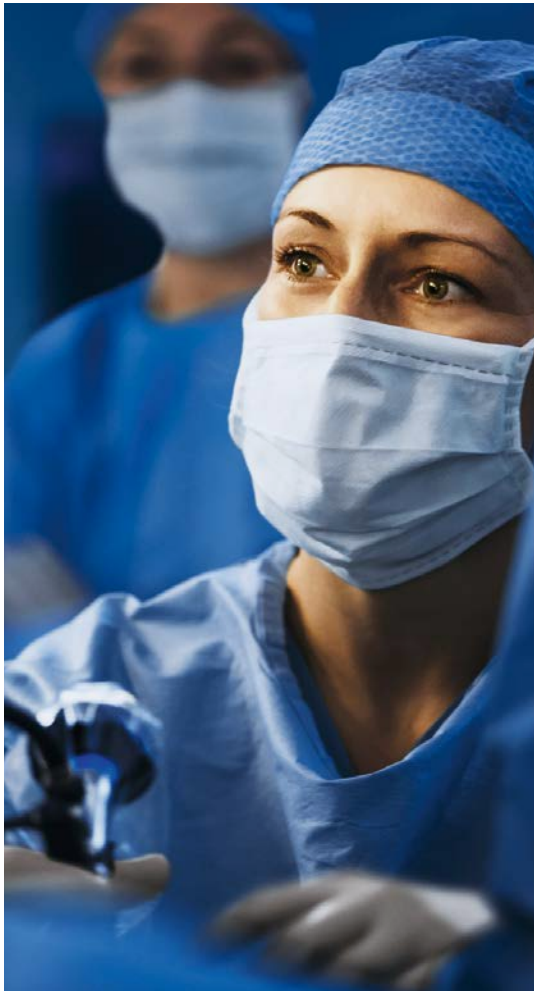


Integrated  
Report  
2021







## 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 contributing to people worldwide by meeting societal demands.

We have been on a journey which will transform Olympus into a global medtech company. It is a huge step forward to a future where we can continue to help society progress.

We invite you to join us on our journey. Please look forward to Olympus delivering on its promises and soaring to new heights.



Olympus continues to help resolve social issues through medical innovation while advancing its corporate transformation.

Progress in Fiscal Year 2021

- Made steady progress on the corporate transformation plan, *Transform Olympus*
- Formulated five materiality items that moves us toward sustainable business growth and a sustainable society
- Completed the transfer of the Imaging Business to Japan Industrial Partners, Inc. in January 2021
- Launched the EVIS X1 gastrointestinal (GI) endoscopy system—the first new model in about eight years—in Europe, Japan, and some parts of Asia
- Conducted multiple M&A to drive growth in the Medical Business (GI endoscopy: Arc Medical Design Ltd.; Respiratory: Veran Medical Technologies, Inc.; Orthopedic: FH ORTHO SAS; Surgical: Quest Photonic Devices B.V.)
- Reorganized the product development structure (a system in which specialized functions, such as quality, R&D and manufacturing, strengthen their cooperation from the early stage to develop products that are safer and more effective)
- Implemented “Career Support for External Opportunity” in Japan

Measures to Be Implemented in Fiscal Year 2022

- Deepening profitable growth strategy in Medical Business
- Further improvement of efficiency and effectiveness through *Transform Olympus*
- Continued steady investment in product development for future growth
- ESG initiatives that contribute to a sustainable society



Yasuo Takeuchi

Director, Representative Executive Officer,  
President and CEO

Our Purpose and the Mission as a Medtech Company

To begin, I would like to express my sincere condolences to the lives that have been lost due to COVID-19 and I would like to extend my deepest sympathies to those who have been affected. I would also like to express my sincere gratitude to all healthcare professionals, including doctors around the world, for their efforts on the front line during this unprecedented time. Olympus has taken a variety of measures and made the utmost effort to ensure that supplies to those who need our products and services have not been disrupted.

During the pandemic, I once again gained a strong sense that Olympus has a mission within society, to contribute by providing new value to healthcare professionals and patients through innovative medical technologies. During these tough times, many colleagues have displayed a strong loyalty to our

mission as a medtech company and have been performing their tasks heroically on the front line. During the early stages of the pandemic in China, a large-scale medical center was quickly built to specialize in patients with the COVID-19, and many of our medical devices were needed. Thanks to the teamwork of our colleagues, including those in our factories, products were shipped without delay, with our colleagues working day and night, from the delivery of the medical devices to their installation in the hospitals. I and colleagues in other areas worked with the same sense of mission, continuing the supply of medical devices, even in unprecedented situations, that was, and still is, extremely important for us who are involved in medical care. As stated in Our Purpose, we have reaffirmed the importance of contributing to making people's lives healthier, safer and more fulfilling.

Accelerating Our Transformation in Fiscal Year 2021

Aiming to transform into a truly global medtech company, we have been implementing our *Transform Olympus* corporate transformation plan and corporate strategy since 2019. The key initiatives in fiscal year 2021 were the transfer of the Imaging Business to Japan Industrial Partners, Inc. in January 2021, and the “Career Support for External Opportunity” (voluntary retirement program) initiative implemented in Japan to promote our transformation into a global medtech company. I should thus mention that improving our corporate culture and making the best use of our organizational strengths have started in earnest. On some occasions, it has involved tough decisions, but I get the feeling that Olympus is steadily transforming into what we want it to be—a global medtech company. We have implemented a variety of measures since the first fiscal year of the corporate strategy, and I think we are confident that it will accomplish what it was set out to do.

The strength of our Endoscopic Solutions Division (ESD) has been reaffirmed in the previous fiscal year, fiscal year 2021. In April 2020, we launched the new GI endoscopy system EVIS X1, which represented the first model change in about eight years. Previously, product life cycles had been five to six years, so for a wait interval of eight years like on this occasion, it was likely difficulties in sales activities would have arisen and I was worried this could present problems in maintaining good relationships with our customers.

The pandemic also restricted our sales activities. Nevertheless, even in such a difficult situation, the ESD achieved year-on-year growth in both revenue and operating profit from the third quarter onward, which, I believe, was the result of the steady demand for early diagnosis and minimally invasive treatment.

Also in fiscal year 2021, we conducted multiple M&A to accelerate growth of the Medical Business. Previously, this had been an area of inactivity, but we now view such activities as an important strategic initiative for business growth.

For example, we acquired Veran Medical Technologies, Inc. to improve our competitiveness in Respiratory. The company's electromagnetic navigation system assists in the insertion of bronchoscopes and endotherapy devices into the finely branched peripheral part of the lungs while enabling the viewing of a 3D image, while an added benefit is that this system has synergy with Olympus bronchoscopes. We expect this will contribute to improving the quality of diagnosis and staging.

In addition, the fluorescence imaging systems for medical applications owned by Quest Photonic Devices B.V. represent a field in which significant growth is expected in years to come. Quest Photonic Devices B.V. is actively promoting joint R&D with various biotechnology companies for the new technology of molecular imaging, which will give us a foothold in this technology in the future. If molecular

imaging is put into practical use, it is expected to make a technical contribution to lowering the recurrence rate of cancers and allow for cancer lesions to be more easily located when surgeons operate to remove them. By not only aiming for business growth, but also giving consideration to the efficiency and speed of development, expanding the range of value provided while actively utilizing M&A is

an indispensable ability for today's global medtech companies. In building healthcare systems, healthcare professionals, including doctors, and hospital operators are calling for companies that can provide appropriate solutions to their challenges through products and services. I believe a global medtech company should be able to respond promptly to such demands by providing new value.

Engaging in Social Sustainability

Simply because Olympus is involved in the medical and life science fields, there has been a strong tendency to think that our business activities themselves led to contributions being made to society. However, nowadays the ESG notion that it is necessary to create value from both financial and non-financial perspectives for companies to achieve sustainable growth has become increasingly widespread. Olympus also recognizes that one of its important management activities is to consider the sustainability of the company and actively promote initiatives that incorporate ESG perspectives.

In 2019, we extracted six ESG areas and identified four materiality items to focus on. In addition, we are very aware that environmental issues and climate change are social issues to be solved, and in 2021 we added “carbon neutral society and circular economy” as a fifth materiality item. Of these, I would like to offer explanations on “compliance, product quality and safety” and the newly added “carbon neutral society and circular economy.”

First, with regard to product quality and safety—in addition to undertaking a voluntary recall of endoscopic and endotherapy products—in fiscal year 2021 Olympus carried out upgrades to some of the functions of the GI endoscopy system EVIS X1. As a medical device manufacturer, we naturally bear the responsibility to ensure the safety of our products. We have been working to strengthen the function of quality assurance and regulatory affairs (QARA). To date, we have hired experienced personnel who have served as the heads of the QARA function at various global medtech companies as Chief Quality Officer (CQO), and are accelerating the strengthening of the system. We are working to improve our QARA function, such as introducing a quality management system (QMS) that is unified worldwide and creating the global mechanisms and systems that will enable us to respond more quickly and proactively. We are also moving quickly to hire specialists who are familiar with quality laws and regulations worldwide to

strengthen this function.

Next, regarding the environment, in May 2021, we expressed our support for the Task Force on Climate-related Financial Information (TCFD) recommendations and set the goal of achieving carbon neutrality by 2030 for our site operations. Previously, we had been engaged in environmental activities centered on production activities but recognizing that it is our responsibility as a global company to work positively on environmental issues, we have now formulated new policies and set new targets. In the years to come, we will actively engage in the sustainable development of both society and business and maintain an awareness of these aspects throughout the Company.

Six Important ESG Areas

Corporate governance	Economic sustainability	Product sustainability
Environment	People	Society

Our Materiality

- Healthcare access and outcomes
- Compliance, product quality and safety
- Responsible supply chain
- Diversity and inclusion
- Carbon neutral society and circular economy



“ In fiscal year 2022, shifting from our transformation to a global medtech company by implementing corporate reforms to a phase of ‘strengthening further.’ ”

Fiscal Year 2022 Focus on “Strengthening Further”

Until now, we have carried out corporate transformation with a view to transforming into a global medtech company, and we are perceiving fiscal year 2022 as the phase of “strengthening further” the transformation we have been promoting.

For Olympus to continue to grow in a sustainable manner, I feel that it is not enough to develop businesses that are merely extensions of the past, such as the ESD and the Therapeutic Solutions Division (TSD). It is important to have a vision of how to establish differentiated positioning and aim to provide clinically meaningful value. We are planning to further deepen the strategy of the Medical Business from this kind of perspective and plan to make an announcement during the course of 2021. I would like to explain the medium- to long-term direction that our businesses should take in the future, the value provided by our products and services, and how we will contribute to the healthcare sector through them.


When considering the elements necessary for us from a medium- to long-term perspective, it is also necessary to start strengthening our management base. For us to manage the global group as a whole, it will be necessary to introduce a universal IT

platform, standardize and integrate back-office operations, aim for efficient operations with good governance, and integrate supply chain management (SCM) systems on a worldwide basis. Investment will precede each measure, but the effects of global integration are expected to appear in profit terms slowly over the medium to long term.


There are many areas for investment linked to key initiatives, but to achieve the goal of an operating margin of over 20% in fiscal year 2023, we will be prioritizing investments that contribute significantly to this goal. Despite the pandemic, in fiscal year 2021, we were able to achieve the goals we had set at the beginning of the term, allowing for a sense of accomplishment with my colleagues in a tough time. To continue that sense of accomplishment, we will remain determined to achieve the major goal of an operating margin of over 20% in the fiscal year 2023. By repeating successful experiences, we believe we can foster a corporate culture to build a healthy organization where each colleague can feel that sense of accomplishment and satisfaction.

FY2022 Key Initiatives


Further strengthen our position as a global medtech company




Deepening profitable growth strategy in Medical Business



Further improvement of efficiency and effectiveness through *Transform Olympus*



Continued steady investment in product development for future growth



ESG initiatives that contribute to a sustainable society



“ Based on our medium- to long-term perspective corporate strategy, we will change our corporate culture and make the best use of our organizational strengths to enable sustainable growth.”

Transformation through our Corporate Strategy that Focuses on the Medium to Long Term

I would like to explain again the relationship between our corporate strategy and our goal of an operating margin of over 20%.

The corporate strategy shows the direction of management from a long-term perspective, and we are proceeding with a wide variety of initiatives under this strategy, but the effects of those initiatives are expected to appear in the long term. Meanwhile, the goal of an operating margin of over 20% is set to significantly change the awareness of colleagues and bring out the potential of Olympus as a whole in the short period of time by fiscal year 2023. Because of this, we recognize this is a milestone we will need to reach, and I believe this will enable us to achieve sustainable growth by significantly changing employee awareness and corporate culture. Targeting an operating margin of over 20%, we strive to achieve this goal through multiple factors, such as through sales growth, more efficient SG&A expenses, and *Transform Olympus*, by which we aim to transform the entire company. Fiscal year 2023 is not the goal, but rather the building of a corporate culture and making the best use of our organizational strengths to enable sustainable growth.

For me, my honest feeling is that we have just begun our journey and there is still a long way to go. However, as part of our corporate philosophy, Our Purpose, becomes more instilled, our determination to change has increased and our implementation skills

improved. These, among others, have given us a real sensation of having crossed hurdles that Olympus could not previously overcome.

While continuing to support improvements in the healthy life expectancy of individuals and patients' quality of life (QOL) through technological innovations, I would like to see Olympus make the transition to becoming a global medtech company that continues to provide essential value to society. Medical needs are constantly increasing, and companies must continue to evolve in synch with those needs. I have long believed we have the potential to continue creating innovative products and solutions. I sincerely hope all my colleagues will see this transformation their own and evolve with it, contributing to society and stakeholders alike. Going forward, we will continue to take on the challenges of transformation with the aim of further increasing corporate value toward the goals stated in Our Purpose, “Making people’s lives healthier, safer and more fulfilling.” I am grateful for your continued support and have great trust in our ability to achieve our goals.

  
Director, Representative Executive Officer,  
President and CEO



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

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Editorial Policy

The Olympus Group strives to conduct disclosure in a manner that meets the information needs of its stakeholders. Starting in fiscal year 2018, its annual reports are being compiled as an integrated report. With the foremost aim of deepening understanding with regard to the Olympus Group, this report contains the corporate 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 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 Products

Some products in the Integrated Report have not yet been released in some regions.





# 1

## Our Company

This chapter looks back on Olympus' 100-year history and introduces a business overview, particularly focusing on Olympus' competitive advantages in the mainstay Medical Business. In addition, the CFO discusses Olympus' financial strategy for becoming a truly global medtech company.

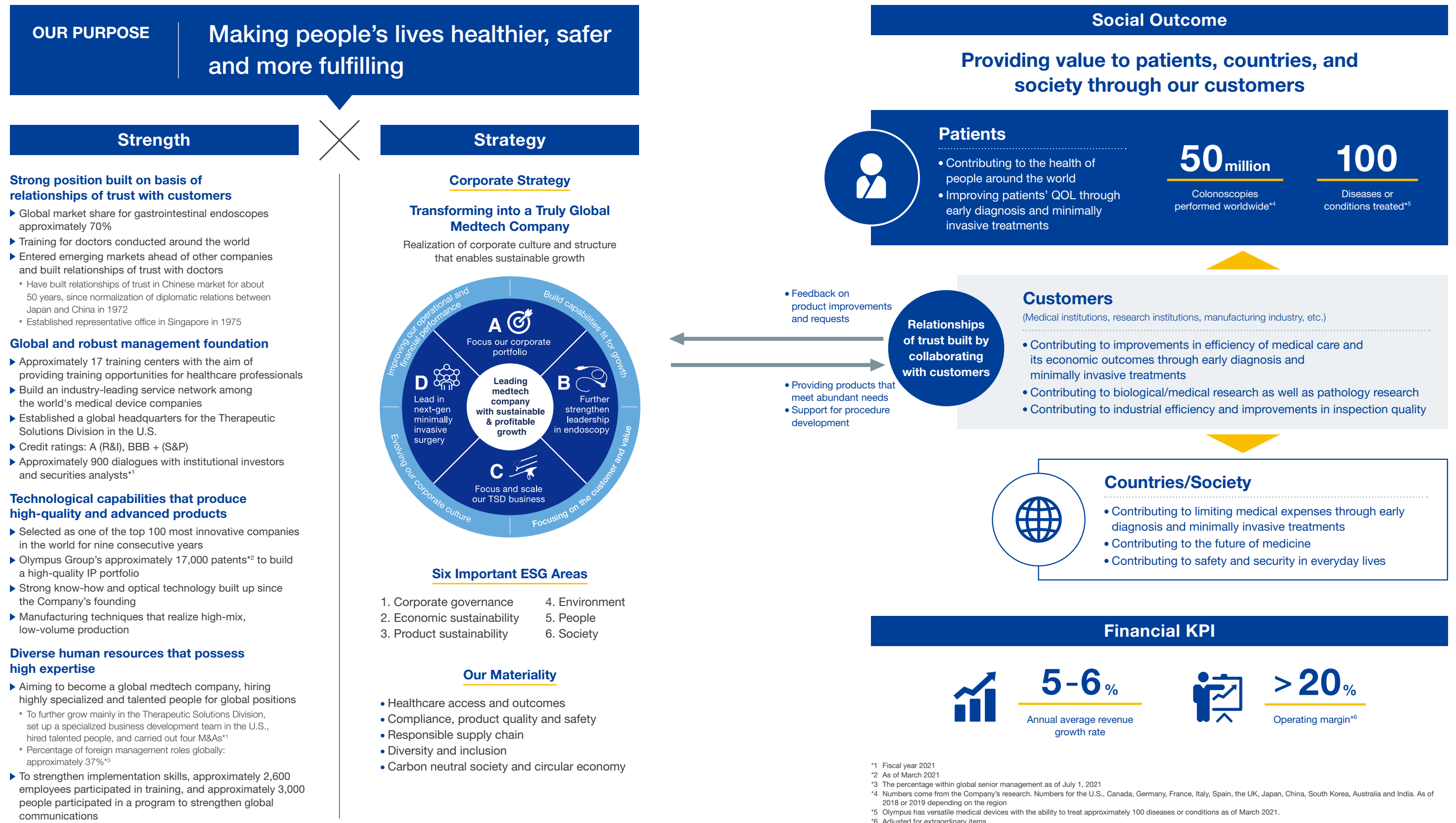
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## Value Creation Model

## Olympus' Value Creation Model





Overview

# Our History

Evolution of Medical Business

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

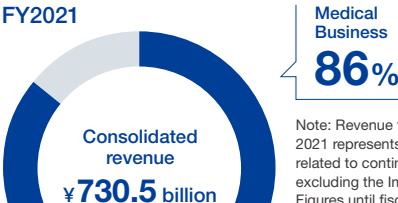
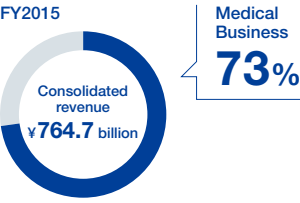
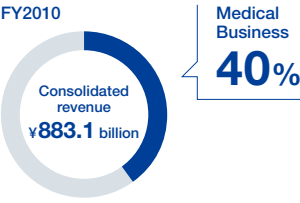
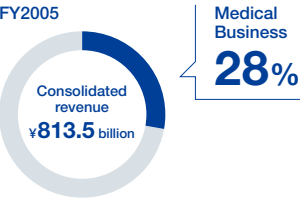
The development of videoscopes, which feature imaging elements such as CCDs built into their distal tips, contributed to a substantial increase in the accuracy of diagnoses. This increase in accuracy came from the ability to display images on monitors for multiple healthcare professionals to view.

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.

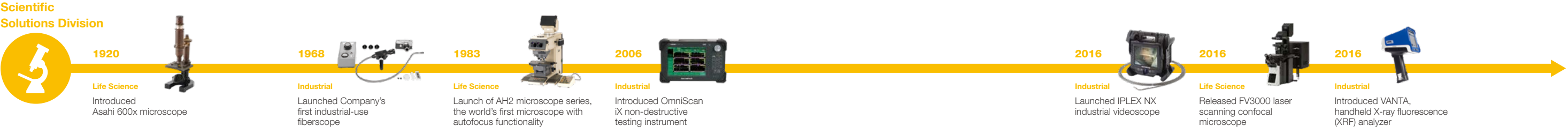
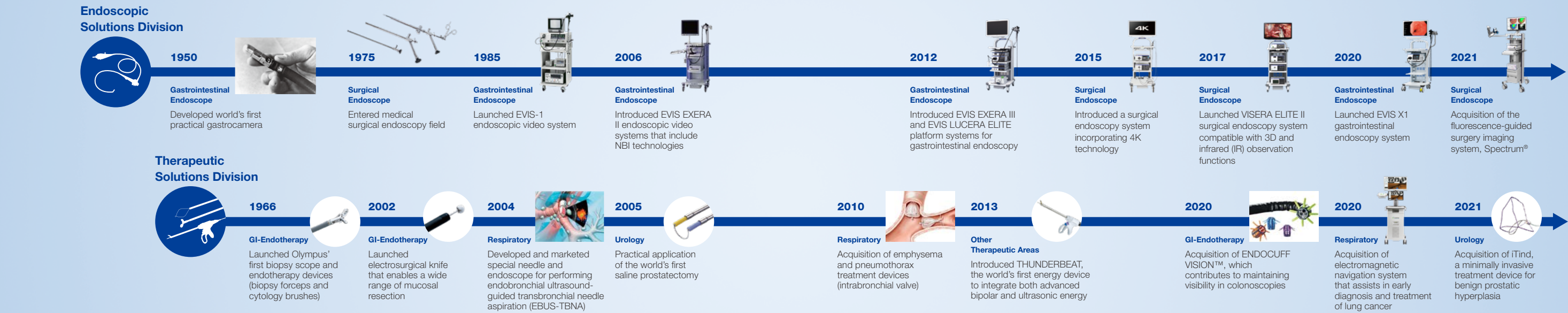
Advent of Observation Using Specific Light Spectra

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.



