopic Solutions Business products, Therapeutic Solutions Business products, Scientific Solutions Business products and Imaging Business products	100 (100)
Olympus Winter & Ibe GmbH	Hamburg, Germany	Manufacturing Endoscopic Solutions Business products and Therapeutic Solutions Business products	100 (100)
KeyMed (Medical & Industrial Equipment) Ltd.	Essex, U.K.	Manufacturing and sales of Endoscopic Solutions Business products and Scientific Solutions Business products	100 (100)
Gyrus Group Limited	London, U.K.	Fund management of subsidiary companies outside Europe	100 (100)
Olympus Finance UK Limited	London, U.K.	Fund management of the whole group	100
Olympus Corporation of Asia Pacific Limited	Hong Kong	Holding company of corporate planning to affiliated companies in Asia region	100
Olympus Hong Kong and China Limited	Hong Kong	Sales of Endoscopic Solutions Business products, Therapeutic Solutions Business products, Scientific Solutions Business products and Imaging Business products and manufacturing Scientific Solutions Business products and Imaging Business products	100 (100)
Olympus (China) Co., Ltd.	Beijing, P.R.C.	Holding company of corporate planning to affiliated companies in China	100 (100)
Olympus (Guangzhou) Industrial Ltd.	Guangzhou, P.R.C.	Manufacturing Endoscopic Solutions Business products and Scientific Solutions Business products	100 (100)
Olympus (Beijing) Sales & Service Co., Ltd.	Beijing, P.R.C.	Sales of Endoscopic Solutions Business products, Therapeutic Solutions Business products and Scientific Solutions Business products	100 (100)
Olympus Trading (Shanghai) Limited	Shanghai, P.R.C.	Sales of Endoscopic Solutions Business products, Therapeutic Solutions Business products and Scientific Solutions Business products	100 (100)
Olympus Korea Co., Ltd.	Seoul, Republic of Korea	Sales of Endoscopic Solutions Business products, Therapeutic Solutions Business products, Scientific Solutions Business products and Imaging Business products	100
Olympus Singapore Pte Ltd.	Singapore	Sales of Endoscopic Solutions Business products, Therapeutic Solutions Business products and Scientific Solutions Business products	100 (100)
Olympus Vietnam Co., Ltd.	Vietnam	Manufacturing Therapeutic Solutions Business products and Imaging Business products	100 (100)
Olympus Australia Pty Ltd.	Victoria, Australia	Sales of Endoscopic Solutions Business products, Therapeutic Solutions Business products and Scientific Solutions Business products	100 (100)
53 others	—	—	—
(Equity method affiliated companies)			
Sony Olympus Medical Solutions Inc.	Hachioji-shi, Tokyo	Development of Endoscopic Solutions Business products	49
1 other	—	—	—

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

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Remuneration and bonuses	¥522	¥720	$6,606
Share-based payments	20	19	174
Total	¥542	¥739	$6,780

40. Business Combinations

For the year ended March 31, 2019

(Business combination through acquisition)

(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 ("16CSP") released on March 30, 2016, the Company set forth a goal of 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

	Millions of yen
	Amount
Fair value of consideration paid	
Cash	¥3,424
Contingent consideration	489
Total	3,913
Fair value of assets acquired, and liabilities undertaken	
Intangible assets	3,815
Fair value of assets acquired and liabilities undertaken (net amount)	3,815
Goodwill	98
Total	¥3,913

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 time 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.

(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:

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Employees (mortgages)	¥8	¥5	$46
Total	¥8	¥5	$46

(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

(Corporate Separation)

On April 1, 2020, the Company transferred part of its functions, such as research and development, manufacturing and repair planning, to its wholly-owned subsidiary Olympus Medical Systems Corp. through a corporate separation in order to strengthen Group systems to enable firm governance of 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) Overview of transaction

1) Name and description of business involved in corporate separation

Name of business	Endoscopic Solutions Business, Therapeutic Solutions Business
Description of business	Part of the Company's functions in research and development, manufacturing and repair planning of medical devices
Total assets	¥24,842 million
Liabilities	¥3,226 million
Net assets	¥21,616 million

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, to meet the quality and regulatory requirements that are increasing year by year. Through this, it aims to release at opportune times products that satisfy the highest-level quality and safety standards demanded by the market and by our customers.

This time, the Company conducted the corporate separation to strengthen our systems to enable firm governance of quality and regulatory assurance functions while maintaining a fitting level of quality.

The impact of this corporate separation on the Company's consolidated financial results is immaterial.

(Substantial borrowings)

The Company has arranged business financing and long-term working capital as follows.

1.

(i) Source of borrowings	Syndicated loan facility arranged by Sumitomo Mitsui Banking Corporation
(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.

(i) Source of borrowings	Syndicated loan facility arranged by MUFG Bank, Ltd.
(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.

(i) Source of borrowings	Mizuho Bank, Ltd.
(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

EY
Building a better working world

Ernst & Young ShinNihon LLC
Hibiya Mitsui Tower, Tokyo Midtown Hibiya
1-1-2 Yurakucho, Chiyoda-ku
Tokyo 100-0006, Japan

Tel: +81 3 3503 1100
Fax: +81 3 3503 1197
ey.com

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.