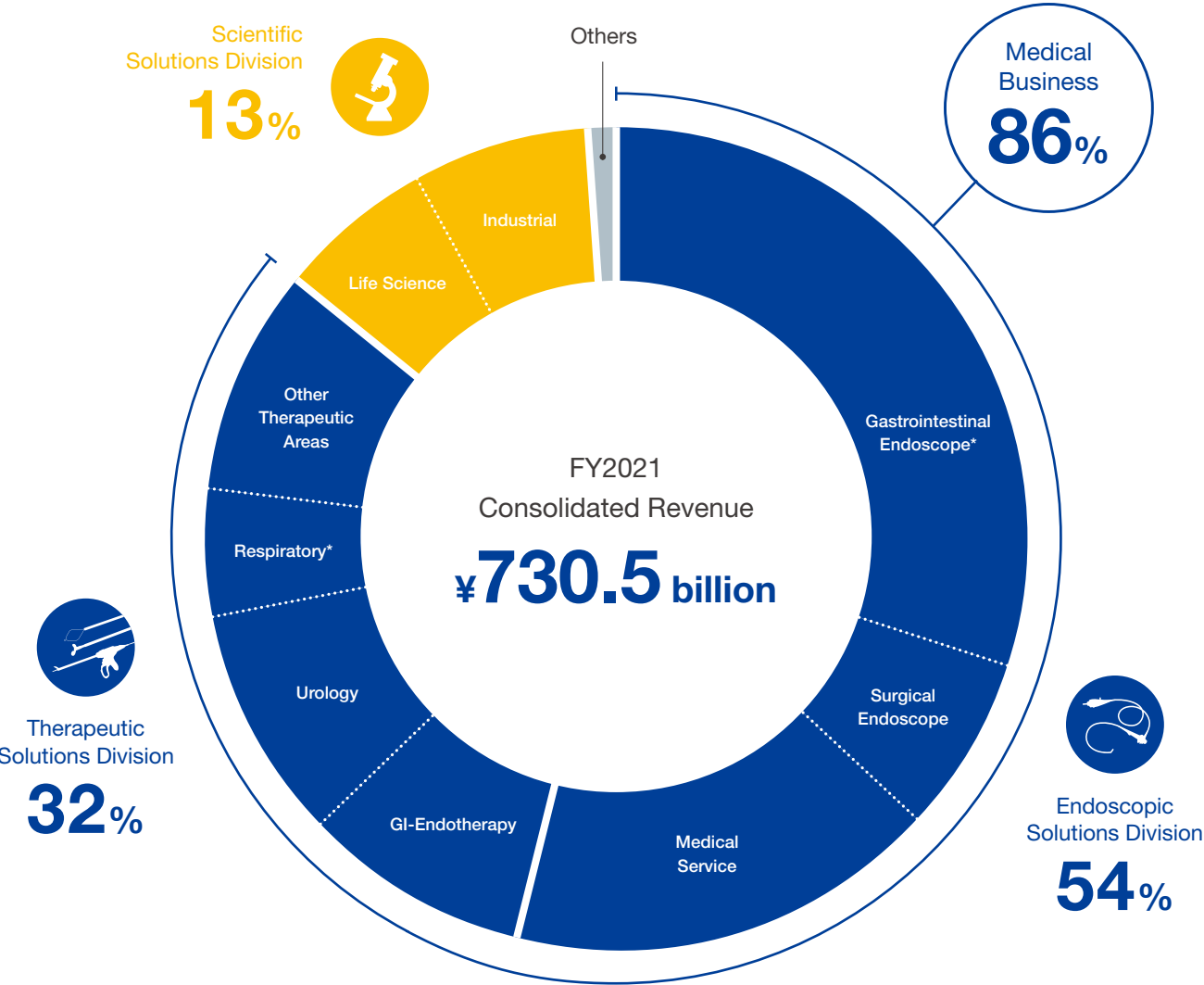
Note: Revenue for fiscal year 2021 represents the amounts related to continuing operations excluding the Imaging Business. Figures until fiscal year 2015, are based on Japanese GAAP (JGAAP). Figures for fiscal year 2021, are based on IFRS.

■ Medical Business  
■ Others

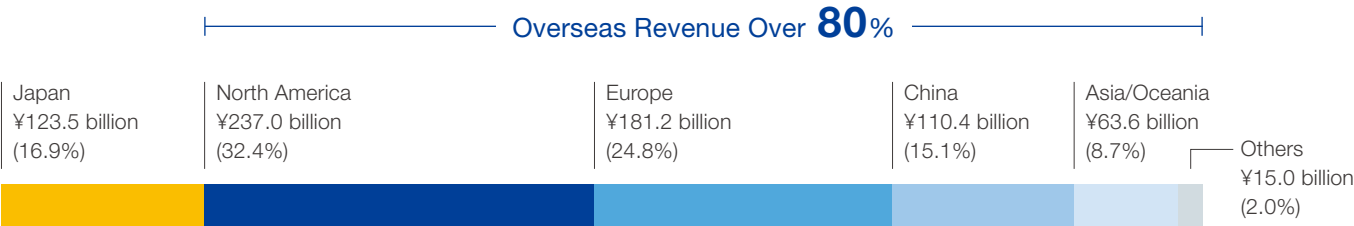




# At a Glance



\*From FY2022, bronchoscopes, which were classified in the gastrointestinal endoscope segment of ESD, have been transferred into the respiratory segment of TSD. FY2021 actuals have also been restated in the same manner.



**Endoscopic Solutions Division**

Revenue

**¥393.7 billion**

Operating profit

**¥98.8 billion**

Operating Margin

**25.1%**

In its Endoscopic Solutions Business, Olympus uses innovative capabilities in medical technology, therapeutic intervention and precision manufacturing to help healthcare professionals deliver diagnostic, therapeutic and minimally invasive procedures to improve clinical outcomes, reduce overall costs and enhance the quality of life for patients. Starting with the world's first gastrocamera in 1950, Olympus' Endoscopic Solutions portfolio has grown to include endoscopes, laparoscopes, and video imaging systems, as well as customer solutions and medical services.

**Major Products**

- Gastrointestinal endoscopy systems
- Surgical endoscopy systems
- Surgical microscopes
- Endoscope reprocessor
- Maintenance/Service
- Customer Solutions (Digital Healthcare Solutions)

**Therapeutic Solutions Division**

Revenue

**¥231.8 billion**

Operating profit

**¥30.6 billion**

Operating Margin

**13.2%**

In its Therapeutic Solutions Business, Olympus uses innovative capabilities in medical technology, therapeutic intervention, and precision manufacturing to help healthcare professionals deliver diagnostic, therapeutic, and minimally invasive procedures to improve clinical outcomes, reduce overall costs, and enhance the quality of life for patients. Starting with its early contributions to the development of the polypectomy snare, Olympus' Therapeutic Solutions portfolio has grown to include a wide range of medical devices to help prevent, detect, and treat disease.

**Major Products**

- GI-Endotherapy devices
- Respiratory products
- Urology/gynecology products
- ENT products
- Energy devices
- Surgical single-use devices

**Scientific Solutions Division**

Revenue

**¥95.9 billion**

Operating profit

**¥4.9 billion**

Operating Margin

**5.2%**

Scientific Solutions Business provides imaging, instrumentation, and measurement solutions to meet the evolving needs of professionals in the life sciences and industrial sectors. Olympus is a leading supplier of optical and digital microscope systems for life science solutions. Olympus also offers a wide array of industrial solutions, including industrial microscopes and videoscopes, non-destructive testing technology, and X-ray analyzers.

**Major Products**

- Biological microscopes
- Industrial microscopes
- Industrial videoscopes
- Non-destructive testing instruments
- X-ray fluorescence (XRF) analyzers

**Others**

Revenue

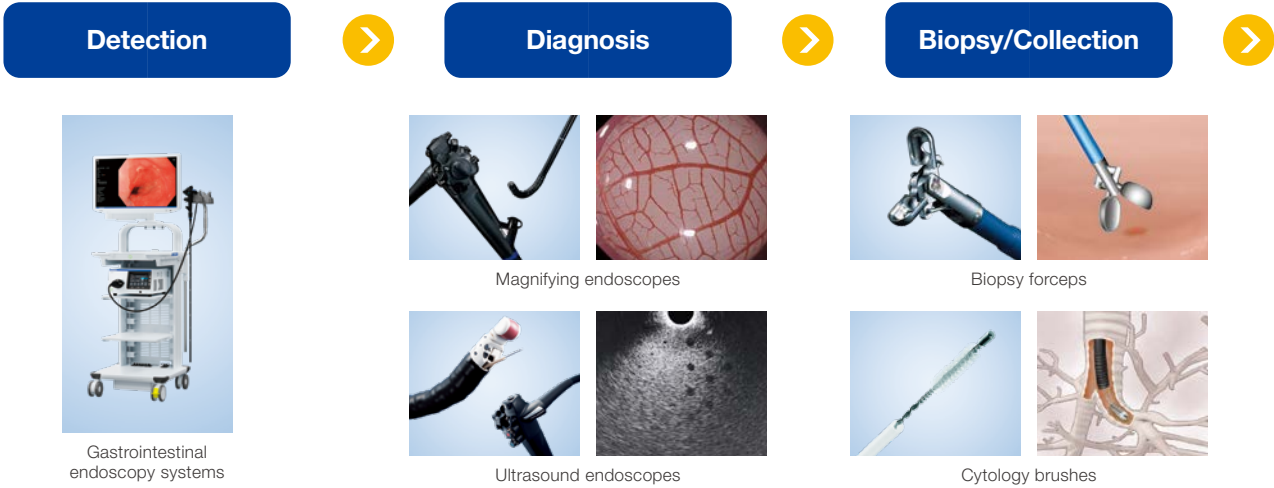
**¥9.2 billion**

In other businesses, the Olympus Group conducts R&D and exploratory activities for new businesses in addition to engaging in R&D, manufacturing, and sales of biomedical materials, such as synthetic bone filler, and orthopedic equipment.

# Our Products

## 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.
- If a suspicious lesion is found during the endoscopic examination, the area can be sampled for pathological examination.
- Recently, our endoscopes' magnification function is expected to enable doctors to make a definitive diagnosis immediately based on magnified images without the need to damage body tissue.



Early diagnosis centered on gastrointestinal endoscopes and minimally invasive treatment realized mainly from endotherapy devices and surgical products are the two value propositions created by Olympus. 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.

## Minimally Invasive Treatment

- Gastrointestinal endoscopes can also be used together with endotherapy devices to treat early-stage cancers, as well as various treatments such as removal of polyps and accidental foreign objects.
- In the field of urology, we are deploying devices that can be used in clinics to treat benign prostatic hyperplasia (BPH), which is expected to increase with the aging of the population, without the need for excisional surgery. It is a minimally invasive treatment that ensures no permanent foreign object remains in the patient's body.
- Unlike conventional open surgery, endoscopic surgery (laparoscopic surgery) does not require large abdominal incisions therefore patients are expected to feel less post-operative pain, spend shorter days in hospital and return to normal life more quickly.



### The Social Issues Solved by Olympus



\*<sup>1</sup> Data source: GLOBOCAN 2020



\*<sup>2</sup> Numbers come from the Company's research. Numbers for the U.S., Canada, Germany, France, Italy, Spain, the UK, Japan, China, South Korea, Australia and India. As of 2018 or 2019 depending on the region



\*<sup>3</sup> As of March 2021



Endoscopes play an important role in detecting and treating many types of cancer. For example, according to 2020 data, new cases of colon cancer affect about 1.9 million people annually, and a number that is expected to increase in the years to come. About 50 million colonoscopies are performed annually for the diagnosis and therapeutic treatment of colon cancer, and Olympus products are used for many of them.

Endoscopes are used not only for detecting and diagnosing lesions, but also for their therapeutic treatment. In addition to GI-endotherapy devices, we provide versatile medical devices for various hospital departments, and our devices are capable of treating about 100 diseases. By providing treatment methods for four of the five cancers with the highest number of cases—lung, stomach, colon, and prostate\*<sup>4</sup>—and developing therapeutic devices to help treat other cancers, Olympus is contributing to the health of people around the world.

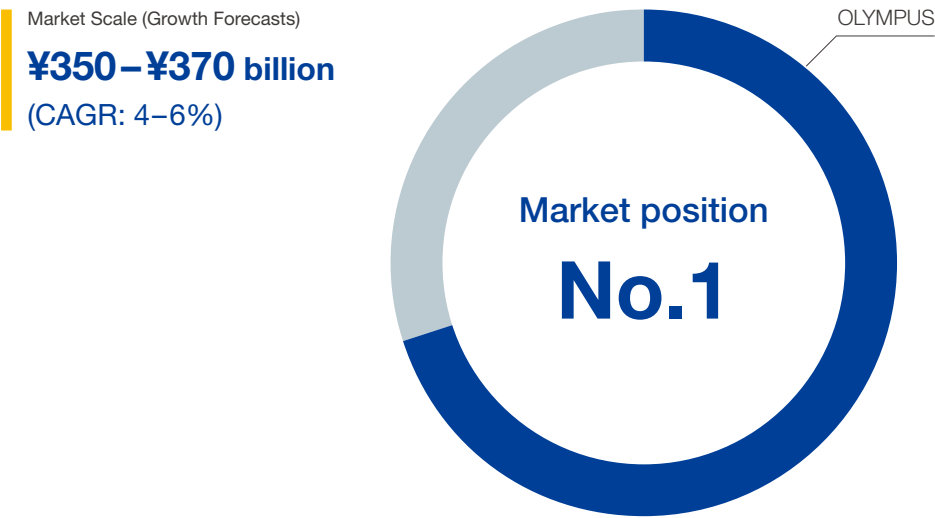
\*<sup>4</sup> As of March 2021. Data source: GLOBOCAN 2020 Excluding breast cancer, which is the top cancer in terms of cases



# Our Market

## Endoscopic Solutions Division

### Gastrointestinal Endoscopes

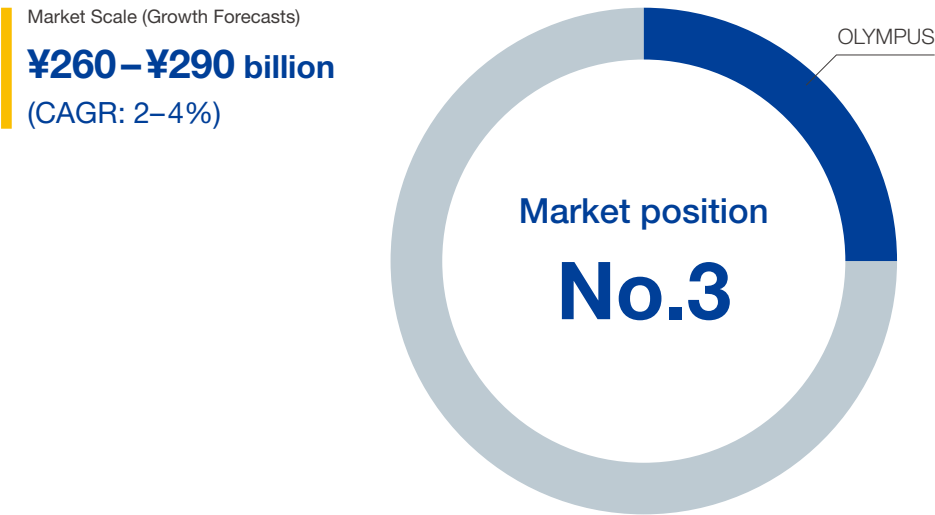


EVIS X1



EVIS EXERA III  
EVIS LUCERA ELITE

### Surgical Endoscopes



4K surgical endoscopy system

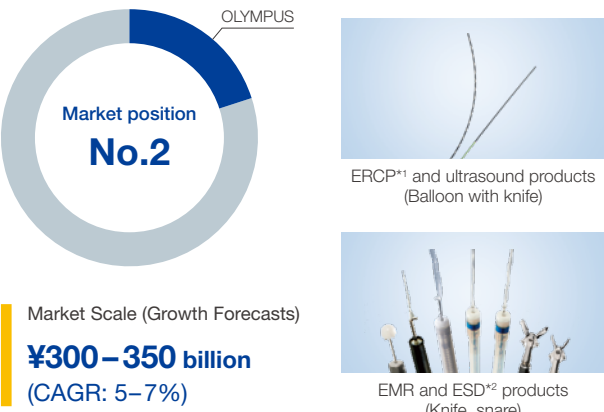


VISERA ELITE II:  
Surgical endoscopy system  
compatible with infrared and  
3D observation functions

Note: Market scale and growth forecast information for this page come from the Company's research. Market scale is as of March 31, 2021  
Growth forecasts are projected for the fiscal year 2022 to fiscal year 2024, starting from fiscal year 2021  
Figures of "Respiratory-Capital" and "Respiratory-Consumables" exclude the impact of the Veran Medical Technologies acquisition in December, 2020

## Therapeutic Solutions Division

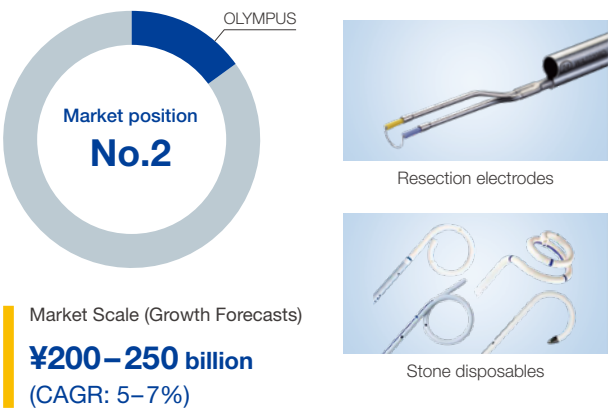
### GI-Endotherapy



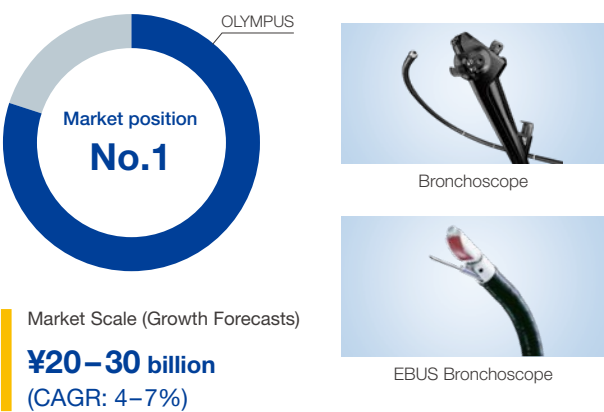
### Urology-Capital



### Urology-Consumables



### Respiratory-Capital



### Respiratory-Consumables



Message from the CFO



Chikashi Takeda  
Executive Officer and  
Chief Financial Officer

Progress in Fiscal Year 2021

- Ensured business continuity under the COVID-19 pandemic situation
- From the second half of the fiscal year, when the market environment began to recover, implemented measures that contributed to the maximization of corporate value by resource reallocation

Future Priority Measures

- Moving the Finance Transformation, one of the strategic priorities of *Transform Olympus* to the execution stage, while working to maximize corporate value, through realization of potential value, the reconstruction of operation models, and the evolution of dialogue with stakeholders
- Pursuing a balance between financial soundness and capital efficiency while remaining aware of optimal capital structure
- Undertaking capital allocations prioritizing business investment

“Aiming for enhancement of sustainable corporate value, we will achieve both business growth and efficiency by optimizing the allocation of management resources.”

The Medical Business’s Resilience in Dealing with the COVID-19 Pandemic

Fiscal year 2021 was the first year of the three-year period up to the fiscal year 2023 which is regarded as a milestone in the corporate strategy announced in November 2019. We had expected further growth from fiscal year 2020, but unfortunately revenue and operating profit decreased. The biggest factor was the decrease in sales due to the impacts of the COVID-19 pandemic, but the recovery trend starting in the second half, was remarkable. Especially, in the fourth quarter, both the Endoscopic Solutions Division (ESD) and the Therapeutic Solutions Division (TSD) recorded double-digit growth compared to the previous fourth quarter. I am expecting this momentum to continue in the current fiscal year and anticipate significant increases in revenue and operating profit.

In the fiscal year 2021, we faced the unprecedented situation of COVID-19 pandemic and took various emergency measures. In March 2020, when the impacts of the COVID-19 pandemic had gradually become apparent, we raised additional funding, having decided that securing funds would be our top priority, so we could ensure business continuity and continue to supply products to all our patients and healthcare professionals. At the same time, we conducted a review of the internal budget on a zero basis, and first worked to curb expenditures. When the market environment showed signs of recovery, we shifted to taking positive steps toward sustainable growth.

Looking back, I can see now that fiscal year 2021

was an opportunity to reaffirm our strengths and weaknesses. For example, in the first half of the fiscal year 2021, when the impacts of COVID-19 pandemic were at a high level, I strongly felt that the fixed cost ratio was an issue for us and that there was room for improvement. In the Medical Business, which began to recover as soon as the market environment started to improve, we were able to demonstrate that resilience was in place against the backdrop of a robust platform centered on gastrointestinal (GI) endoscopes. By such employees attribute as a sense

of mission to continue delivering products, and the will to push forward with new initiatives for sustainable growth, we were also able to confirm the strength of our employees’ commitment to our stakeholders, who include patients, healthcare professionals, and shareholders. As a global medtech company, we have learned a lot that will lead us confidently toward the goal of an operating margin of over 20% for fiscal year 2023, which was set as one milestone on the way to achieving sustainable growth.

Priority Measures: Resource Allocation Focused on Balance between Business Growth and Efficiency

I would like to outline specific results from, and the background to, fiscal year 2021. In addition to major measures, such as the introduction of the new GI endoscopy system, EVIS X1, several M&A deals in the Medical Business, the divestiture of the Imaging Business, and the implementation of “Career Support for External Opportunity”, a variety of measures were implemented with regard to *Transform Olympus*. To maximize corporate value, we identified the capabilities that could be differentiated, how and whether we should optimize the allocation of management resources, and, from those where this was not applicable, considered whether to relocate resources—in other words, to replace and redistribute resources—and implemented those initiatives.

The companywide transformation plan *Transform Olympus*, by which we aim to transform our corporate culture as well as improve business operations and performance, consists of bottom-up themes combined with top-down strategic priorities for which each executive officer is responsible. As I have responsibility for Finance Transformation, I have adopted three policies that will be able to assist the finance function in increasing the added value of the entire company. The first policy is the realization of

potential value. Up to now, we have endeavored to create value for Olympus as a whole through numerous initiatives, but there are still opportunities to create more value by comparing with best practices, by adapting based on changes in the business environment, or by thinking from a zero basis, and I believe that opportunities for new value creation will be created. By way of example, I would like to present a case in point concerning procurement activities. Currently, I have the responsibility to promote the globalization of indirect material procurement. Although on the way to the realization of its potential value, under procurement best practices in global companies, direct materials and indirect materials are all unified, including the organization and processes, and are managed and controlled by procurement managers. In addition to improving efficiency, this also leads to the strengthening of responsible procurement activities. At Olympus, we aim first for the unification of, for example, processes, tools, and other elements, on a global basis.

Underpinning the first policy of realizing potential value, the second Finance Transformation policy involves the rebuilding of the operating model in the finance function to lead to optimal solutions. We

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



Message from the CFO

decided to change the finance function, which had been operating mainly in each region, to a system that could be managed globally with a focus on function and could collaborate more closely with businesses as a business partner. This also included assigning human resources across regional boundaries.

My third Finance Transformation policy is the evolution of dialogue with stakeholders. I am very much aware of the need to improve the quality of our information disclosure and hope that our stakeholders will gain a proper understanding of our corporate value. There is room for improvement in background

explanations of financial information, and I recognize that the levels of information on our products and product pipeline in particular, which are the main drivers of corporate value creation, have unfortunately not yet reached the levels expected of a global medtech company. Having begun to disclose information on our principal product pipeline in fiscal year 2021, we have taken a step in the right direction. While listening to feedback from our stakeholders, we will strengthen information disclosure with the aim of achieving a level more appropriate of a global medtech company.

Optimal Capital Structure that Maintains Financial Discipline

The maximization of corporate value is accomplished by maximizing cash flow. Cash flow growth also plays an important role in achieving operating margin of over 20%, the goal of our corporate strategy. Based on this recognition, we are developing evaluation methods while reviewing the relevance of assets and capital investment to business growth, as well as the return on investment. Recognizing that there is room for improvement in our cash conversion cycle (CCC), especially in terms of inventory when compared with our competitors, we had planned a review of inventory from fiscal year 2021 but took measures that emphasized the continuity of supply by responding to the COVID-19 pandemic. On the basis of our ongoing responsibility for supply as a medical device company, we will conduct a review with the goal of inventory level optimization.

Under the previous medium-term management plan 16CSP, we had set an equity ratio target figure of 50% to serve as an index by which to gauge financial soundness. However, since the risks we had at that time have been eliminated, I think we are in the phase of considering the optimization of the cost of capital. Taking the interest-bearing debt/EBITDA ratio, which

is lower than our global competitors, as one criterion, on the basis of the cash flow that will be generated stably in the years to come, I recognize there is a possibility to leverage more. Although dependent upon the external environment and the growth stage of the Company, we will also pursue a balance between financial soundness and capital efficiency while remaining aware of financing costs (rating levels) and working to reduce the cost of capital.

Ratings (As of the end of July 2021)

	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	—

Capital Allocation that Balances Growth Investment and Shareholder Returns

Business investment is the top priority in capital allocation. As long as we keep funds from our shareholders, I believe Olympus should make business investments that can create unique added value and also increase shareholder value. In line with our corporate strategy, we will continue to promote business investment and M&A centered on the

Medical Business, especially the TSD’s three focus areas (GI-Endotherapy, Urology, and Respiratory).

We also aim to improve dividends in a stable and continuous manner. Taking advantage of our robust platform centered on GI-Endoscopes in the Medical Business, I believe we can continue to generate a certain level of free cash flow. Therefore, after

securing a certain amount of liquidity on hand for working capital and investment, we will consider acquiring treasury stock if there are surplus funds. The acquired treasury stock will be promptly canceled unless the intended use is clear. Based on this thinking, we canceled approximately 72 million shares of treasury stock in June 2021.

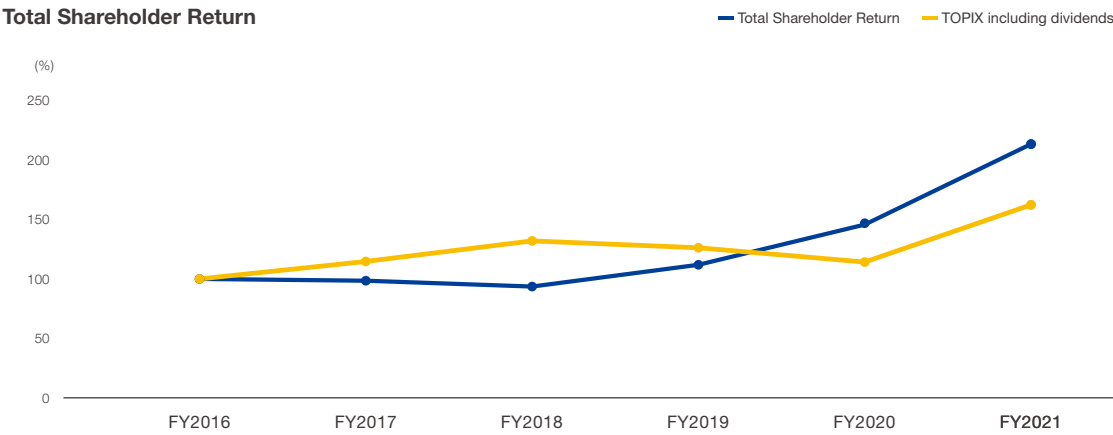
Against the backdrop of our ability to engage in a range of corporate activities on the basis of smooth financing, we recognize there is a certain level of evaluation from the market for the corporate value we have created. It is important for management to

remain aware of total shareholder return (TSR) as one of the indicators of corporate value. With regard to the executive compensation system for fiscal year 2022, the indices for long-term incentive compensation for executive officers have been rearranged. The performance share unit valuation indicators have been changed to three—operating profit, TSR, and ESG—and the ratio of TSR has been increased from 20% to 40%. I believe the system has now become one that allows shareholders and management to share mutual interests.

Maximizing Value Provided to All Stakeholders

To grow corporate value sustainably, it is essential to have continuous support from all stakeholders. In Olympus’ case, sales, for example, are the result of customer satisfaction by providing products and services that meet the needs of patients and healthcare professionals. Various types of procurement, human resources, outsourcing, and other activities—which are recognized as expenses by Olympus—are generated in relation to a variety of stakeholders, and I believe there is a need to pursue

an appropriate balance with our stakeholders, rather than prioritizing only our interests. Maintaining a balance between them can maximize the value provided to stakeholders and ensure sustainability. To that end, we must continue to be a company chosen by all stakeholders. Starting with the provision of products and services, we are aiming to be a company that continues to be selected by meeting the expectations of our various stakeholders, such as through our relationships with various partners.



	FY2017	FY2018	FY2019	FY2020	FY2021
Cash dividends per share	¥7	¥7	¥7.5	¥10	¥12
Payout ratio (consolidated)	22.4%	16.8%	125.7%	25.4%	119.4%
Total return ratio (consolidated)	22.4%	23.2%	125.7%	205.6%	118.8%

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 have been converted to align with the post-stock split standard.



# 2

## Our Strategy

This chapter focuses on Olympus' corporate strategy announced in November 2019 and reviews its progress. Olympus aims to become a truly global medtech company through the implementation of this strategy.

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Sustainability

# Olympus' Materiality

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.



Tetsuo Kobayashi  
Corporate Officer,  
Chief Strategy Officer,  
ESG Head

## ESG Engagement

We extracted six important ESG areas and defined five materiality items. These five materiality items reflect our corporate strategy, benchmarks by stakeholders and an external ESG evaluation organization's opinions, and have been established by the Group Executive Committee and the Board of Directors. The five materiality items show that we contribute to solving social issues through our business, and are in a mutually complementary and solid relationship. We consider ESG to be a crucial component as we grow to become a globally leading medtech company and contribute to the creation of a sustainable society. The distinct materiality items can vary depending on social and business changes and we continue to revise them as required.

### Six Important ESG Areas

1. Corporate governance

2. Economic sustainability

3. Product sustainability
4. Environment

5. People

6. Society

### Our Materiality

- Healthcare access and outcomes
- Compliance, product quality and safety
- Responsible supply chain
- Diversity and inclusion
- Carbon neutral society and circular economy

## ESG Promotion Structure

To reinforce the implementation of the ESG measures, in April 2021, we designated an ESG Head to be responsible for our ESG initiatives and established the KPIs to be specified in our medium- to long-term business plan. The ESG Head comprehensively manages ESG initiatives while monitoring the implementation progress of ESG measures. The ESG Head also reports the status of that progress to the Group Executive

Committee and the Board of Directors for deliberation.

From fiscal year 2021, 10% of the executive officers' performance share unit (PSU), a part of our long-term incentive compensation, was linked to the results of an evaluation by an external ESG evaluation organization. In fiscal year 2022, the percentage is being increased from 10% to 20% to reinforce the commitment of management.

## Procedure to Establish ESG Enhancement Measures



### Materiality

## 01

## Healthcare Access and Outcomes

We strive to provide medical information and educational opportunities for early detection and treatment of diseases to people globally. Under the leadership of the Chief Medical Officer, who is a seasoned clinician, we are making efforts such as ensuring the safety of medical devices by utilizing the high-quality clinical and scientific knowledge of the Medical Business.

### Healthcare Access

We are actively providing hands-on training opportunities for physicians, surgeons, and other healthcare professionals in both urban and rural areas. We also support disease awareness through social campaigns, including cancer awareness initiatives, broadly to the many local societies across the world. 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.

### Improving Outcomes for Patients

In recent years, the concept of "value-based healthcare" has become widespread, particularly in the U.S. Focusing on patient outcomes and realizing value-based healthcare provides significant benefits to patients, medical institutions, countries, and society. It is also believed optimal resource allocation will help reduce increasing medical costs. Olympus contributes to improving patient outcomes by providing objective evidence on the safety and efficacy of our products as well as by identifying unmet needs and developing products that meet those needs.

### Progress in Fiscal Year 2021

- Launched a comprehensive global educational platform for healthcare professionals, the "Olympus Continuum," to offer digital self-guided pre-learning and direct in-person training, and post-learning collaboration
- Held cancer awareness initiatives around the world
- Olympus was selected\*1 by Japan's Ministry of Health, Labour and Welfare (MHLW) to implement the Japan-Russia Medical Cooperation Promotion Project\*2 in the field of endoscopy for fiscal year 2021. Under the project, Olympus will promulgate gastrointestinal endoscopic/laparoscopic techniques in support of a five-year oncology plan launched by the Russian government in 2019

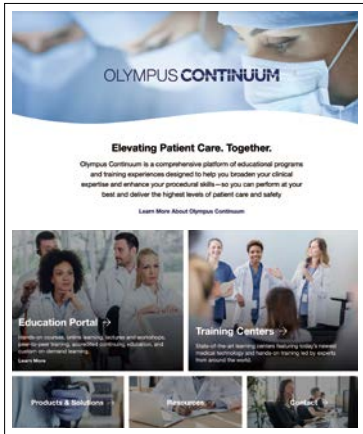
\*1 Selection was made in June 2020  
\*2 Preventive program centered around cancers in the Russian government's national "Healthcare project" that aims to reform its healthcare system. The program, which is promoted by the directors from the N. N. Blokhin Cancer Research Center and the P. Hertsen Moscow Oncology Research Institute branch of the Russian National Medical Research Radiological Centre (NMRR), targets an early cancer detection rate of 63% or greater, a 5-year survival rate of 60% or greater, and a mortality rate of 17.3% or less. Colorectal cancer is currently the second most prevalent type of cancer in Russia.

### COLUMN

## Olympus launched comprehensive global educational platform for healthcare professionals: "Olympus Continuum"

Olympus launched a new comprehensive educational platform designed to provide healthcare professionals (HCPs) all over the world with learning opportunities and training to put their skills into practice and keep them performing at their best. The "Olympus Continuum"\* platform maximizes digital self-guided pre-learning, direct in-person training, and post-learning collaboration to support healthcare professionals across every stage of their careers and to improve patient outcomes.

\*www.olympuscontinuum.com



Olympus Continuum website homepage

Materiality

02

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.

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. Olympus has appointed a Global Chief Compliance Officer (CCO), who leads the global compliance function to collaborate across the Company to continuously assess whether business activities are consistent with applicable legal requirements and Company policies and procedures. Our CCO reports regularly to the Chief Executive Officer and the Audit Committee and more frequently as needed. We have also established a Global Compliance Leadership Team (GCLT), which is composed of the CCO, Regional Compliance Officers (RCOs), and Global Operations and Planning leaders, to implement compliance-related policies and measures globally, understand regional situations and challenges, and carry out necessary corrective measures. The GCLT meets on a quarterly basis and more frequently as needed. Policies and measures directed and confirmed by the GCLT are applied to each region by RCOs. In addition, compliance circumstances and issues throughout the Olympus Group identified by the GCLT and RCOs are reported by the CCO on a regular basis to the Audit Committee and are discussed at Board of Directors' meetings as needed.

Commitment to Product Quality and Safety

The Olympus Group has established the Olympus Group Quality Policy based on its corporate philosophy. We continue to implement measures to instill quality policy standards in our daily operations for all members to foster a mindset that emphasizes safety and quality. The Olympus Group, with its Chief Quality Officer (CQO) and QARA members of each region, review and improve their worldwide work processes. As a result, the Olympus Group business divisions and subsidiaries have actively been obtaining and maintaining ISO 9001 or ISO 13485 certifications, the international quality control standards. Based on the global management rules revised in fiscal year 2021, QARA members regularly report to executive officers and CQO who are top of quality and

regulatory functions, to clarify companywide issues. In addition, we conduct group internal quality audits aimed at monitoring the status of each quality management system from an objective perspective to get hold of the status of each organization to promote improvement.

Progress in Fiscal Year 2021			
<ul style="list-style-type: none"><li>• No violations that caused penalties or other punitive measures concerning key laws/regulations and other socially important legislation</li><li>• Received 250 reports, whether through the Integrity Line or other means. (42.8% of closed reports were substantiated following review)</li><li>• Strengthened personnel and reviewed global processes to enhance QARA functions. "QARA Transformation" was added to the strategic priorities of <i>Transform Olympus</i></li><li>• Conducted regular training for employees</li></ul>			
E-learning and group training of compliance helpline		<ul style="list-style-type: none"><li>• Frequency of program: 1</li><li>• Number of participants: 13,493</li></ul>	
E-learning and group training of important laws and regulations		<ul style="list-style-type: none"><li>• Frequency of program: 1</li><li>• Number of participants: 12,383 (employees in medical care-related businesses)</li></ul>	

Materiality

03

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.

Procurement

The Olympus Group aims to strengthen supply chain management (SCM) within the context of business continuity and sustainable value creation. In June 2021, we replaced our procurement policy with a supply chain policy in line with our ESG initiatives to contribute to sound and fair transactions and the sustainable development of society. In addition, we formulated the Olympus Group Green Procurement Standards, which set out our basic environmentally conscious approach to procurement. Since then, the Olympus Group has disclosed its basic stance on supply chain both internally and externally through its website and training sessions, while strengthening compliance with laws, regulations, and social norms. We have also established the "Request to Suppliers" as a concrete guideline for complying with laws, regulations, and social norms, including respect for human rights and the elimination of antisocial forces, prohibiting corruption and bribes, promoting fair and lawful transactions, and taking the environment into consideration. When selecting new suppliers, we review their current response to compliance with social norms and environmental issues as one of our screening criteria. Based on these principles for procurement activities, the Olympus Group strives to create and strengthen good relationships with its suppliers through fair, just, and transparent transactions.

Human Rights

Olympus supports the United Nations Declaration of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, the UN Guiding Principles on Business and Human Rights, and the 10 Principles of the United Nations Global Compact. To put international initiatives into practice in our business activities, we have also clearly spelled out the respect for human rights in the Olympus Global Code of Conduct. In addition, we have formulated the Olympus Group Human Rights Policy that stated implementation of human rights due diligence based on the UN Guiding Principles. We strive to respect human rights in the management of our businesses. We also urge our customers and third parties which are promoting business activities with Olympus to comply with protecting human rights.

Supplier Survey and Improvement Activities

Once a year, Olympus conducts a web-based survey of its major suppliers around the world with whom we have ongoing business in Japan. The survey covers 121 questions, of which 24 are related to CSR, related to management information, CSR initiatives, and business continuity plans (BCPs). If the survey results show that a supplier does not satisfactorily comply with legal and social norms as well as environmental protection and needs to improve, an on-site audit is conducted, and they must implement corrective actions in order to meet the points listed in our Request to Suppliers. At the same time, wherever possible, we recommend self-improvement actions to prevent the risk of incidents. We conduct studies for risk assessment in collaboration with concerned divisions within the Group.

Key Evaluation Items in Supplier Survey for Initiatives with Suppliers	
Management information	<ul style="list-style-type: none"><li>• Corporate information, financial condition</li></ul>
CSR	<ul style="list-style-type: none"><li>• Compliance with laws, regulations, and social norms</li><li>• Protection of human rights</li><li>• Protection of worker rights</li><li>• Protection of the environment</li><li>• Personal and confidential information protection, intellectual property protection</li></ul>
BCP	<ul style="list-style-type: none"><li>• Business continuity strategy, manufacturing site information, contact information during emergencies and disasters, confirmation of supply chain, confirmation of employee safety</li></ul>
Environment and quality	<ul style="list-style-type: none"><li>• Acquisition of ISO 14001, ISO 9001, and ISO 13485</li><li>• Procurement and process management</li></ul>
Delivery/Cost	<ul style="list-style-type: none"><li>• Production plans, progress and distribution management, cost reduction activities</li></ul>
System	<ul style="list-style-type: none"><li>• Computer security</li></ul>

Progress in Fiscal Year 2021
<ul style="list-style-type: none"><li>• Conducted a web-based survey of major suppliers around the world. (Responses were received from about 87% of 826 companies)</li><li>• Became a member of Business for Social Responsibility (BSR), a global organization offering support to businesses in the field of human rights and sustainability, and we are reinforcing our global activities in the area of human rights due diligence in compliance with the principles set out by the United Nations</li></ul>



Materiality

04

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.

Realization of the Globally Integrated HR Management

The Olympus Group has established the globally integrated HR management that enables optimal talent allocation at the global level. 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. In Japan, we have changed the personnel evaluation system for managers into a performance-based compensation system. The compensation is decided according to the size and results of the work, and individuals are promoted regardless of factors such as age or nationality. 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. As of July 2021, approximately 37% of global senior management are non-Japanese, and we are also promoting diversity in management.

Promoting the Advancement of Women

In the Olympus Group, there is approximately 11% of females in managerial positions, and we employ many women in our workforce. At Olympus, as of the end of April 2021, 75 women were in managerial positions and the female candidates for managerial positions increased to 252. As well as establishing these welfare systems that support career progression irrespective of different major life events, we are also actively promoting the usage of such systems by publishing and

Initiatives to Promote the Advancement of Women

- Work-Life Integration (WLI) training for managers
- Training of managerial candidates to encourage the appointment of female managers
- Mentoring system for female workers
- Post-childcare training for early return to work
- Online networking opportunities for employees on childcare leave to communicate with one another

Details Employment: <https://www.olympus-global.com/csr/social/employment/>  
Diversity and Equal Opportunity: <https://www.olympus-global.com/csr/social/diversity/>  
Diversity and Inclusion in the Americas: <https://www.olympus-global.com/csr/social/americas/>  
General Employer Action Plan based on the Act on Promotion of Women's Participation and Advancement in the Workplace: <https://www.olympus-global.com/csr/social/woman.html>  
General Employer Action Plan based on the Act on Advancement of Measures to Support Raising Next-Generation Children: <https://www.olympus-global.com/csr/social/actionplan.html>  
Promoting Work-Life Integration: <https://www.olympus-global.com/csr/effort/support.html>

distributing the leaflet concerning balancing work and child/elderly caring. We also hold related workshops in each department. We support the career development of women by taking the approach through which we offer opportunities to plan goals and work tasks in advance of assumed future life events.