EY
Building a better working world

Capitalization of development costs	
Description of Key Audit Matter	Auditor's Response
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. As described in Note 3 (9) of the Consolidated financial statements, development costs are capitalized that meet following criteria: ・ 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 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 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.	In consideration of the capitalization of development costs, we performed the following audit procedures, among others: ・ We evaluated whether the Company's policy for capitalization of development costs meets the requirements of IAS 38, "Intangible Assets." ・ We evaluated the existence and appropriateness of the timing of recognition by reviewing the materials of development conference meetings for the main development projects. ・ We performed the following procedures in order to evaluate the existence of the capitalized development costs: ・ 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. ・ We compared capitalized development costs with the source data. ・ 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.

A member firm of Ernst & Young Global Limited

EY
Building a better working world

Evaluation of the goodwill of the Therapeutic solutions segment	
Description of Key Audit Matter	Auditor's Response
As described in Note 16 of the Consolidated Financial Statements, the Company recorded goodwill for the Therapeutic solutions segment of 79,038 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 future 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. 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 CGU operates. 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 future 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: · We involved our valuation expert to evaluate the method of measurement of value in use and the discount rates used. · Regarding the estimation of the five year future cash flow based on the business plan, we discussed with management and we 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. · 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. · Regarding the growth rate and the discount rate for the period after the term of the business plan, we discussed with management and performed the following procedures: · Regarding the growth rate for the period after the term of the business plans, we compared with market forecasts and available external data.

EY
Building a better working world

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.	· Regarding the discount rate, we involved our valuation expert to evaluated the method of measurement and reliability of external data used as a basis of the calculation. · Regarding the impact of COVID-19, we inquired of the management about the Company's assumption and we compared with the current economic conditions and the recent business environment. · We performed sensitivity analysis with respect to fluctuation of key assumptions.

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.

Building a better working world

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.

Building a better working world

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

原科博文

Hirofumi Harashina
Designated Engagement Partner
Certified Public Accountant

吉田哲也

Tetsuya Yoshida
Designated Engagement Partner
Certified Public Accountant

飯田昌泰

Masayasu Iida
Designated Engagement Partner
Certified Public Accountant

A member firm of Ernst & Young Global Limited

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	https://www.olympus-global.com
Securities Identification Code	7733
Stock Exchange Listing	Tokyo Stock Exchange
Fiscal Year-End	March 31
General Meeting of Shareholders	June
Share Trading Unit	100
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

Depositary and Transfer Agent for American Depositary Receipts:

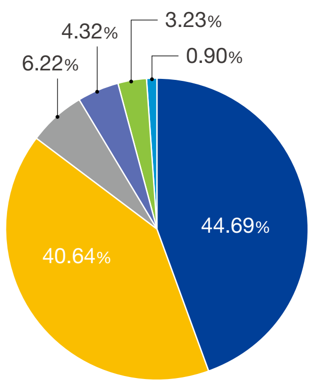
The Bank of New York Mellon
240 Greenwich Street, New York, NY 10286, U.S.A.
International: +1-201-680-6825
U.S. toll free: 888-269-2377 (888-BNY-ADRS)
https://www.adrbnymellon.com
Ratio (ADR:ORD): 1:1
Exchange: OTC (Over-the-Counter)
Symbol: OCPNY
CUSIP: 68163W109

Principal Shareholders

Shareholder name	Number of shares held	Percentage of shares outstanding
The Master Trust Bank of Japan, Ltd. (trust accounts)	156,516,300	12.17%
Japan Trustee Services Bank, Ltd. (trust accounts)	73,254,300	5.70%
STATE STREET BANK AND TRUST COMPANY 505010	64,740,284	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 shares in Sumitomo Mitsui Banking Corporation's retirement benefit trust account)	45,616,000	3.55%
MUFG Bank, Ltd.	43,522,344	3.39%
SSBTC CLIENT OMNIBUS ACCOUNT	26,511,299	2.06%
MSCO CUSTOMER SECURITIES	23,347,386	1.82%
Japan Trustee Services Bank, Ltd. (trust accounts 5)	22,627,600	1.76%

Note: The percentage of shares outstanding is calculated after deducting treasury stock (85,330,967 shares).

Composition of Shareholders



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.

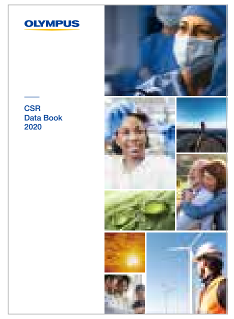
Olympus Global Homepage

Provides information on the Olympus Group such as management information, product information, and non-financial information.

https://www.olympus-global.com/

CSR DATA BOOK

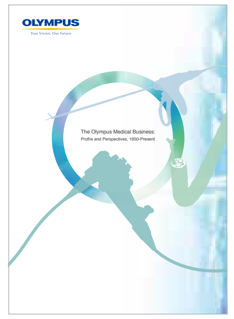
Presents the Olympus Group's detailed ESG data



https://www.olympus-global.com/csr/download/pdf/csr_db_2020.pdf

Olympus Medical Business

Introduces Olympus' strengths in as well as basic knowledge about the Medical Business.



https://www.olympus-global.com/ir/data/medical.html

External Evaluations / Commitment to External Initiatives (As of August 2020)

Inclusion in ESG Indexes

Dow Jones Sustainability Asia Pacific indices

FTSE4Good Index Series
FTSE Blossom 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 Derwent TOP 100 GLOBAL INNOVATOR, which recognizes the world's most innovative companies and institutions, for the nine 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 Kurumin 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 Eruboshi certification from the Minister of Health, Labour and Welfare as a company that actively promotes female workers (Eruboshi Grade 3 for Olympus in 2019).

Participates in the United Nations Global Compact.