Aiming for a Diverse Workforce

Olympus proactively works to employ people with disabilities (physical, mental, and intellectual), and after recruitment, they work in a wide range of fields, including general administration and engineering fields that include manufacturing technology and IT development. We also conducted a range of activities to promote understanding and support for sexual minorities. Such activities include establishing a dedicated consultation office, providing seminars to promote awareness, hosting an LGBT Week (an awareness-raising campaign through e-learning and videos), and establishing a voluntary group called "LGBT ALLY."

Progress in Fiscal Year 2021

- Introduced special paid leave system for fertility treatments as well as cancer and intractable disease care
- Reduced core working hours and expanded eligibility for telecommuting to all full-time employees (promoting a hybrid work scheme that combined working in the office and working at home)
- Deployed Microsoft 365 as a communication tool and realized a smooth transition to teleworking even as the spread of COVID-19 began
- Opened childcare center at Hachioji office
- Started system for employees to acquire family care leave in hourly units
- Received the Bronze rating under the PRIDE Index 2020, a Japanese index to evaluate a corporation's performance in LGBTQ inclusion
- Held an internal event on International Women's Day in March 2021. (Included an online town hall meeting presented by the CAO and the HR Head as well as lectures by external experts and role models from within our Company)

Materiality

05

Carbon Neutral Society and Circular Economy

Olympus set a target of achieving carbon neutrality by 2030 with zero CO<sub>2</sub> emissions from its site operations. To achieve this target, we continue to improve production efficiency and implement further energy-saving measures, as well as gradually replacing the energy used in our site operations\*1 with renewable energy sources by 2030.

\*1 Excluding rental properties, such as sales sites.

Response to Climate Change

We announced our endorsement of the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in May 2021. Based on those recommendations of TCFD, we will promote information disclosure on "Governance," "Strategy," "Risk management," and "Metrics & targets."



Governance	<p>The Olympus Group endeavors to reduce the environmental impact from the entire value chain, including product development, procurement, manufacture, logistics, sales, and repair. The CEO and CAO are the executive officers responsible for environmental initiatives, including Olympus' response to climate change. Underneath them, the Human Resources Head, who manages human resource development and general affairs, has control over matters related to the environment, health, and safety (EHS), and oversees the environmental activities for the entire Group.</p> <p>The EHS functional division creates an environmental action plan, including the reduction target of CO<sub>2</sub> emissions, as well as monitoring the progress of action plan implementation across the entire Group. In response to the progress report, the CEO and CAO give instructions for any improvement required. The Board of Directors continues to monitor the status of the implemented climate change measures while receiving the related reports at least once a year. Also, to reinforce the commitment of management to ESG and climate change initiatives, 20% of the executive officers' performance share unit (PSU), a part of our long-term incentive compensation, is linked to the results of an evaluation by an external ESG evaluation organization.</p>
Strategy	<p>The Olympus Group identifies risks and opportunities related to climate change for the short, medium, and long term by using scenario analysis. The influence of climate change on our business activities is analyzed based on the 2-degree scenario (holding the increase in the global average temperature to below 2°C above pre-industrial levels) and the 4-degree scenario (where the increase is assumed to be up to 4°C above pre-industrial levels), both of which were presented by the International Energy Agency (IEA). We identified that the major risks within the short term (one to five years) would be the suspension of factory operations or breakdown of the supply chain due to natural disasters; and the risks within the medium to long term (10 to 20 years) would be an increase in business costs due to the introduction of carbon taxes and further tightening of regulations for CO<sub>2</sub> emissions.</p>
Risk management	<p>The Olympus Group identifies, assesses, and manages climate change and other environmental risks within the group-wide risk management system that covers all the risks that could affect our business.</p>
Metrics and targets	<p>The Olympus Group set two targets in 2021. One is carbon neutrality by 2030 for its site operations (Scope 1 and Scope 2*), and the other is switching electricity procurement for its site operations to renewable energy sources also by 2030.</p> <p>We continue our production efficiency improvements, energy-saving activities, and introduction of renewable energy in business sites across the world. We also pursue the development of environmentally conscious products, green procurement, and improvement of logistical efficiency in order to reduce CO<sub>2</sub> emissions across the life cycles of our products.</p>

\*2 Scope 1: Direct greenhouse gas emissions by combustion of fuels in its sites. Scope 2: Indirect emissions from its sites use of electricity, heat or steam supplied by other companies.

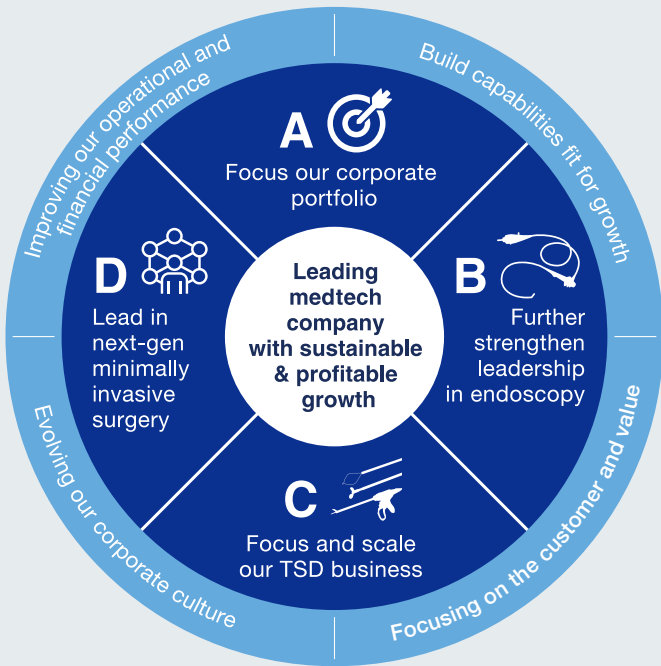
Targets and Results	Result	Targets	
	FY2021	FY2022	FY2030
CO <sub>2</sub> emissions	Reduce by 25.4% compared to FY2018	Reduce by 21% compared to FY2018	Carbon neutrality for Olympus' site operations
Renewable energy rate	12.7%	Improve compared to FY2021	100%

Details Environment: <https://www.olympus-global.com/csr/environment/>

Four Key Components of Our Corporate Strategy

Progress of the Four Key Components

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



- A

  - Focus the corporate portfolio, centering on the Medical Business
- B

  - Maintain leadership in reusable endoscopes
  - Complement our portfolio with single-use endoscopes to accelerate growth and address unmet needs
  - Evolve the endoscopy commercial model
    - shift towards service-based offerings and procedure-based business models
- C

  - Focus and scale prioritized therapeutic areas (GI-Endotherapy, Urology and Respiratory)
- D

  - Develop a leading position in next-generation minimally invasive surgery by delivering integrated technologies designed to improve clinical and economic outcomes

A

Focus Our Corporate Portfolio

- Conducted multiple M&A to drive growth in the Medical Business (GI endoscopy: Arc Medical Design Ltd.; Respiratory: Veran Medical Technologies, Inc.; Orthopedic: FH ORTHO SAS; Surgical: Quest Photonic Devices B.V.)
- Exercised the call option and completed the acquisition of all outstanding shares of Medi-Tate Ltd.
- Completed the transfer of Olympus Systems Corporation, which offers IT solutions, to Accenture Japan Ltd.
- Completed the transfer of Olympus RMS Corporation, which specializes in manufacturing and development of regenerative medicines, to Rohto Pharmaceutical Co., Ltd.

B

Further Strengthen Leadership in Endoscopy

Revenue Growth CAGR (FY2021 to FY2023) ~6%

- Continuing to expand sales of EVIS X1 through launch execution in current markets and preparation of launch into new markets
- Launch of ENDO-AID, AI-powered platform for the endoscopy system in EMEA and Asia Pacific
- Surgical endoscope system VISERA ELITE II launch in the United States and Chinese markets (United States: 3D and infrared (IR), China: 3D)

C

Focus and Scale Our TSD Business

Revenue Growth CAGR (FY2021 to FY2023) ~8%

- In April 2021, opened a new facility in Westborough, Massachusetts, U.S., to consolidate the global headquarters of the Therapeutic Solutions Division and the sales and marketing functions of the U.S. Medical Business
- Establish a highly capable regulatory, medical and clinical affairs organization to develop strategies and portfolios
- Accelerating the discovery and vetting of future M&A targets mainly in the Therapeutics Solutions Division through increased early-stage investment activity
- In order to expand our product portfolio in three focus areas and to further strengthen core competencies in early diagnosis and minimally invasive treatments, we acquired the following companies for the Group: Arc Medical Design (GI-Endotherapy), which has products that contribute to maintaining visibility during colonoscopy and endoscopic polypectomies; Veran Medical Technologies (Respiratory), which has an advanced electromagnetic navigation system that assists in the insertion of bronchoscopes into the peripheral part of the lungs; and Medi-Tate (Urology), which has a minimally invasive therapeutic device for benign prostatic hyperplasia (BPH)

D

Lead in Next-Generation Minimally Invasive Surgery

- Acquired Quest Photonic Devices B.V. including innovative technologies in the area of molecular and multi-spectral imaging, aiming to assist surgeons in performing safer procedures with better long-term outcome for the patient
- Research and development of endoluminal manipulator that allow less invasive therapies, inserting through a lumen such as mouth and anus



Message from the COO



Nacho Abia  
Executive Officer and  
Chief Operating Officer

Progress in Fiscal Year 2021

- Achieved the launch of new strategic products, EVIS X1 and SOLTIVE SuperPulsed Laser System, and several M&A in line with the corporate strategy, which will strengthen the foundation for future growth.

Future Priority Measures

- Move the Go-to-Market Transformation within *Transform Olympus* into the execution phase to bring value to customers and patients in a more efficient and better way.
- Accelerate the growth of both the Medical and Scientific Solutions Businesses by making the Scientific Solutions Business a separate company.

“ Whatever we transform in the future, we cannot change our ambition to create differentiated, unique products that deliver real medical value.”

What are your thoughts looking back on FY2021?

Fiscal year 2021 was my first year as COO, and I had to manage business operations in the midst of the pandemic. First, we have to recognize how terrible the situation has been for the many people impacted by COVID-19 around the world. Without in any way minimizing that, I have witnessed a lot of positive things in terms of corporate impact. I am very proud that our colleagues realized, from day one, the importance of our mission of taking care of patients and customers. It’s an honor to work with such a great group of people who show such extraordinary commitment.

In times like these, communication is fundamental. I’ve been having a lot of one-on-one conversations with colleagues in all different functions to understand how business is going and how we can better help each other.

While the results of the first half of FY2021 were affected by COVID-19, what factors helped Olympus’ rapid recovery?

Our revenue in the first half of fiscal year 2021 was sluggish

due to the impact of COVID-19, but we were able to recover our business performance much better than expected in the second half of the year. I think there are three factors that helped our recovery: one is external and two are internal. The external factor is the recovery in procedure levels. In 1Q of fiscal year 2021, elective procedures were canceled in the U.S., and non-urgent procedures were postponed or canceled in other regions. As the procedure rates recovered in 2Q and 3Q, the business recovered along with them. The second factor was our solid portfolio. In times of crisis, products that offer the best solution are recognized even more. The third factor is the tremendous efforts of our employees. They have continued to make our customers feel that Olympus cares for them, and this is an asset to our business.

Please give us an overview of the various business divisions’ activities in FY2021.

Each business division accomplished its business activities in fiscal year 2021 in accordance with our corporate strategy.

In ESD, we launched the EVIS X1 imaging platform in the middle of the pandemic, so COVID-19 may have slightly impacted the rollout in the short term, but I don’t think we will

see any impact in the medium term. The product lifecycle of EVIS X1 will be successful because it’s the best imaging platform on the market and customers will appreciate this. The surgical endoscope space is more crowded, but our 4K imaging technology is still one of the best. The acquisition of Quest Photonic Devices B.V. is an important milestone because being able to enhance the fluorescence abilities of our imaging solutions, and to obtain monocular imaging technology is very crucial. This will allow us to better compete with and even surpass our competitors in this area. The repair service business holds great possibilities for expanding sales and profit for the business, but we need to do that by creating additional value for our customers—and that’s exactly what we are doing right now in our service strategy.

Fiscal year 2021 was quite active in terms of TSD acquisitions that fit our strategy very well—Arc Medical Design Ltd. in GI-Endotherapy, Medi-Tate Ltd. in Urology, and Veran Medical Technologies, Inc. in Respiratory. If we want to grow at a 8% CAGR in TSD in a market that may grow 6%, the only way to keep that growth trajectory is by complementing our internal activities with well-selected M&A. Having said that, our first pillar remains our own technology. We need to make sure that our portfolio is complete and competitive in price, quality, and performance. We relocated the TSD global headquarters to near Boston and opened a new facility there in April 2021, because our largest market, especially for TSD, is in the U.S. This new location allows us to talk with customers in that region more frequently, and work with them on what product specifications they want. We also have greater access to talent, and a number of third parties that can contribute in the TSD area.

Over the last three years, SSD has been working on a strategy to help our customers create workflows—whether in various research labs or industrial settings. All these workflow processes make up what we call the “solution business.” As a market leader in many areas, SSD can go beyond individual products and create these workflow solutions for customers so they can do a more efficient job.

In other areas, I would like to focus on the area of orthopedics. Our orthopedic business is small, but we have good solutions in bone substitutes and high tibial osteotomy. With the acquisition of FH ORTHO SAS, we have also acquired very interesting technologies that will be useful in certain sports medicine procedures.

Please tell us about the progress of the Go-to-Market Transformation within Transform Olympus.

*Transform Olympus* is a top priority for us to become a leading global medtech company, and one of the most important projects in *Transform Olympus* that I am currently leading is the Go-to-Market Transformation. Go-to-Market is a three-year project, which we defined last fiscal year and are executing now. In my first three years as COO, I wanted to examine how

we were conducting marketing activities, and when the pandemic hit, it really exacerbated the need to consider whether we could do things differently. The incoming generation of doctors also has greater digital capabilities, and they expect us to engage with them in a different manner. So we are moving to an omnichannel marketing, in which we combine various ways of communicating with customers to better fulfill their needs. The key is much more data analysis. We have to understand how much customers are spending on equipment and service, so we can become their consultants and help them better utilize the equipment we provide. Of course, marketing activities represent a relevant percentage of our total SG&A, so this project is also an opportunity to be more efficient while serving the customer in a better way.

Among the COO’s priority policies, what has been the recent focus and what is the future outlook?

Olympus has many opportunities for growth, but there are many tasks to be done. Business development, for example, had a lot of activities this past year. Three years ago, we didn’t have that kind of capability. For medical affairs, we are really growing the organization to meet the expectations of the medical establishment, regulators, and patients. From a product point of view, both ESD and TSD have a very clear roadmap and they are in execution mode.

The key is delivering innovative products that meet customers’ and patients’ expectations, while making sure that we bring these products to the market in an efficient way that satisfies customers. I am very positive that if we keep focusing on this, we will achieve an operating margin of over 20%.

Looking ahead, the decision to separate the Scientific Solutions Business into an independent company under the Olympus umbrella is a very solid one. This will allow Olympus to be more streamlined in support of medical activities, while the Scientific Solutions Business can pursue their goals more efficiently once they are no longer functioning in a medical company framework.

What is your message to investors and other stakeholders?

I believe that we can contribute to more favorable outcomes for all stakeholders. Olympus’ merit lies in innovative solutions that improve patients’ quality of life, and that help physicians to do procedures in an easier, and more efficient way. We are there for the customers and the patients first. Profit is an outcome of a job well done, but it’s also an important part of our work. Being a sustainable company means having a strong base of satisfied shareholders, who believe in what we do and invest in us so we can continue to bring value to customers and patients.

## Medical Business Strategy: Chinese Market

# Business Growth Driven by the Chinese Market

The Chinese market has achieved remarkable growth in recent years. In this section, we outline Olympus' strengths and describe the market conditions and future growth potential.

## Robust Business Foundations Based on Long-standing Relationships of Trust with Doctors

In recent years, medical needs in the Chinese market have been expanding due to rapid economic growth, but Olympus' presence in China goes back about 50 years. As part of a medical technology exchange held between Japan and China in 1972, the year when diplomatic relations between the two countries were normalized, a Japanese doctor visited Beijing and an Olympus endoscope was used to perform an examination for the first time in China. Since then, Olympus has been strengthening its business foundations ahead of other companies in the Chinese market, which has offered an abundance of business opportunities because of its increasing and aging population, heightened public health awareness, and variety of measures deployed by the government. Specifically, Olympus has continued to support Chinese doctors in training to learn endoscopic operation and technique from Japanese doctors, while supporting the training of endoscopists capable of performing endoscopy and treatment. We have also worked to make endoscopic diagnosis and treatment more widespread through active cooperation with hospitals and academic societies. In addition to sales, by strengthening the after-sales services at our service sites, we have also responded to the demand for endoscope maintenance and repair services. In this way, the strong business foundations we have built over the years are supporting the current high level of growth. In the years to come, we will make optimal investments and expand business growth to maximize the

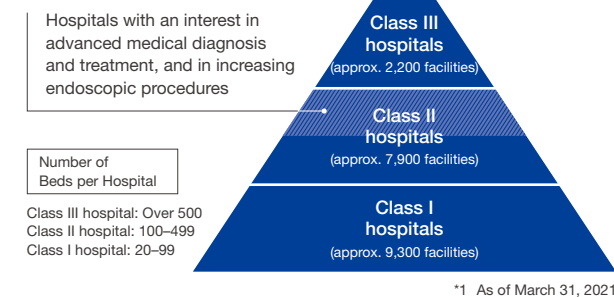
potential of the Chinese market, where endoscopy and treatment are expected to increase.

## Chinese Government Actively Promoting Healthcare Policies

In China, about 25,000 medical facilities are divided into classes III, II, and I, etc., and there is a tendency for patients to converge on class III hospitals where medical standards are high. In addition, both early-stage diagnosis rates and five-year survival rates for cancer in China are lower than in other developed countries. To resolve this, since the 2010s, Chinese government-led measures have been deployed in two key areas: the standardization of local medical institutions and improvements in medical standards such as at county-level hospitals; and the strengthening of preventive medicine (improvement of early-stage cancer diagnosis and survival rates).

In the "Healthy China 2030" agenda announced in 2016, the prevention of serious diseases was one of the priority items adopted. The presented goal was to improve five-year survival rates for cancer by 15% by 2030 by conducting early screening activities in geographical areas with a high incidence of major cancers. In addition, a working plan for overall improvement of comprehensive capabilities of county-level hospitals was released in 2019. The aim of the plan was 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 a class III TCM hospital. In this way, Olympus sales are expanding

### China's Potential Market\*\*



rapidly as new hospitals are being constructed and capital investments are being actively carried out to bring about improvements in the level of medical care at class II hospitals.

## Supporting Endoscopist Training

In recent years, demand in China for early diagnosis and minimally invasive treatments has been increasing due to the growing health awareness among its people, but the number of endoscopists per 100,000 people remains low (Japan: 25 endoscopists, China: 2.2 endoscopists\*), and the shortage of endoscopists is becoming an urgent issue.

Based at three in-house training centers in Shanghai, Beijing, and Guangzhou, as well as at collaborative training centers affiliated with around 20 hospitals nationwide\*, Olympus is supporting training for endoscopists throughout China by providing a range of learning programs. In addition to hands-on training (on-site training) by each disease/procedure, which is conducted by doctors who have a wealth of clinical experience, the program includes online tutorials for before and after the hands-on training, so it allows healthcare professionals to learn everything from theory and basic knowledge to hands-on operation by means of comprehensive training according to their individual levels. These programs are held in high regard by participants. Olympus also invites Japanese doctors to China who tutor Chinese trainers. Most recently, we have been supporting Japanese doctors who provide online lectures on the activities of Chinese trainers and evaluate as well as comment on case presentations.

\*2 Source: Calculated by Olympus using publicly available data \*3 As of September 2021

### Chinese Training Centers



Approx. **25,000** people

Number of doctors who have participated in Olympus training programs over the past five years\* (including approximately 5,000 online participants in FY2021)

\*4 FY2017 to FY2021

### Training Example

<b>Day 1</b>	<b>Pre-training tutorial</b>
✓	<ul style="list-style-type: none"> <li>Watch online video content in advance</li> <li>E-learning</li> </ul>
<b>Day 2</b>	<b>On-site training at the training center: half day to one day</b>
✓	<ul style="list-style-type: none"> <li>Lecture by a trainer who has a wealth of clinical experience</li> <li>Hands-on training covering the procedures of each clinical department using a medical mannequin, etc.</li> <li>Live demonstration/live streaming</li> <li>Discussion</li> </ul>
<b>Day 3</b>	<b>Follow up and post-training tutorial</b>
	<ul style="list-style-type: none"> <li>Online follow-up training</li> <li>Information on other training</li> </ul>

## History of Olympus Business in China

Around **50** years

**1972**

Normalization of diplomatic relations between Japan and China / First Japan-China endoscopy exchange meeting



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

**1979**

Opened Olympus endoscope repair center in Shanghai (Managed by contract with/under consignment to Chinese state-owned enterprises)

**1983**

Endoscope training center opened in the teaching hospital, Peking Union Medical College Hospital



**1987**

Established representative office in Beijing

**1999**

Established a logistics base in Shanghai and a medical equipment service base in Beijing

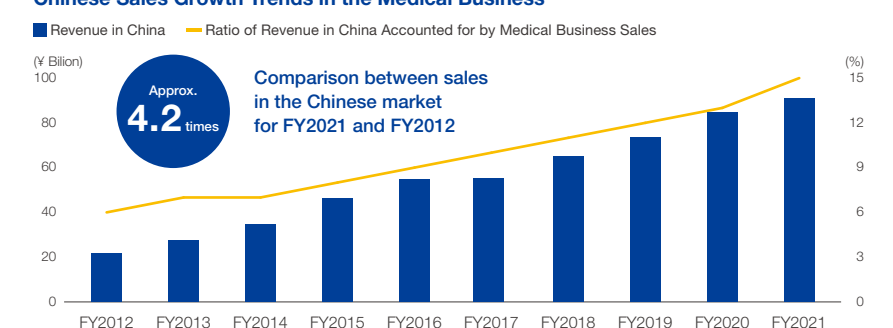
**2003**

Established a local subsidiary in Beijing

**2008/2010/2013**

Established China Medical Training & Education Centers (C-TECs) in Shanghai, Beijing, and Guangzhou

### Chinese Sales Growth Trends in the Medical Business





A Doctor’s Perspective

Olympus, an irreplaceable asset after many years of contributing to China’s medical society



Dr. Guiqi Wang  
Chairman, Professor,  
Department of Endoscopy,  
Cancer Institute,  
Chinese Academy of  
Medical Sciences,  
Peking Union Medical College

- Other positions held by Dr. Wang
- Executive Director of the Ministry of Health (rural) of the People’s Republic of China (PRC)
  - The Group Supervisor (Leader) of the Expert Committee of Early Detection and Early Treatment of Upper GI-Cancer (Esophageal and Cardiac Cancer) (rural) of the Ministry of Health of PRC
  - Chairman of China Anticancer Association - Tumor Endoscopic Professional Committee
  - The Member of the Expert Committee of Early Detection and Early Treatment of Cancer (Stomach and Lung Cancer) of the Ministry of Health of PRC
  - Standing Committee of Chinese Society of Digestive Endoscopy
  - Standing Committee of Chinese Medical Doctor Association

Continuous Support for the Project for Early-stage Diagnosis and Treatment of Cancer in Rural Areas

It has been my pleasure to work with Olympus for 23 years as an endoscopist on the development of gastrointestinal endoscopy in China. One highlight that particularly stands out in our long journey together is when I collaborated with Olympus to launch a public-interest project for diagnosis and treatment of early-stage cancers in rural areas in 2005. At the time, China had only just begun early-stage diagnosis and treatment, so we started by developing systems and establishing a philosophy. The project for early-stage diagnosis and treatment of cancer was able to get off to a smooth start through the conclusion of a long-term strategic agreement with Olympus. Over the next 16 years, the project was able to develop significantly thanks to the tireless efforts, mutual trust, and cooperation of both parties.

While the project started out covering five provinces and eight prefectures/cities, it has now grown to 31 provinces and approximately 900 prefectures/cities throughout China. By 2035, it is expected to expand to 31 provinces, approximately 2,800 prefectures/cities and approximately 6,000 medical institutions throughout China. The Chinese government has also come to focus on such initiatives, positioning cancer screening and early-stage diagnosis and treatment as a key focus for improving citizens’ health, and has implemented a series of related policies to ensure this. We are also working to

ensure “not one medical institution, not one department, and not one patient is left behind.”

This project has implemented a diverse range of initiatives to establish foundations that are supporting the medical development in various regions. First, there has been an improvement in health awareness for Chinese citizens. In the past, because there was a belief in China that a person could not recover from cancer, patients with such a diagnosis would lose color from their faces and would hate treatment, often trying to hide the fact they were sick. While there were significant strides in chemotherapy and radiotherapy technologies, the effectiveness of treatment was unsatisfactory because it took a long time between finding the cancer and treating it. This project has spent many years undertaking various forms of awareness raising initiatives for the people of China, and, by proactively explaining to medical institutions, we have been able to spread the common understanding that the possibility of curing cancer increases if it is found in its early stage using endoscopic screening. I think this shift in understanding is very important. Without this change in people’s awareness, or them proactively getting screened, no matter how much effort doctors—including myself—make, or no matter how much progression is made in doctors’ skills, we will not be able to achieve the dissemination of early-stage diagnosis and treatment.

Of course, improving the doctors’ abilities is an important point. Before these initiatives, rural areas were lacking in medical resources compared to other areas, in addition, there was no training related to medical care and the concept of early-stage diagnosis and treatment was not widespread. I believe it was because of the significant support from Olympus, such as for technology dissemination activities through academic exchange, that many doctors had the opportunity to continuously acquire new knowledge and improve their skills. We can understand that Olympus has not only been selling products, but also has been focused on academic exchange and dissemination of skills through support activities such as when Chinese doctors acquire skills in clinical settings in Japan or when experienced Japanese doctors visit China to give lectures or demonstrations. With so many years of hard work in the Chinese market, Olympus is now irreplaceable and indispensable for China.

The Greatest Progress in the Medical Industry is the Increasing Role of Surgery in Internal Medicine

I believe, looking back at the last 20 years, the greatest

advance made in medical care is the increasing role of surgery in internal medicine. Surgery for esophageal, stomach, and colon cancers that in the past needed to be conducted by a surgeon can now be done by an endoscopist. Gallstone treatment, which in the past required an incision in the abdomen, can now be performed by using endotherapy devices. While the main field contributing to internal medicine becoming more surgical is gastrointestinal endoscopy, I believe, innovations such as Olympus’ Narrow Band Imaging (NBI) technology and endoscopic treatment of early-stage cancer, or Endoscopic Submucosal Dissection (ESD) have greatly progressed endoscopy.

While NBI technology has been used in China for more than 10 years, it can definitely be considered a technology ahead of its time. Olympus has provided a great number of junior doctors with opportunities to examine a diverse range of cases and has held a NBI image contest\* in order to support the training of those junior doctors. Growth of junior doctors through such initiatives has led to significant development in the endoscopy department and all kinds of clinical settings. The endoscopy department has now become the most influential of all hospital departments.

The first time I remember seeing the ESD procedure was in 2006. I observed the procedure on a visit to Japan on a deployment to the Chinese Society of Digestive Endoscopy. Soon after returning to China, I tried to put into practice what I had learned in Japan. However, while I had an endoscope for screening, there were no endotherapy devices in China such as electrosurgical knives. While I had no experience or skills using endotherapy devices, it was Olympus who gave me the necessary support for facilities and products for treatment. In addition to promoting academic exchange and dissemination, Olympus has supported the training of endoscopists by operating a training center that provided endoscopists with opportunities for application of practical skills. I believe, the entire process—from lesion detection to diagnosis and treatment—was able to be established in China.

\*The NBI image contest is not only a contest for NBI image quality, but also a contest for quality that is based on actual case reports—from examination of the case and decisions on diagnosis and treatment methods through to the consistency of these with the final pathological diagnosis.

I want Olympus to continue innovating as a leader in endoscopy. I am particularly interested in future developments in AI technology, technology enabling diagnoses to occur in real time, integration of internal medicine with surgical medicine, reduction of burdens placed on doctors, and

I Want Olympus to Continue Being a Leader in Endoscopy through Technological Innovation, Academic Exchange, and Dissemination Activities

dissemination of technology. For example, by analyzing an endoscopic image with AI technology, distinctions can be made in real time for whether or not a lesion is a tumor, or, if it is a tumor, what is the likelihood of it being cancerous. If such diagnoses by doctors are supported, this kind of technology can be utilized not only in large hospitals, but also in a wide range of medical institutions. While in the past, doctors in general were only responsible for their specific range of expertise—internists were only concerned with internal medicine and surgeons with surgery—currently, internists are shifting toward surgery and surgeons are shifting toward internal medicine. Over the next 20 years, the roles of doctors and surgeons are expected to overlap. If doctors are able to conduct surgery to remove various organs by using an endoscope based on technology and integrated platforms developed by Olympus for diagnosis through to treatment, then it may become unnecessary for surgeons to make abdominal incisions.

There is not only an integration of platforms and technology, but also an integration with pathology. Currently, pathological diagnosis is the standard method for making a definitive diagnosis after endoscopic diagnosis and treatment. However, I believe endoscopic diagnosis is getting closer to pathological diagnosis with the advent of NBI technology, magnifying endoscopes, and ultra-high magnifying endoscopes, which are capable of performing imaging similar to a microscope and down to a cellular level. If endoscopists can not only discover lesions, but also determine the type of lesion, this can be considered useful in improving efficiency of medical treatments overall. Furthermore, I believe in the future there will be an increasing focus on improving patients’ QOL and on reducing the burden placed on doctors.

I have high expectations for the future of Olympus products, which are contributing to reducing that burden placed on doctors, through improvements in usability and technological developments that support even higher precision diagnosis and treatment, and are also providing safe and secure endoscopy to patients.

Finally, regarding dissemination of medical technology, I believe the academic exchange and dissemination activities Olympus has conducted over the last couple of decades are worthy of praise. I would like Olympus to continue supporting doctors in gaining even more advanced skills and technologies, and junior doctors in acquiring appropriate endoscopic techniques by providing even more opportunities for training.

I would like Olympus to continue enhancing endoscopy in China by collaborating with endoscopists and listening to the opinions of those in clinical settings. In this way, I hope both endoscopy in China and Olympus can develop and grow together.

A Doctor’s Perspective

I hope Olympus will continue contributing to improving endoscopic diagnosis and treatment technology in China



Dr. Zelong Han  
Department of  
Gastroenterology  
Nanfang Hospital of Southern  
Medical University

Other positions held by Dr. Han

- Member, 8th Senior Endoscopic Research Group, Chinese Society of Digestive Endoscopy
- Lecturer (Gastrointestinal Endoscopy), Endoscopist Training Center, Chinese Medical Doctor Association
- Standing Committee Member, Gastrointestinal Endoscopy Junior Doctors Committee, Chinese Endoscopist Association of Chinese Medical Doctor Association
- Deputy Chairperson, Junior Doctors Committee, Gastrointestinal Endoscopy Subcommittee, Guangdong Medical Association

Many Academic Events are Held to Gain Knowledge and Exchange Ideas

In the past, I have participated in many academic events held by Olympus, and the one most prominent in my memory is ANBIG\*, which was held at the Guangzhou Training Center in 2015. By interacting with experts from other Asian countries in gastrointestinal endoscopy, my motivation for studying early-stage gastrointestinal cancer in depth grew. In 2016, I had the opportunity to visit the Japanese university hospital where Dr. Kenshi Yao teaches and was able to learn directly from him endoscopic diagnoses of early-stage gastric cancer. Dr. Yao’s earnest approach to learning and enthusiastic approach to teaching made a very deep impression on me. I kept in contact with Dr. Yao after returning to China, and with his help, started an international training program related to screening for early-stage gastric cancer (co-organized by Olympus and Department of Gastroenterology, Nanfang Hospital)—which, in 2021, entered its fifth year.

This program is also making a positive impact in the academic world for junior endoscopists in China, as a place where they can perfect their skills and expertise. I hope this program will continue to increase the number of junior



endoscopists and support their careers, while also raising the level of endoscopic diagnosis in China, and, by extension, contribute to patients’ health.

Olympus Products Meeting Diagnostic and Treatment Needs

For endoscopists conducting an examination, important features of an endoscope include the image quality, magnification, ability to observe using specific light spectra and operability. In my opinion, Olympus magnifying endoscopes meet clinical diagnostic needs as they can clearly show the surface structure of lesions and the structure of vessels. Regarding treatment, operability of an endoscope is key, such as how it feels when being handled, the flexibility of the endoscope’s distal end, diameter of the forceps channel, as well as the auxiliary water feature. I think Olympus endoscopes have excellent operability in regards to these and are useful in a range of clinical treatments.

Contributing to Improving Endoscopic Diagnosis and Treatment Procedure in China

Even though China has a large population and high incidences of stomach and colon cancers, there is a lack of endoscopists and endoscopes. Therefore, many people currently do not have the opportunity to receive endoscopic screening. The Chinese government is also undertaking measures related to early-stage diagnosis and treatment of gastrointestinal cancer, and if more endoscopists are able to engage in diagnosis and treatment, this will contribute to the health of the Chinese people. If in the near future, gastrointestinal cancer can be detected in early stages, the need for minimally invasive treatments using endoscopes will certainly increase.

Olympus has a strong sense of social responsibility and values endoscopic training very highly. Moreover, Olympus is a leader in the Chinese gastrointestinal endoscopy market. I look forward to Olympus continuing to provide high-quality products and services for clinical applications through its cutting-edge research and development in gastrointestinal endoscopy as well as utilizing its strengths to improve endoscopic diagnosis and treatment procedure in China by continuing to make academic exchange possible for endoscopists in China.

\*Asian Novel Bio-Imaging and Intervention Group—a non-government organization Olympus supports as its main sponsor who provides training opportunities in Asia for early-stage diagnoses and minimally invasive treatments through the standardization of endoscopic diagnoses and treatments.

A Corporate Officer’s Perspective

We aim to make a global contribution and maintain high growth

Providing Support to Build the Foundations of Endoscopy in China

We have been supporting the foundations of endoscopy in China for almost 50 years. This has involved not only selling endoscopes, but also focusing on supporting training for endoscopists, and endeavoring to improve doctors’ expertise and standardizing both procedures and endoscopic operation by providing advanced medical devices as well as platforms for training. I believe China has significant potential for growth as it is currently at a stage where endoscopes are gaining popularity, with new medical facilities being established and capital investment being actively undertaken. In particular, early diagnosis and early treatment of gastrointestinal cancer is in line with Chinese government policy, so we will continue offering support in collaboration with the Chinese government and medical community.

Medium- to Long-term Growth Strategy in China

A key initial initiative from a medium- to long-term perspective is to expand the potential of the market, and the key to our growth is to actively promote cancer screening. Currently, medical resources and patients in China are concentrated in class III hospitals that have high medical standards, however, the Chinese government is carrying out a policy to improve this situation known as hierarchical diagnosis and treatment. The goal is for endoscopic screening to be undertaken at rural hospitals, which will mean that in the future, the number of endoscopists in rural hospitals will increase, enabling much more screening to take place than what is being done currently. We will support the building of this framework in collaboration with the Chinese government and doctors in China.

In the future, I believe we will have a significant role contributing globally within the Olympus Group. Until now, Olympus has been inviting Japanese doctors to China to conduct training programs and rolling out medical devices and technologies developed in Japan or overseas into China. However, in recent years in China, research and development have advanced—not only in the Medical Business—and particularly the digital field has seen remarkable development. With technological development predicted to rapidly progress in the future, by listening attentively to the opinions of doctors and health professionals in China who have advanced thinking and ideas in the Medical Business—and to lead these into



Wenlei Yang  
Corporate Officer,  
China Strategy, Global  
(Deputy Position)  
Olympus (China) Co., Ltd.  
President

development of Olympus products and services—we aim to increase our competitive advantage not only in the Chinese market but also in the world. To further develop future market potential, we will focus on strengthening product development and upstream marketing functions, as well as online initiatives and online marketing using advanced digital technologies.

Contributing to Chinese Society and the Medical Field through Total Solutions

Recently, there has been increasing downward pressure on prices for medical devices due to centralized purchasing and preferential treatment of domestic products by the Chinese government. While there is concern about the impact on our business, particularly for consumables, we will work to achieve growth by providing total solutions that are a unique strength of Olympus. While on the one hand, we will continue efforts to reduce costs through improvement initiatives at Olympus facilities, on the other hand, we will continue to introduce differentiated, high value-added products, to position ourselves in a different playing field to local manufacturers. Also, I believe it is important to propose total solutions, which include services and training programs, and not merely individual product technologies. For example, in recent years, we have been expanding our services to proposals such as for efficient floorplan layouts based on the healthcare professional’s flow line required for endoscopy and for energy conservation and efficiency of operating rooms. Moreover, we are further strengthening service infrastructure including planning construction of new repair centers. In the near future, we plan to contribute comprehensively to Chinese society and the medical field by building a unique ecosystem in collaboration with hospitals, other companies, and the Chinese government.



Medical Business Strategy: Strengthening Business Foundations and Corporate Portfolio

A BD Head’s Perspective

Olympus growth grounded in strategy



Townsend Goddard  
Business Development Head

Business Development Strategy and Policy

To begin, it is important to know what Olympus business development involves. When the term “business development” comes up, mergers and acquisitions (M&A) is often thought of as the primary function of business development. While important, it is only one element of a much larger process. The business development team has an array of tools at their disposal which includes everything from M&A to the distribution of another company’s products.

As a business development team, our purpose is to continuously connect our business divisions with relevant and compelling external opportunities, and our process always begins with our corporate strategy. No deal moves forward without first getting scrutinized against Olympus’ overall strategy and the strategy of the division. This is not an one-off exercise, but an ongoing discipline since deals are often dropping in and out of the pipeline as market environments change and new technologies are discovered. In order to keep abreast of those new opportunities, we attend many events and conferences, are approached by venture capital and private equity firms, or are contacted by investment banks, as well as are notified by our R&D team. We strive to form relationships early with key members of these opportunities, to help nurture partnerships and remain competitive.

For any new project, we use our Strategic Business Planning (SBP) process to help quantify and prioritize our targets. The SBP process is always in motion as new projects are brought on and vetted out depending on the environment and strategic trajectory. Every deal is managed from the standpoint of the business division’s portfolio which is

constantly being evaluated as environments change. The individuals on the team for each deal take a specific viewpoint, making sure our due diligence is done thoroughly and that we are aware of each possible risk as early as possible. For example, this care is the reason we look at integration—even post-merger integration (PMI)—so early on into the process. At the time we approach division heads, we have a rough plan for integration, eager to identify any possible risk so we can achieve the best result for any deal.

It is important to note that Olympus does not see M&A as a strategy, but rather as a tool. We engage in business development to help create opportunities for Olympus to grow, and we always start at our corporate strategy.

Our Business Development Team

Our business development team has a global footprint, working in places such as the U.S., Europe, and Asia, with unique insights into regional markets. Teams are comprised of individuals who have a variety of experience such as medtech, business development, investment banking, and others, and with such diversity, communication is vital. The business development team is always in close contact with business divisions and team members throughout the world, making sure to achieve integration from a regional perspective and encompassing Olympus’ goal of being a truly global medtech company.

For every deal conducted, a cross-functional Deal Team is put together, which consists of internal—and sometimes external—subject matter experts who manage functions such as quality, human resources, and supply chain. At the center of the Deal Team is someone from business development who works closely with the business division and is supported by a project manager who coordinates all functions that contribute to due diligence and integration planning.

There are many individuals involved with the due diligence process, and each individual approaches the deal from a strategic standpoint. Whether it is financial, integration, or marketing, we are taking care to identify any potential risks and to develop mitigation plans.

Communication within the Company and with business divisions is just as important as communication with our external partners. Our teams meet regularly with division heads, and every person in business development is expected to develop a network of external experts to always maintain an “outside-in” perspective. Our team members help our business divisions build strategy and chase targets, working with them to identify important trends and opportunities.

Strategic Business Planning Process

As mentioned, the overall process for M&A begins with strategy. Once a year, we use the SBP process to place deals on a long list and as deals are reviewed, the list is shortened accordingly. Of course, this process is dynamic and while we

might use SBP to help chart our targets for a year, we also use it for new opportunities that arise.

Within this process we view a deal from many strategic angles including Olympus strategy, individual business division strategy, and strategy of each business unit. As soon as we are confident the deal fits within those parameters, we narrow our focus and review it from the perspective of that division’s portfolio, and then finally confirm it also falls within our portfolio.

When we are confident the deal falls within strategic expectations, the Deal Team is put together to manage due diligence, which includes the parameters of integration and PMI, financial criteria, among others. At the end of the process, PMI is governed by a cross-functioning steering committee and we report to the Group Executive Committee (GEC) about the project, which has been analyzed at a predetermined time, to look at KPIs and make sure the deal has been delivering on the business plan that was promised.

Investment Discipline and Portfolio Management

The approval process for any M&A project is on a case-by-case basis. Projects are evaluated holistically, thinking not only about strategic fit, but also financial metrics and

integration complexity, among other considerations. Our process must be agile to allow for evaluation of a wide variety of the projects we have in our portfolio which are at different scales, stages of development, geography, and complexity.

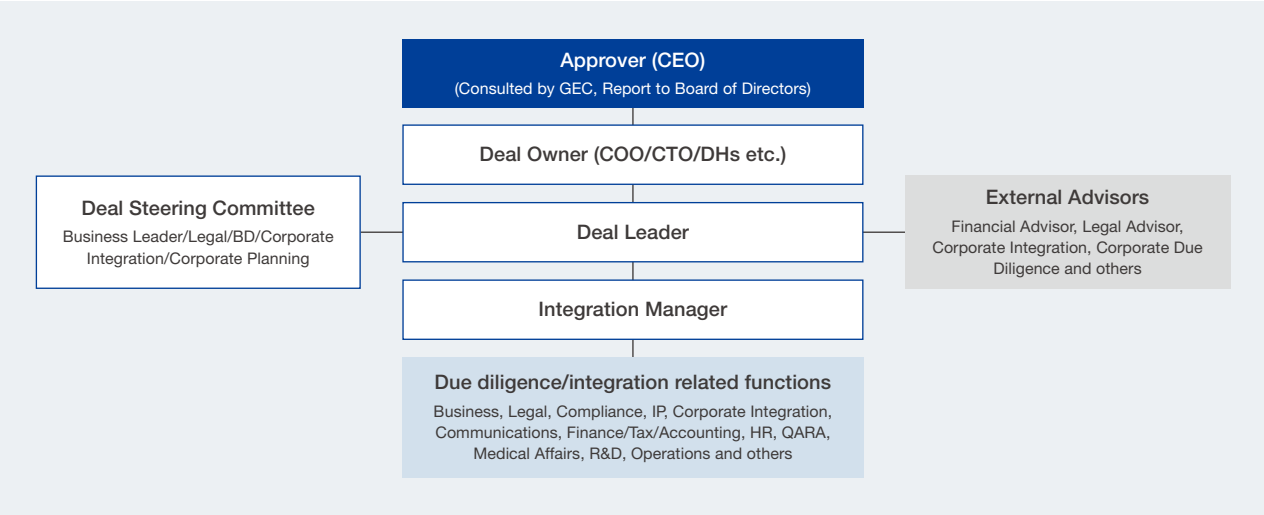
The financial perspective is always critical in any deal, and we have a finance partner embedded in every Deal Team. The finance partner offers vital advice to the Deal Team and ensures that the supporting business cases are evaluated before we bring the project to the GEC for approval. This process often takes place during due diligence and any advice is much appreciated and adhered to.

Overall, we aim at a balanced portfolio of business development activity. We generally like to target fast-growing Markets. However, we want to balance our investment in riskier, earlier stage opportunities with more established companies. The deals which fall nicely into our portfolio, we like to call “Tuck in” deals. They either fit with existing portfolios, or are new technologies that enhance our existing businesses without venturing into new areas.

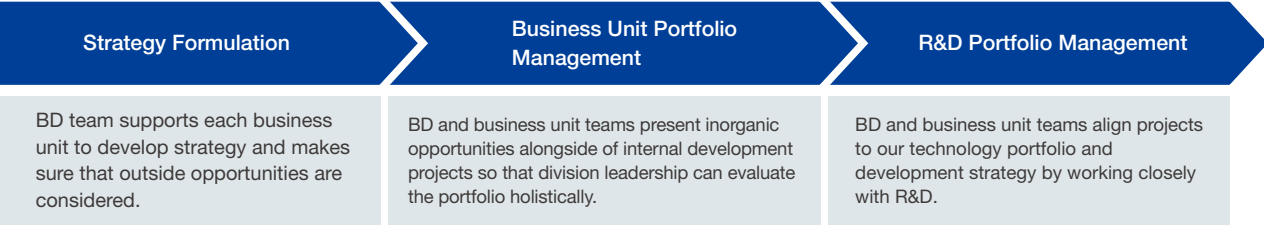
Message to Stakeholders

We, the business development team, strive to maximize our corporate value by supporting our divisions in identifying and executing inorganic growth opportunities.

Example of the Deal Execution Structure—Phase from LOI to Closing



Inorganic Growth is Embedded in the Strategic Business Planning (SBP) Process



# Global Headquarters for Therapeutic Solutions Division

The Company has established a global headquarters in the U.S., the world's largest market for therapeutic devices.

## FOCUS

### Olympus Opened New Global Headquarters for Therapeutic Solutions Division and United States Medical Business

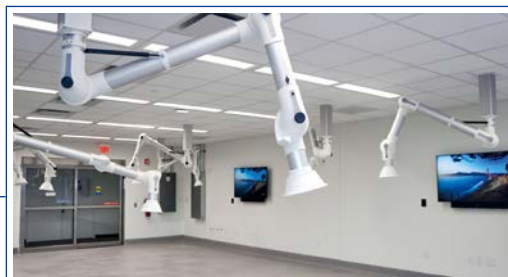
Olympus has identified Therapeutic Solutions Division as a strategic focus for growth and shifted its global head of Therapeutic Solutions Division from Tokyo to the U.S. in April 2019 to have better access to a key medical industry cluster and generate growth through stronger business opportunities. Since the *Transform Olympus* initiatives were unveiled in 2019, many U.S.-based executives have been leading Therapeutic Solutions Division growth; Olympus has dramatically expanded the business with acquisitions, as well as through organic growth.

In April 2021, the new 150,000-square-foot facility in Westborough accommodated both the U.S. Therapeutic

Solutions Division employees and those formerly reporting to Image Stream Medical (ISM) facility located in Littleton, MA, with the exception of the manufacturing employees who remain in Littleton. The facility serves as one of several R&D hubs for Olympus, while enabling coordinated and agile management processes to support a global medical technology enterprise. Also, we enhance and develop the business development function to complete and grow the product portfolio through external partnerships, licensing and M&A.

At Olympus Westborough, the Olympus Continuum Training and Education Center offers hands-on learning opportunities led by top medical experts using advanced medical equipment in a wetlab setting, both in person and virtually via the MedPresence® telecollaboration platform. For interactions with customers and prospects, the Olympus OR Innovation Center showroom, also outfitted with the MedPresence platform, provides an immersive environment for in-person or virtual integrated OR demonstrations.

New Global Headquarters for Therapeutic Solutions Division



Olympus Continuum Training and Education Center



New Westborough office

## Single-use Endoscope

### Approach to Reusable and Single-use Endoscopy

As part of our corporate strategy unveiled in November 2019, a key strategic effort to further strengthen our leadership in endoscopy is to complement our reusable endoscopy product portfolio with single-use endoscopes. Reusable endoscopes will continue to be the first choice for a wide range of procedures due to the strong clinical need for

advanced imaging and maneuverability as well as their financial efficiency for hospitals. At the same time, as single-use endoscopy is quickly becoming a relevant option for selected procedures, the market for single-use endoscopes is expected to grow by 20-40% annually over the next couple of years.

#### Areas in which We Plan To Develop (or Launched) Single-use Endoscopes (As of September 2021)

##### Focus on the Customer

We recognize that single-use endoscopes are necessary for enhancing our endoscope portfolio to satisfy the demand from the market and customers.

Infection Control Requirements

Durability Requirements

Procedure-specific Requirements  
(Urgent procedure preparation, improved workflow)

Olympus' goal is to be the endoscopy partner of choice by providing the right endoscope for every patient, procedure and site of care around the world.

We will focus our single-use endoscope business in areas such as:

Duodenoscopes/  
Cholangioscopes  
(Gastroenterology)

Ureteroscopes  
(Urology)

Bronchoscopes  
(Respiratory)

### New Product Launch in the U.S.

In April 2021, Olympus announced the expansion of our respiratory portfolio with the launch of our first line of single-use bronchoscopes, the H-SteriScopes™.

Available in five models, this disposable bronchoscope includes premium features that will help clinicians target, diagnose and treat patients while enhancing workflow and productivity.



H-SteriScopes  
Single-use Bronchoscopes

The H-SteriScope portfolio is a collaboration between Veran Medical Technologies, Inc., a wholly owned Olympus subsidiary, and Hunan Vathin Medical Instrument Co., Ltd.



Reprocessing

# Focused on Infection Prevention. Together.

## Reprocessing 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 and its healthcare partners recognize that advancements in endoscopy play an important role in patient care. As a key component to the safe and effective use of reusable endoscopes, reprocessing (cleaning, disinfection, and/or sterilization) is gathering more attention from regulatory authorities and hospitals owing in large part to reports of infection events associated with endoscopes. Moreover, hospitals are increasingly encountering novel microorganisms and viruses, such as multidrug-resistant bacteria and the COVID-19 virus even though the transmission of COVID-19 via endoscopes is low. Olympus is committed to playing an important role in addressing this challenge and pushing itself to ensure that safe, effective products reach those who need them the most.



## COVID-19 Delayed Nonurgent Medical Procedures, such as Cancer Screening

Olympus’ number one priority is the safety of patients. Beginning in early 2020, COVID-19 challenges faced by Olympus’ healthcare partners prevented many patients from undergoing medical procedures, for example endoscopic cancer screenings, which could contribute to unrecognized disease progression. This novel virus brought multiple challenges not only to healthcare professionals and patients, but also to the medical device industry. In collaboration with healthcare professional societies, Olympus produced helpful information on how to safely perform endoscopic procedures during the COVID-19 pandemic and this information was made available to healthcare professionals through specific websites, webinars, e-learning and helplines. This is just one of our efforts to further contribute to infection prevention together with healthcare professionals.



COVID-19 webinar

## Beyond COVID-19, Improving the Approach to Infection Prevention and Control

Beyond COVID-19, Olympus has further increased the efforts to prevent infections associated with endoscopes. Post-market surveillance studies have shown that duodenoscopes are reprocessed to a condition that is considered to be safe in most cases, however, a percentage, even if low, of clinically used and reprocessed endoscopes may culture positive for contamination, indicating there is room for improvement. While contamination does not mean patient infection, Olympus emphasizes the key importance of providing meaningful education on effective endoscope reprocessing as well as the periodic hygienic monitoring of reusable devices.

To this end, Olympus has initiated several affirmative steps to enhance endoscope reprocessing at hospitals and has expanded the multichannel education of healthcare professionals via digital offerings on infection prevention. Examples of these ongoing actions include improvements to instructions for use and training videos called “Visual Reprocessing Guide (VRG),” for an easier and better understanding of the different reprocessing steps. Moreover, Olympus will provide webinars, e-learning and checklists on additional topics such as endoscope routine inspection, microbial culturing as well as on-site support, and hands-on education to the various target groups in healthcare professionals.

### Endoscope Visual Reprocessing Guide

An easy-to-use training video tool for new and experienced reprocessing technicians.

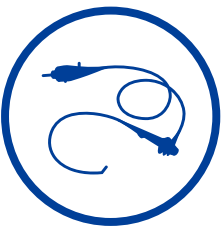


### COLUMN

#### For More Access to the Latest Endoscopes

Olympus commercialized a duodenoscope with a removable distal-end cover to markets in Europe, Asia, Japan, and the U.S. that allows healthcare professionals to visualize and access a detailed structure at the distal-end of duodenoscopes more easily. 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-use duodenoscope by collaboratively working with regulatory authorities in each market.

Endoscopic Solutions Division



# Endoscopic Solutions Division

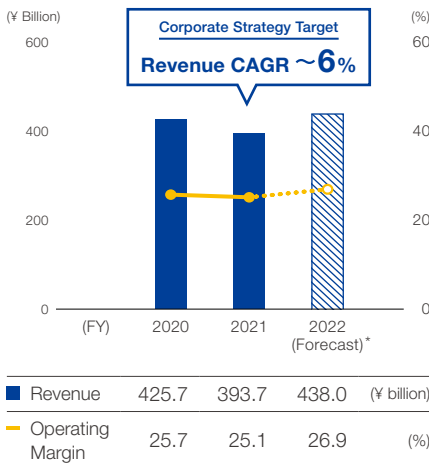


We aim at creating innovative ‘see and treat’ endoscopy solutions that support the quadruple aim and optimize health system performance.”

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



Results



\*Forecast as of August 5, 2021

FY2021 Sales Composition



Main Products



Note: From FY2022, bronchoscopes, which were classified in the gastrointestinal endoscope segment of ESD, have been transferred into the respiratory segment of TSD. Accordingly, we restated figures for FY2021. Figures of FY2020 are before restated.

Operating Environment

Gastrointestinal Endoscope	Surgical Endoscope
<ul style="list-style-type: none"><li>• Rising case numbers due to aging populations in developed countries and higher cancer prevention awareness</li><li>• Wider range of business opportunities accompanying economic growth and need for training to spread procedure usage in emerging countries</li><li>• Higher requirements for quality and efficiency</li><li>• Increased concern for cleaning, disinfection and sterilization processes</li></ul>	<ul style="list-style-type: none"><li>• 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</li><li>• Distinctive R&amp;D activities related to special light imaging technologies being advanced by various companies and permeating the market</li></ul>

Strategies, Progress, and Future Measures by Area

Business Foundations

- Approximately 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

Gastrointestinal Endoscope

Strategies	Progress and Future Measures
<ul style="list-style-type: none"><li>• Helping to improve the quality of endoscopy with imaging features like NBI/RDI/TXI/EDOF</li><li>• Reinforcing market position and grow into key new markets including CAD, and single-use endoscopy</li></ul>	<ul style="list-style-type: none"><li>• Launch of EVIS X1 GI endoscopy system in EMEA, Japan and Asia Pacific</li><li>• Launch of ENDO-AID, AI-powered platform for the endoscopy system in EMEA and Asia Pacific</li><li>• Launch of new endoscope reprocessor which plays an important role in our Infection Prevention portfolio by providing high-level disinfection for Olympus endoscopes, while enabling efficiencies to further automate reprocessing workflow and improving patient safety</li><li>• Continuing to expand sales of EVIS X1 through launch execution in current markets and preparation of launch into new markets</li><li>• Developing single-use duodenoscopes</li></ul>

Surgical Endoscope

Strategies	Progress and Future Measures
<ul style="list-style-type: none"><li>• Development of next generation surgical endoscope system</li><li>• Development and execution of long-term surgical endoscopy business strategy with considering core imaging product, laparoscopic robotics and smart assisted surgery concept</li><li>• Develop and commercialize new and expanded digital solutions that add value and complement the strategies of all business units</li></ul>	<ul style="list-style-type: none"><li>• Surgical endoscope system VISERA ELITE II launch in the United States and Chinese markets (United States: 3D and infrared (IR), China: 3D)</li><li>• Acquisition of Quest Photonic Devices, which has technology of fluorescence imaging for medical applications</li><li>• Expanding sales of VISERA ELITE II</li><li>• Launch preparation on going ORBEYE (surgical microscope) IR/BL</li><li>• Formed an Olympus Digital Unit with dedicated investment to develop an overarching Digital Strategy, build competence in digital solution development and deliver innovative digital solutions in support of business unit strategies</li><li>• Consolidated all digital solutions under a single, dedicated business unit called Customer Solutions</li></ul>

Medical Service

Strategies	Progress and Future Measures
<ul style="list-style-type: none"><li>• Expanding the provision of a comprehensive maintenance service program that prioritizes not stopping procedures in the medical field, while also minimizing risks such as infection</li><li>• Achieving stable revenue by increasing the service contract attachment rate and promoting new service contracts</li><li>• Improving customer satisfaction along with efficiency of field service activities</li></ul>	<ul style="list-style-type: none"><li>• Strengthen the product capabilities of service contract options in each region and develop measures to increase the contract attachment rate through promotions to customers</li><li>• Shifting to a new service model, such as strengthening service activities such as preventive maintenance activities, in addition to conventional repairs</li></ul>



Therapeutic Solutions Division



Therapeutic Solutions Division

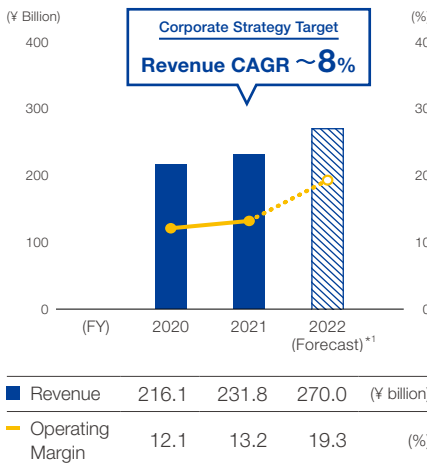


Our vision is to contribute to society by making people’s lives healthier, safer and more fulfilling through customer-driven MIS therapeutic products and solutions.”

Seiji Kuramoto (left), Gabriela Kaynor (right)  
Co-heads of Therapeutic Solutions Division



Results



Note: From FY2022, bronchoscopes, which were classified in the gastrointestinal endoscope segment of ESD, have been transferred into the respiratory segment of TSD. Accordingly, we restated figures for FY2021. Figures of FY2020 are before restated.  
\*1 Forecast as of August 5, 2021

FY2021 Sales Composition



Note: Due to rounding, the total may not add up to 100%.

Main Products



Operating Environment

- Increased procedures driven by aging population and the rise of chronic disease
- Intensifying cost pressures on health systems continues to drive focus on both clinical and economic value and require new care models focused on improved patient outcomes
- Ongoing shift from open surgeries to minimally invasive treatments that improve patient outcomes and optimize total cost of care
- Changes in demand for care with a shift to lower cost care settings (from inpatient to outpatient) enabled by less-invasive techniques

Strategies, Progress, and Future Measures by Area

Business Foundations

Strategies	Highlights
<ul style="list-style-type: none"><li>Deliver above-market, profitable and sustainable growth through clinically and economically differentiated solutions aligned with our strategy, areas of focus and long-term view</li><li>Operating efficiently from inception to sale while ensuring utmost quality and reliability</li><li>Enhance and develop the business development function to accelerate the expansion of the product portfolio through external partnerships, licensing and M&amp;A</li><li>Globally managed from the U.S. to strengthen our ability to compete, grow and lead in our largest market</li></ul>	<ul style="list-style-type: none"><li>April 2021, opened a new facility in Westborough, Massachusetts, U.S., to consolidate the global headquarters of the Therapeutic Solutions Division and the sales and marketing functions of the U.S. Medical Business</li><li>Establish a highly capable regulatory, medical and clinical affairs organization to develop strategies and portfolios</li><li>Accelerating the discovery and vetting of future M&amp;A targets mainly in the Therapeutic Solutions Division through increased early-stage investment activity</li></ul>

Focusing on Three Therapeutic Areas

To accelerate growth in Therapeutic Solutions Division and enhance our value in minimally invasive therapy, we will focus on category leadership across three therapeutic areas

Strategies	Highlights
<p><b>1 GI-Endotherapy</b></p> <p>Expanding clinically and economically differentiated product portfolio across all key categories, including ERCP<sup>*2</sup>, ESD<sup>*3</sup>, metal stents, and hemostasis devices</p>	<p>Leadership in GI-Endotherapy extended with the global launch of four new products and the acquisition of Arc Medical Design Ltd. with a portfolio of endoluminal devices shown to improve clinical outcomes</p> <p>ENDOCUFF VISION</p>
<p><b>2 Urology</b></p> <p>Becoming the global leader in BPH, stone management and bladder cancer through customer-focused innovation and compelling clinical differentiation</p>	<p>Best-in-class BPH clinical outcomes further improved with the launch of Plasma+ technology for the electrosurgical generator, and the acquisition of Medi-Tate Ltd. and its minimally invasive therapeutic device portfolio</p> <p>iTind</p>
<p><b>3 Respiratory</b></p> <p>Delivering market-leading solutions designed to improve care and prognosis of lung cancer patients through accurate, early diagnosis and staging</p>	<p>Lung cancer leadership reinforced via launch of next generation EBUS scope and acquisition of Veran Medical Technologies, Inc. and its portfolio of minimally invasive technology</p> <p>SPIN</p>

Other Therapeutic Areas

Strategies	Progress and Future Measures
<ul style="list-style-type: none"><li>Expand energy solutions portfolio.</li><li>Protect and grow laryngology, rhinology, and gynecology businesses through investing in solutions that follow market shifts toward minimally invasive procedures across the continuum of care</li></ul>	<ul style="list-style-type: none"><li>New product introductions in advanced energy device category. Expanding existing OR offering with Ultravision, a differentiated laparoscopic smoke management solution</li><li>Improving profitability through focused efforts toward operational and commercial efficiencies</li></ul>

<sup>\*2</sup> Endoscopic Retrograde Cholangio Pancreatography  
<sup>\*3</sup> Endoscopic Mucosal Resection, Endoscopic Submucosal Dissection

Scientific Solutions Division



Scientific Solutions Division



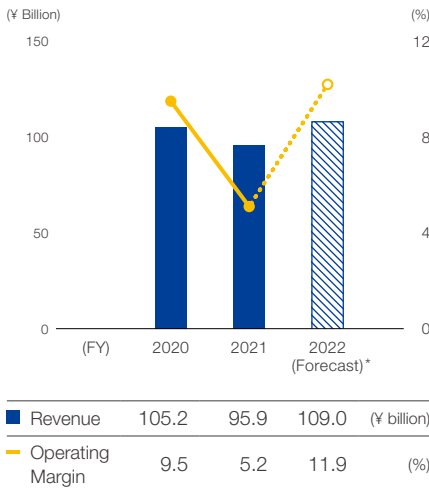
We supply innovative products and services for supporting scientific research, pathology research, and inspections of manufacturing and social infrastructure.”

Yoshitake Saito

Scientific Solutions Division Head



Results



\*Forecast as of August 5, 2021

FY2021 Sales Composition



Main Products



Operating Environment

- The latest market environment has been on a recovery track from the impact of the COVID-19 pandemic since the second half of fiscal year 2021
- Progress in budget implementation in the life science research field, such as universities, research institutes, and hospitals, and significant increases in demand in the 5G-related semiconductor and electronic component markets
- Continuous growth of target markets over the medium to long term, deepening of value proposition and increase of new demand with digitalization
- Expansion of semiconductor and electronic component markets based on the demand for advanced solutions such as IoT and AI; enhanced investments in life science research, digital pathology and the activation of market supporting regenerative medicine

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	Waygate Technologies	Waygate Technologies, Zetec, Eddyfi	Thermo Fisher
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/Infrastructure maintenance/Environment & natural resources			

Strategies, Progress, and Future Measures by Area

In Scientific Solutions Division (SSD), we aim to meet the true needs of customers and to create values that exceed customers’ expectations through solutions aimed at improving customers’ total workflow, in addition to high-quality hardware products. We will also strengthen our business operation platform for sustainable growth, as well as pursue functional

enhancement for further profitability improvement. The life science field contributes to fundamental medical research, pathological diagnosis, and regenerative medicine. In the industrial field, our value proposition utilizing advanced technologies is expected to roll out process and know-how within Olympus.

Life Science

Strategies	Progress and Future Measures
<ul style="list-style-type: none"><li>• Establishment of solutions for life science research, clinical, and cell culture monitoring of customer segments</li><li>• In addition to hardware, providing digital and workflow solutions for digital pathological diagnosis as new value provision for foundational research workflows</li></ul>	<ul style="list-style-type: none"><li>• Utilizing the OLYMPUS Provi CM20 incubation monitoring system, commenced joint research with the aim of developing a cloud-based service capable of centrally managing research workflows, such as in data acquisition, management, sharing, and analysis</li></ul>

Industrial

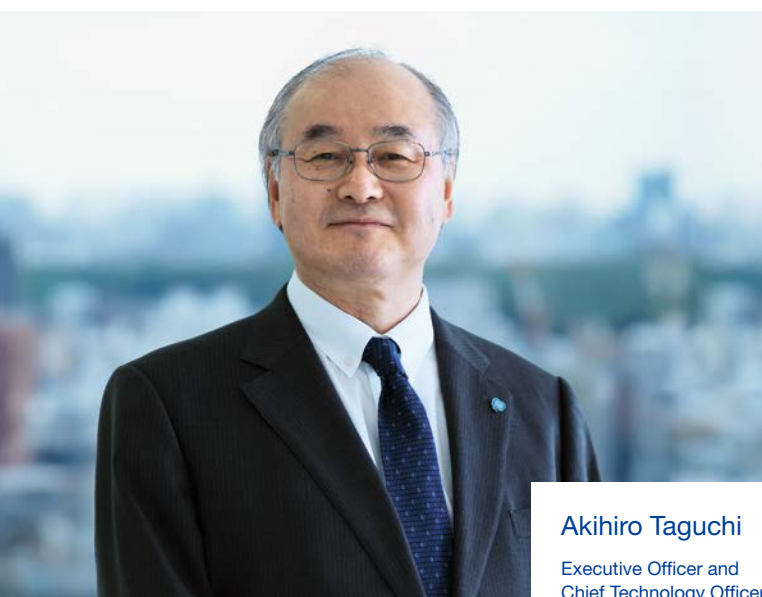
Strategies	Progress and Future Measures
<ul style="list-style-type: none"><li>• Establishment of automation and labor-saving solutions using IoT and cloud technologies, focusing on customer segments in manufacturing, infrastructure &amp; maintenance, and environment &amp; natural resource</li><li>• Provision of systems and workflow solutions that fit individual customer needs</li></ul>	<ul style="list-style-type: none"><li>• Under development are further solutions utilizing Olympus Scientific Cloud™ (OSC), which contributes to improving customer productivity in markets where future growth is expected, such as manufacturing, infrastructure maintenance, and environment and natural resources</li></ul>

Business Growth by Means of an Intragroup Reorganization of SSD

In June 2021, we commenced considerations toward an intragroup reorganization of SSD. We believe that we will be able to accelerate SSD’s efforts to achieve sustainable growth and improve profitability by establishing a globally integrated business structure suited to the characteristics of the division with a management structure that enables agile and rapid decision-making.



## Message from the CTO



**Akihiro Taguchi**  
Executive Officer and  
Chief Technology Officer

**Progress in Fiscal Year 2021**

- While striving to prevent the spread of COVID-19, maintained operations at manufacturing and repair bases
- Prioritizing patient safety, implemented several voluntary recalls of endoscopic and endotherapy products and upgraded the program following launch of EVIS X1
- Reviewed and reorganized development organization to conduct efficient product development

**Future Priority Measures**

- Promotion of product development and efficient R&D by the new development organization
- Implementation of initiatives to improve gross profit ratio
- Promotion of technological development toward introduction of single-use endoscopes

“We will continue to increase the value of endoscopes and make changes aimed at strengthening our organizational capabilities.”

**In fiscal year 2021, the COVID-19 pandemic began and business was conducted amid an uncertain future. As CTO, what is your opinion on fiscal year 2021?**

The COVID-19 pandemic has had a major impact on trends in technology, the most advanced being digitalization, called digital transformation (DX), which will accelerate in the years to come. This has had a great impact not only on product development, but also on supply chain management as a whole, such as in manufacturing and logistics, and I think DX and big data hold the key to the future of the medtech industry.

In fiscal year 2021, we launched the gastrointestinal (GI) endoscopy system, EVIS X1, in Europe, Japan, and some parts of Asia. The EVIS X1 marked the first model change in about eight years, and we had to overcome many technical hurdles, but I am pleased to have launched it successfully. We have also received a lot of positive feedback from the doctors. It is our pleasure to be able to support healthcare professionals and contribute to improving patients' quality of life (QOL), and this is connected to improvements in employee motivation.

On the other hand, we conducted several voluntary recalls

for endoscopic and endotherapy products, as well as upgraded the program following the launch of the EVIS X1 GI endoscopy system in fiscal year 2021, considering patient safety as a top priority. As CTO, I treat these events as important issues and we are proceeding with efforts to prevent them from recurring. As one of those initiatives, we started to reorganize the R&D organization. Through this reorganization, we aim to strengthen our organizational capabilities and ensure high product quality. In recent years, not only the demands from HCPs, but also the requirements brought about by tightened laws and regulations in the medical industry have been added to what we need to deal with and those matters have been becoming sophisticated and complex. Since the required technologies are wide-ranging, it is necessary to train specialized engineers in such areas as design, manufacturing, and procurement, and to respond systematically. Beginning April 2021, we shifted to a new organizational structure and in order to have concurrent engineering in the early stages of the product development, we divided the organization by technology and established a system to gather the necessary talents for product development project teams. Various engineers gather from the initial stage of development and then define the requirements of each field, conducting design validation to enable a range of requirements to be met. Since I regard the project leader of each project as bearing

responsibility for product development, now, more than ever, I would also like to train the engineers and deepen their expertise by making the manager of each engineering function responsible for the skill development and training of each engineer who participates in a project.

**In your capacity as CTO, how do you go about implementing your strategy?**

Technology is an important element that supports corporate strategy, and my basic policy is to proceed with technological development in line with the strategy. I think it is important to invest properly, divided between the business development of products scheduled to be launched within a few years and the R&D of basic technologies for the future. Technologies that should be focused on in the future include not only AI and ICT, but also manufacturing technologies, including DX, and advanced technologies such as 6G and quantum computers. To maintain our competitive advantages and contribute to improving the QOL of patients, we will continuously invest in advanced technologies so that we can incorporate them into our product development in a timely and appropriate manner.

In terms of business, we launched the EVIS X1 GI endoscopy system in fiscal year 2021, but in the current fiscal year we are accelerating the development of new scopes for the EVIS X1 series. Also, as announced in the corporate strategy, we are currently working diligently toward the launch of our single-use endoscope developed in-house. As the market leader in endoscopes, Olympus is aiming to build a comprehensive portfolio, which adds single-use endoscopes to our mainstay reusable endoscopes, while providing the best solutions for all patients depending on their needs. Since the required functions and specifications vary by needs, we analyze the usage of each scope, identify the necessary technologies, and proceed with development. While reusable endoscopes possess the advantages for use in advanced endoscopic observation, diagnosis and treatments, we believe that single-use endoscopes can provide value in specific areas, such as infection control and durability. While assessing the strengths of each type of endoscope, we will be conducting technological development in the years to come.

From a manufacturing perspective, we are promoting digital manufacturing. Previously, a lot of our manufacturing relied on skill, but in the years to come, we will work to improve productivity by measuring the manufacturing process digitally. Recently, a technology called “digital twin,” which reproduces physical space information in digital space, has been drawing attention. We have hired new talent who will play a central role in this, are conducting trial operations toward the introduction of digital twin technology, and are beginning to see results. It is necessary to accumulate data, but because digitalization can predict processes and performance with a high degree of accuracy, we will be able to check finished products in virtual space before making them,

enabling products to be developed more efficiently and effectively.

**Please tell us about Olympus' technical strengths and the future potential of endoscopes.**

Olympus endoscopes began in 1950 with the birth of a practical gastroscope in collaboration with doctors. Olympus' technological developments could not have been achieved without our involvement in the clinical procedure itself, and it is of the utmost importance that we work with healthcare professionals. In this way, our R&D has produced new technologies through our long-term efforts based on our relationships of trust with healthcare professionals that are centered on doctors. These relationships are one of Olympus' strengths.

Looking back on the history of endoscope development, I think we have focused on improving both the value and quality of endoscopes. We have increased the value of endoscopes by supporting the doctors who have developed endoscopic procedures and expanding the range of procedures over a long period of time. We have also been working to improve the quality of a series of endoscopy workflows, aiming to improve the diagnostic performance of endoscopy and to evolve minimally invasive treatments with endoscopy.

I believe that the new EVIS X1 GI endoscopy system is equipped with unique functions that further enhance the value of early diagnosis and minimally invasive treatments provided by the endoscope. Extended depth of field (EDOF) technology has greatly improved the operability of high-magnifying endoscopes, which had been considered difficult in the past. In the years to come, I hope the standardization of diagnosis using high-magnifying endoscopes will be promoted all over the world. Red dichromatic imaging (RDI) is a technology that enhances the visibility of deep blood vessels and gastrointestinal bleeding points, and I believe this technology can contribute to safe and efficient endoscopic treatments. In this way, I believe that the various functions installed in the EVIS X1 will increase the value of the endoscope in lesion detection and diagnosis, and contribute to significant improvements in the quality of treatment.

From a medium- to long-term perspective, I think it will be necessary to add the efforts made so far and work on widening the range of the role of endoscopes. To significantly improve the position of endoscopes in healthcare, it will be important to expand what can be achieved with endoscopes and make healthcare professionals and patients gain a sense of that increase in value.

I believe in the potential of endoscopes and am confident that evolution will never end. As CTO, I would like to drive technological development at Olympus so that I can continue to contribute to the development of endoscopes.

## EVIS X1 Dialogue

# EVIS X1 to Meet the Needs of Healthcare Professionals

In 2020, Olympus launched the EVIS X1 endoscopy system to Europe, Japan, and some parts of Asia. To discuss how the EVIS X1 was developed, we held a dialogue between a senior manager from marketing and a manager from R&D.



**The EVIS X1 marked the first model change in about eight years since the previous EVIS EXERA III (mainly for the European and U.S. markets) and the EVIS LUCERA ELITE (mainly for Japan and the U.K.). When the development of the EVIS X1 began, what were the challenges at the time?**

**Tadakoshi:** Even regarding the previous models, each element of their basic performance, such as image quality, operability, and insertability, was highly regarded. Based on our consideration of what kind of value Olympus should provide next, the

theme of contributing to improving the “quality” of endoscopy as a whole was decided, from lesion detection to diagnosis and treatment. This is the concept behind the EVIS X1.

**Honda:** Since endoscopy largely depends on the skills of doctors, the challenges are to prevent lesions from being overlooked and to improve both the accuracy and usefulness of diagnoses and treatments. The development of the EVIS X1 system began with the aim of covering this difference in skill—in terms of functionality—while always providing patients with high-quality endoscopy.

**How does marketing and development work together when developing a product?**

**Tadakoshi:** I think Olympus’ greatest strength is the relationships with healthcare professionals that are being built over the years. Not only sales representatives and marketers, but also product developers actually visit the clinical sites and communicate with healthcare professionals in order to be aware of the needs and develop products to solve problems. There exists our ongoing culture that has been continuously passed down. We are truly grateful that healthcare professionals, who are very busy, are willing to cooperate with us in the shared purpose of improving endoscopy.

**Honda:** We have developed endoscopic technology by working together with healthcare professionals. We believe that the most important thing to ensure that the needs of healthcare professionals are incorporated into our products is to actively communicate with them. Since doctors from all over the world, not only in Japan, will kindly give feedback about our products, as product developers we can confidently bring new products to market.

**What were the difficulties when developing the EVIS X1?**

**Honda:** Since efficient verification activities based on the characteristics of endoscopes are required due to laws

and regulations becoming increasingly stricter year by year, a major issue for Olympus was how to have doctors in each country check the performance. In particular, it was necessary to establish the evaluation technology itself by making full use of specific verification models, etc., and how to check the points in a non-clinical environment that should be confirmed in a clinical environment such as image quality and ease of use. In addition, to support high-quality endoscopy with less pain for patients, we needed to install our original imaging technologies such as extended depth of field technology (EDOF) without changing the size of the scope’s outer diameter from the previous models. Prior to product commercialization, we also had to build a mass production system for products equipped with such advanced technologies. I believe that the EVIS X1 could be brought to fruition not only by the endoscopic developers, but also by the collective efforts of many other people, including manufacturing equipment experts, skilled workers, and manufacturing members.

**Tadakoshi:** The EVIS X1 is an epoch-making system with which we have achieved global integration. Previously, we have developed a lineup of two endoscopy systems to meet the needs of doctors in each country, so integrating them into one product was extremely challenging. The global marketing and R&D team matched the needs of the doctors in each country and repeatedly considered what key technologies to incorporate. We then received opinions of doctors all over the world and finally fixed its specifications. The existence of two systems presented a high hurdle for doctors who have been creating universal procedures and diagnostics, but by deploying the EVIS X1 in the years to come, I think we will be able to support the provision of high-quality medical care to patients around the world. Also, when the COVID-19 pandemic began, the first problem we faced was how to conduct in-house training to help sales representatives become familiar with the product. In

Ryuhei Tadakoshi

Senior Manager, Marketing of  
Gastrointestinal Endoscope

**The culture at Olympus, continuously passed down through generations, is one of developing products through communication with healthcare professionals.**

response, we launched a hybrid, online and on-site training program for EVIS X1 and rapidly undertook its global deployment. This initiative has also been of great help in the subsequent training of healthcare professionals.

**Please elaborate on the feedback Olympus has received from healthcare professionals in each country.**

**Tadakoshi:** In the areas where the EVIS X1 has already been introduced, and according to the aims of its development concept, we have received feedback that each function contributes to improving the quality of lesion detection, diagnosis, and treatment. Amid the COVID-19 pandemic, there have been opportunities for doctors around the world to communicate with each other online even in areas where the EVIS X1 has yet to be launched. Looking ahead, I would like to conduct sales and marketing activities to launch the EVIS X1 to such markets as soon as possible.

**Honda:** Olympus has also received valuable opinions such as requests for improvements. There are many aspects that can only be understood when a product is launched to the market and is being used in various clinical environments, so we take such opinions seriously and immediately improve any aspects we can.

**In the years ahead, what types of activities should Olympus focus on, and what kind of value should be provided to patients?**

**Honda:** The EVIS X1 is equipped with a variety of technologies aimed at improving the quality and efficiency of endoscopy. I think, however, there are still many aspects, including techniques for endoscopy and diagnoses as well as the operation of endotherapy devices for treatment, which depend on a doctor’s skills. I think there is room for improvement and we would like to continue working on product development that bridges the gap in doctor’s skills so that patients can receive safer, more secure, and more accurate endoscopy and treatments.

**Tadakoshi:** Due to differences in, for example, endoscopic market penetration, the degree of technological development, and culture, there are various issues and demands that countries and regions are facing. Nevertheless, I believe that the value of early diagnoses and minimally invasive treatment that Olympus provides will not change in the years ahead. I would like to continue embodying the needs of healthcare professionals in Olympus products and solutions, while providing high-quality medical care to as many patients as possible.



Kazuki Honda

Manager, R&D of  
Gastrointestinal Endoscope

**I believe that the EVIS X1 could be brought to fruition not only by the endoscopic developers, but also by the collective efforts of many other people, including manufacturing equipment experts, skilled workers, and manufacturing members.**




Innovation Initiatives

Medical

Challenges

- Global shortage of endoscopists
- Standardization of endoscopy examinations/procedures
- Growing demand for data integration and utilization

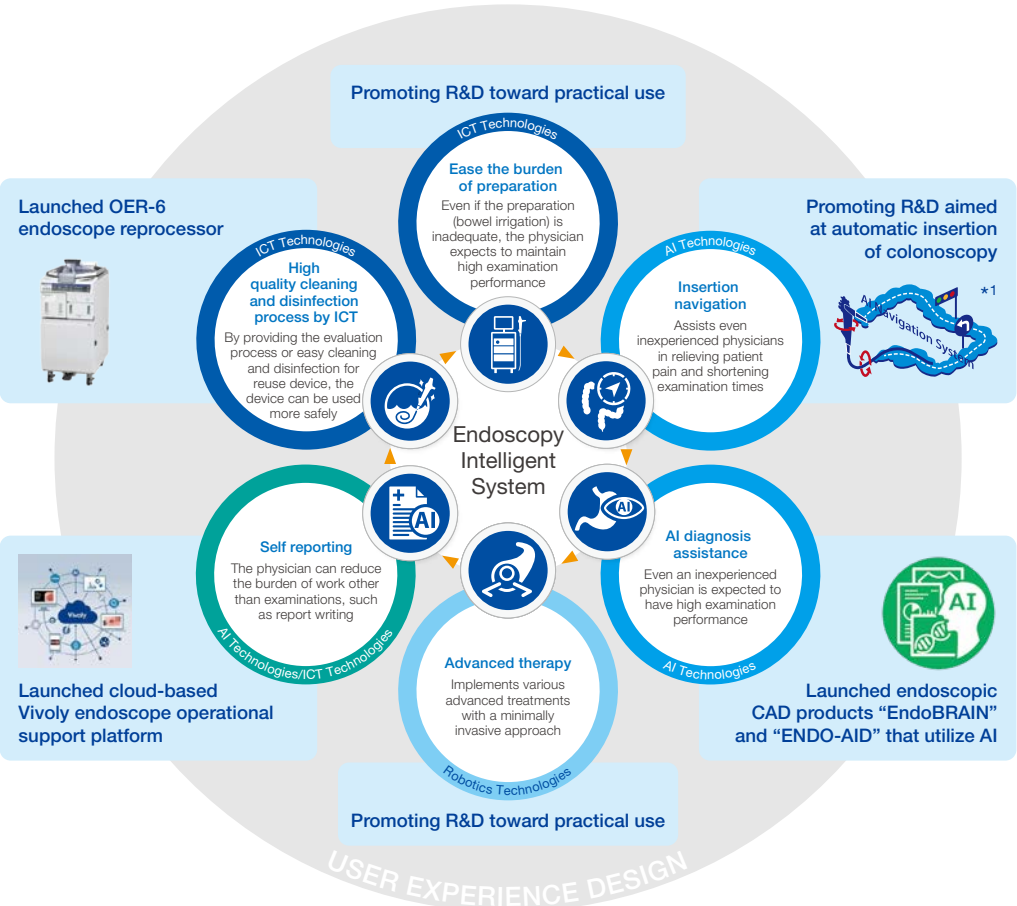
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Realization of  
Endoscopy Intelligent  
System

One of the challenges facing endoscopic medicine is the high reliance on physicians' skills. In addition to the variations in the quality of medical care that come about due to experience and skill, it is also giving rise to the issue of a global shortage of endoscopists. Since endoscopes are devices that can be inserted inside the body, their use also requires that safety be ensured. In recent years as well, there has been a demand for the integration of medical data, data collaboration between hospitals, and for the sharing of a variety of information, not only of endoscopic images but also of maintenance and cleaning/disinfection history.

In view of its leadership in endoscopy, Olympus is changing its focus on endoscopic procedures from individual steps, such as diagnosis and treatment, to overall workflow to meet the challenges of endoscopic medicine and the needs of healthcare professionals. We would like to propose the optimum solutions between the examination preparation and cleaning/disinfection sequence of the workflow. In addition to already selling products that support some workflows, we are also advancing R&D toward practical use. We will bring about innovation in endoscopic medicine while utilizing a variety of technologies, such as AI, ICT, and robotics.



<sup>\*1</sup> Through the R&D of technology for AI guided flexible endoscope insertion control, we aim to shorten the examination time, reduce the patients' pain and training time of the physicians, which will contribute to provision of advanced medical care through the data utilization.  
→ Participation in the Cabinet Office "Cross-ministerial Strategic Innovation Promotion Program (SIP): Innovative AI Hospital System"

Challenges

- Standardization of endoscopic surgery
- Ensuring safety of endoscopic surgery

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

The number of endoscopic surgery cases is growing, as better outcomes such as early post-surgery recovery lead to improvements in patient quality of life. On the other hand, there is an environmental gap among regions and facilities in the availability of advanced technologies and facilities, as well as skilled surgeons and medical staff. For this reason, there is a disparity in the surgical outcomes among surgeons and facilities. Eliminating this disparity is an urgent challenge. To resolve these issues, Olympus is developing the "Digital transformation for surgery: advanced Information-assisted endoscopic surgery system," which provides information that helps to ensure safe and consistent

quality of surgery by translating the tacit knowledge of skilled physicians in the endoscopic surgery field into data through AI analysis. This developmental theme was selected as a subsidized project by the Japan Agency for Medical Research and Development (AMED)<sup>\*2</sup>. The work will be conducted by fiscal year 2024 at the latest in collaboration with 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) as research and development contributors. It aims for its practical application in fiscal year 2025 onward.

<sup>\*2</sup> This research is supported by AMED under Grant Number JP21he2302003.

Scientific Solutions

Challenges

- Declining birth rate
- Reducing workload in ICSI and standardization of process

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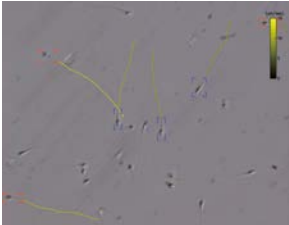


Under Joint Research toward  
Development of AI-Assisted  
Sperm Selection

Due to changes in social structure, in recent years the need for assisted reproductive technology, such as in vitro fertilization, has been increasing for people suffering from infertility. In particular, there is a steadily increasing number of patients undergoing intra cytoplasmic sperm injection (ICSI), one of the vitro fertilizations and one which is performed under a microscope, and reducing the burden on embryologists who perform the process is becoming an issue.

In ICSI, by which a single sperm is directly injected into an oocyte to promote fertilization, the selection of the sperm to be adopted is an important factor in increasing

the fertilization rate. However, in this selection, many factors depend on the knowledge and experience of the embryologists who carry out the work. To help solve this challenge, we conducted joint research with the Department of Obstetrics and Gynecology at the Jikei University School of Medicine, which carries out fertility treatment research, and succeeded in developing an AI-assisted sperm selection system that can calculate sperm motility and morphology in real time with high accuracy. Going forward, we will carry out multiple facility evaluations and aim to establish a microscope system equipped with AI system within a few years.



Captured image showing real-time tracking of collected sperm motility and morphology



The ICSI system is based on the Olympus IX3-SLICSI inverted microscope

Message from the CAO



**Stefan Kaufmann**  
Director, Executive Officer and  
Chief Administrative Officer

**Progress in Fiscal Year 2021**

- Revitalized organization by encouraging employees' career development aligned with the Company's future growth
- Prepared Global Business Services (GBS) to better support a global operating model

**Future Priority Measures**

- Contribute to increased globalization and efficiency, and continuously improve organizational health through *Transform Olympus* initiatives
- Progress toward a single job-based and performance-based HR system

“ We are making quicker decisions, and employees are feeling engaged and responsible for driving change.”

What progress has been made in the past year under the COVID-19 pandemic?

First of all, I would like to extend my heartfelt sympathy to anyone who may have been directly impacted by COVID-19, and my gratitude to the countless healthcare professionals and organizations worldwide who are responding to this global crisis. As a company, various changes caused by COVID-19 have accelerated many of our projects. I see significant engagement and enthusiasm from employees to move beyond regional and organizational silos and contribute to making Olympus a truly global medtech company.

I'm very happy with the level of globalization that we have achieved so far. Our global management team is quite diverse because our policy is that our talent should be appointed and assigned regardless of age, gender, or nationality. This has also motivated many of our colleagues to strive for global career development.

When it comes to efficiency, the numbers always speak the truth. Our SG&A ratio has decreased from over 55% in fiscal year 2019 when we started the *Transform Olympus* process to less than 50% in fiscal year 2021, despite lower sales during COVID-19. That being said, we still have

potential. With a more globally integrated and harmonized operating model, we can see large levers for higher efficiency.

In Japan, we implemented “Career Support for External Opportunity” Running this program was very demanding for the entire organization, but the outcome was that we could offer more career opportunities to those who stayed with the Company and can be active moving forward, and that we could also accelerate changes in the corporate culture.

This program helped create development space for employees who are fully onboard with the Company's direction. From my perspective, this was an opportunity to revitalize our organization.

How are the initiatives of Transform Olympus contributing to business performance and supporting further improvement of efficiency and effectiveness for FY2022?

*Transform Olympus* is contributing to the business performance in three ways. First, it is helping us to develop a more global operating model. Second, it has a direct impact on costs and SG&A ratio by increasing efficiency.

Third, and equally important, it is aiming at improving organizational health. So we have multiple initiatives that are aimed at changing culture, capability building, and global teamwork. I truly believe that only a healthy organization will be a sustainable organization.

From that point of view, *Transform Olympus* is delivering multiple contributions to our business performance short term but also long term. By following up on our many bottom-up initiatives and the eight strategic priorities (details on the next page), which aim at improving our operating model and processes, I think *Transform Olympus* is one of the main drivers of efficiency and effectiveness.

Please tell us about the progress of the Global Business Services (GBS).

The GBS is the centerpiece of our global operating model. Only with GBS will we reach a stage where we have efficient and integrated end-to-end processes, and be able to further improve monitoring at the transactional level. We are looking at all regions and some functions, and transitioning to either a captive shared services center or business process outsourcing (BPO). All transactional tasks for fiscal year 2022 will be directed to the captive center or BPO starting this year.

We treat processes that are more complex and closer to our customers as core competences, so we will keep them at the captive center with our own employees. Processes that are not differentiators for our customers are more likely to be delegated to BPO.

The GBS concept is continuously evolving, and we are only at the starting point. We have received requests from several departments, and in the future we would like to support them by transferring some of their tasks to GBS as well.

What policies and areas, including ESG issues, will be your focus in the medium- to long-term perspective?

We need the commitment, capabilities, and alignment of our employees, so for me HR is always on the top of everything I do. Everything we do depends on the motivation of our employees.

In fiscal year 2021, we worked on solidifying concepts, so in my opinion the focus for fiscal year 2022 is execution. The other focus is preparing to achieve the operating margin of over 20% in fiscal year 2023.

As a company, we have also committed ourselves to strengthening our ESG initiatives and efforts to address our materiality. We still have to move out of our regional silos and become more global in the way we look at ESG, and

climate change in particular. In the area of climate change, we disclosed that we are aiming to achieve carbon neutrality by 2030 for our site operations, which is a very ambitious goal in Japan. Among Japanese companies, there are not very many who have set the bar as high as we have.

When it comes to human rights, we strive to comply with the local laws and the guidelines rigorously, but what we aim to do next is improve our processes to monitor our vendors and suppliers to ensure that they also adhere to similar human rights laws and guidelines. By expanding these ESG efforts, we also hope to improve our sustainability index rating.

How do you think Olympus should handle recruiting talent moving forward, and what are your plans for the HR system?

Olympus is a purpose- and value-driven company, and that's really an asset among younger generations. We can provide potential employees with a huge amount of purpose because everything we do is about making people's lives healthier, safer, and more fulfilling. We can also offer a truly global environment, because the management team and all our projects function in a global manner.

At Olympus, we are shifting to a sort of hybrid recruiting structure. We will continue to recruit new graduates every year, and invite experienced employees to join Olympus as part of our mid-career hiring system. We want to provide graduates and young professionals with the opportunity to join Olympus, while also allowing people with capabilities we do not have in the Company to join us so we can benefit from their experience.

Our other goal is to create a single job-based and performance-based HR system, but we need to allow some time to help leaders build the capabilities needed to manage in such an environment. This is all in line with our ambitions to create a healthy organization at Olympus, in which those who deliver higher performance should be rewarded accordingly.



Overview of Transform Olympus

# Transform Olympus

Olympus is globally developing a corporate transform program companywide with the aim of improving business operations, performance, and organizational health. In 2019, the first year of the program, we had put up more than a thousand bottom-up initiatives and implemented them. In 2020, we identified seven strategic priorities in order to promote further companywide transformation globally with continuing the

execution fully on the bottom-up initiatives. We have accelerated our efforts to implement the strategic priorities as top-down projects side by side with bottom-up initiatives. In 2021, setting out to be a truly global medtech company, we have newly added “QARA Transformation,” and are promoting transformation companywide as eight strategic priorities.

Goals and Progress of Eight Strategic Priorities

Strategic Priorities	Goals	Progress
Go-to-Market Transformation	<ul style="list-style-type: none"><li>Enhance customer experience and improve operating efficiency through globally consistent Go-to-Market approach</li></ul>	<ul style="list-style-type: none"><li>Developed three-year implementation plan</li><li>Started deploying measures such as omnichannel engagement model to enhance customer contact, providing a seamless experience across various touchpoints</li></ul>
R&D Transformation	<ul style="list-style-type: none"><li>Strengthen concurrent engineering in the early stage of the product development for more efficient and innovative product development to meet customer expectations</li></ul>	<ul style="list-style-type: none"><li>Reorganized R&amp;D team from product-centered to technology-centered</li><li>Starting a project structure in which necessary engineers are gathered from an early stage of development</li></ul>
Finance Transformation	<ul style="list-style-type: none"><li>Contributing to optimally allocating management resources and maximizing corporate value by implementing companywide measures, including globalization of indirect materials procurement and rebuilding of operation models, and by radically reforming the duties of the finance function</li></ul>	<ul style="list-style-type: none"><li>Promoting globalization of indirect materials procurement</li><li>In order to strengthen cooperation with businesses as a business partner, consideration of the establishment of a global finance organization will take place as well as the appropriateness of business planning methods</li><li>Enriching information disclosure as a global medtech company, and strengthening dialogue with stakeholders</li></ul>
End-to-End (E2E) Supply Chain Transformation	<ul style="list-style-type: none"><li>Construct an E2E integrated supply chain that stretches from purchasing to delivery and focus on improving customer satisfaction and business agility, reduced supply chain costs and optimized inventories</li></ul>	<ul style="list-style-type: none"><li>Launched a new, global supply chain organization with diversity and strengthened governance</li><li>Rolled out the global supply chain concept, customer-centered and highly integrated and digitized</li></ul>
Digital Transformation	<ul style="list-style-type: none"><li>Reinforcing basic IT infrastructure to provide a platform for growth and transformation</li><li>Digitize core processes to drive more effective and efficient operations, deliver differentiating customer experiences and customer solutions</li></ul>	<ul style="list-style-type: none"><li>Transition of global infrastructure provision to a professional third-party provider</li><li>Started constructing global data &amp; analytics platform delivering performance dashboards and insights across finance, sales, and supply chains</li></ul>
Global Business Services (GBS)	<ul style="list-style-type: none"><li>Optimize operations and costs by standardizing and consolidating some operations such as corporate functions and sales support, outsourcing and transferring them to our subsidiaries</li></ul>	<ul style="list-style-type: none"><li>Started preparation for transfer of some indirect operations in Japan, China, and some parts of Asia to external outsourcing vendors and Olympus Asia Pacific Business Management Services (Dalian) Co., LTD established in Dalian, China</li></ul>
Organizational Health	<ul style="list-style-type: none"><li>Developing a healthy working culture. Its target state is called Healthy Organization and is defined through a set of dimensions. The concept balances performance requirements resulting from our transformative efforts with authentic employee engagement and well-being aspects.</li></ul>	<ul style="list-style-type: none"><li>Target culture has been defined</li><li>Global Sounding Board for engagement and activation has been established, will also take global employee survey result into account implementation of targeted initiatives to close gap to target culture</li></ul>
QARA Transformation	<ul style="list-style-type: none"><li>Achieve global quality and compliance with patient safety at the core of operational excellence by integrating QARA organization, building capabilities and skillsets, and harmonizing processes across the globe</li></ul>	<ul style="list-style-type: none"><li>Developed the future-state vision and objectives for QARA operations across people, processes, technology, and culture</li></ul>

Transform Olympus Leaders’ Perspectives

“Evolving the customer engagement model to improve Olympus customer experience.”



Miguel Jodra  
Go-to-Market Transformation  
Commercial Excellence Leader

One of the key focuses of the Go-to-Market Transformation is to evolve the customer engagement model across sales, marketing, sales support, and services in order to improve Olympus customer experience. This means, we are shifting our customer interaction to an omnichannel world in which customers are able to access information as and when they need it.

Omnichannel is about providing a seamless experience across digital, remote, and in-person channels, as well as about shifting to a new model in which agile teams bring digital engagement and analytics to help sales representatives deliver the right message, at the right time, through the right channel, and to the right stakeholder.

Through a three years’ implementation plan, Olympus aims to move to an omnichannel engagement model, which will lead to the development of new capabilities, channels, and enablers, such as inside sales teams, e-commerce, and the use of digital marketing and data science.

We also aim to have a structured and regular measurement of customer satisfaction in all regions, ensuring customer feedback is analyzed and acted upon to increase customer satisfaction and loyalty around the globe.

I am both very excited and proud of the commitment and engagement of everyone involved in this transformation, and the willingness to go through this transformational journey on a global basis, building new capabilities, changing our ways of doing business and being more customer focused.

As the leader of Olympus Supply Chain Center of Excellence (CoE), I am driving End-to-End (E2E) Supply Chain Transformation from planning through to delivery. We recognize that our supply chain has been partly inefficiently managed across the Company with, for example, each region controlling and optimizing its inventory independently. To improve on this, we have rolled out a new global organization and a leadership team consisting of heads from both the head office and regional headquarters, developed our vision for efficient and sustainable E2E integrated supply chains for the future, and are implementing it jointly with our business divisions, IT, finance, manufacturing, and procurement functions. Also underway are the global and integrated infrastructure improvements and the establishment of data-driven key performance indicators (KPI).

In parallel, we are making various efforts to change our people’s mindsets by planning and launching training programs for enhancing supply chain knowledge and developing global talents. We, Global Supply Chain “One Team,” are driving transformation by reducing lead times and providing timely supplies of our products in pursuit of contributions to our customers and to the business as a global medtech company.

“Implementing a customer-centered, efficient and sustainable Olympus supply chain.”



Evolving Our Corporate Culture

An Evolution in Corporate Culture

Cultivating an Olympus Corporate Culture

As part of our transformation, we are now holistically improving our culture, targeting the realization of Healthy Organization, taking into account both company perspective and employee perspective. With this culture, we could sustainably deliver Olympus’ purpose in line with Our Core Values. We will explain about company perspective to enable employees to collaborate and perform best in each role, including Global Leadership Competency Model and Global Communications Program. In addition, we explain about employee perspective to support self-growth and maintain motivation, such as Global Training in Implementation Skill, Our Core Values Survey, which are efforts to change our working environments globally.

GLCM: Global Leadership Competency Model

As part of the global HR strategy, Olympus introduces a Global Leadership Competency Model (GLCM) from fiscal year 2022. The model will support all Olympus leaders to develop a shared understanding of what it takes to lead people through our business transformation.

To achieve a healthy organization, that benefits us all, the GLCM’s ten core competencies will guide our leaders to build for the future, deliver results, lead people and themselves.

The GLCM builds on Our Core Values and supports Olympus leaders to demonstrate behaviors and capabilities that champion Our Core Values. In this way, our leaders can empower and engage employees to achieve our ambitious goals to transform our business models, organization and processes.

In addition, with our eye on the future, the GLCM will ensure we continue to recruit and develop the leadership talent Olympus needs. We have high expectations of our leaders, so we offer them structured opportunities to grow their capabilities to achieve our strategic goals. The ten GLCM competencies provide the necessary critical focus for leaders to find a balance in their strive for personal success in work and relationships.

The GLCM’s Ten Core Competencies

Build for the future	Deliver results
<ul style="list-style-type: none"><li>• Strategic Mindset</li><li>• Cultivates Innovation</li></ul>	<ul style="list-style-type: none"><li>• Drives Results</li><li>• Decision Quality</li><li>• Balances Stakeholders</li></ul>
Lead people	Lead self
<ul style="list-style-type: none"><li>• Drives Engagement</li><li>• Collaborates</li><li>• Develops Talent</li></ul>	<ul style="list-style-type: none"><li>• Instills Trust</li><li>• Situational Adaptability</li></ul>

Global Training in Implementation Skill

The training program and its accompanying best practices, are designed to provide Olympus employees with improved execution capabilities to help drive our organizational transformation efforts.

As part of our globalization efforts, the training aims to establish a common language and framework for global teamwork. And because a healthy organization understands that we want to effectively manage our busy workloads, Olympus supports our professional development. The training offers skills training to improve communication and to provide us with a tool kit of strategies for, among other things, prioritizing tasks, conducting effective meetings, and providing useful feedback.

Since its launch in 2020, more than 2,600 people around the world have completed the training. The program initially focused on employees in leadership positions but will eventually train all employees globally. Training is offered in two formats: instructor-led online and face-to-face workshops and online learning.

Going forward, providing best practices through training is there to guide our expectations and behaviors so we can achieve healthy working relationships with each other, regardless of where we are on the globe. The training encourages us to maintain high standards and it supports us to improve how we collaborate and hold each other accountable in our efforts toward achieving good organizational health and attaining our strategic goals.

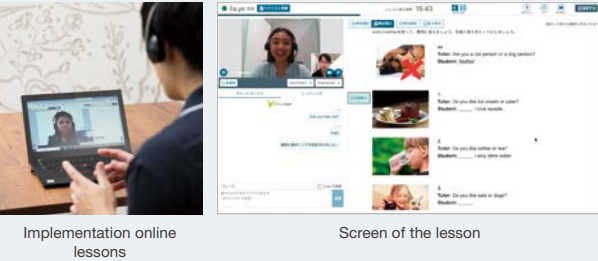
A Global Communications Program in Japan

At Olympus, we value the diversity of languages and cultures among our employees in each country and region. And, at the same time, we know that smooth international

communication is essential to being a leading global medtech company.

In Japan, a new Global Communications Program will give support to acquiring English language skills and cross-cultural understanding. All employees can look forward to developing their personal international communication skills to support their contributions in teamwork across regions and functions within our global company. The program aims to build language confidence for efficient interactions in our teams and with stakeholders. Although the program is voluntary, all employees are encouraged to seize this chance for personal development.

We are currently running a communications program for beginner and intermediate participants, who receive online conversation lessons provided by the external agencies every day for at least 6 months. To date, over 3,000 employees from various departments and subsidiaries are participating, expanding their existing skills and opening up opportunities for their talents to flourish. The comprehensive program will eventually also be offered to employees with TOEIC scores of 800 or higher.



Conducting Our Core Values Survey

The Olympus Our Core Values Survey is an important employee engagement tool that supports our aim to create a sustainable workplace. It is a way to listen to employees and understand their experiences and expectations.

The survey is aligned with our corporate philosophy, so data collected will inform our understanding of how Our Purpose and Our Core Values are currently being implemented in our daily work.

The survey also helps us to identify gaps between our target state of healthy organization and current status. We will also identify areas for improvement together with our priorities, and devise measures that can be tailored at global and regional levels.

Our Core Values Survey has a broad reach. It is being conducted in 43 countries and regions, in 18 languages, and a variety of employees take part.

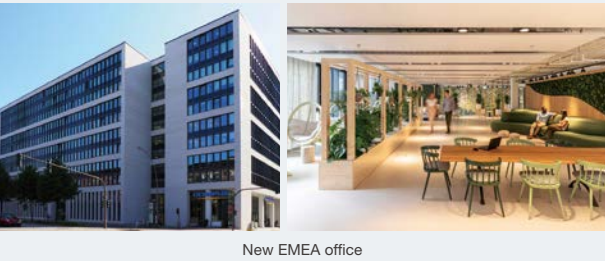
A New Working Environment for a Healthy Organization

The outbreak of the COVID-19 pandemic induced a dramatic change in the way we all work. Across all countries and regions in 2020, we quickly became accustomed to working from home and conducting online meetings on globally consistent Microsoft 365 applications.

Now, as we define and adopt a “new normal” for our daily working environment, we continue to improve conditions to generate further cooperation and collaboration. But we have not forgotten how important it is to be able to work side by side in person with each other.

In April 2021, we opened our new facility in Westborough, near Boston, in the United States. This location serves as global headquarters for our Therapeutic Solutions Division as well as a hub of medical technology innovation in the Americas. Another important development is the ongoing renovation of the Olympus Hachioji office in Japan. More than 5,000 employees from departments including in R&D, manufacturing, QARA and sales and marketing will find the new space encourages collaboration across functions to make our business operations more efficient and to make our organization healthier as well. Also the new EMEA headquarters opened its doors in June, ready to provide 1,200 employees a working environment that promotes discussion, creativity, innovation and flexible working.

And because fostering Olympus’ corporate culture is in our hands, our employees in Germany have created an opportunity to improve and further develop the ways we work together from within. Forty individuals known as “OlyPilots” represent Hamburg teams while working on-site at EMEA office in workshops and consultative conversations to find ways to discuss and try new ways of working while embodying Our Core Values in their daily work.



New EMEA office



Implement OlyPilots workshop





# 3

## Our Setup

This chapter features four directors who review the two years in which Olympus has implemented various transformations and discuss the future of corporate governance. We also introduce Olympus' current corporate governance initiatives, which provide the foundation for increasing corporate value.

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Directors (As of June 24, 2021)



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.  
Audit & Supervisory Board Member, NIPPONKOA Insurance Company, Limited (currently Sompo Japan Insurance Inc.)  
Jun. 2009 Director, Nippon Sheet Glass Co., Ltd.  
Apr. 2010 Director, NKJSJ Holdings, Inc. (currently Sompo Holdings, Inc.)  
Jun. 2011 Chairman, Japan Association for CFOs (present)  
Apr. 2012 Director, the Company (present)

<Important concurrent positions>  
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  
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.  
Member of the Board, Toray Industries, Inc.




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 Touhmatsu LLC\* (present)  
Director, the Company (present)  
  
<Important concurrent position>  
Independent Non-Executive, Deloitte Touche Tohmatsu LLC\*  
Independent Non-Executive, Deloitte Touhmatsu LLC\*  
  
\*Resigned on July 17, 2021



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.  
Jun. 2019 Director, the Company (present)  
Jun. 2021 Director, JSR Corporation (present)

<Important concurrent positions>  
Partner, ValueAct Capital Management L.P.  
Director, JSR Corporation




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 Management L.P.: it is not an employee position. This consulting agreement finished at the end of March 2019.



Outside Director

**Sachiko Ichikawa**

(Date of birth: January 17, 1967)  
Apr. 1997 Registered as attorney  
Joined Tanabe & Partners  
Jan. 2005 Registered as attorney of the State of New York  
Nov. 2009 Statutory Auditor, The Board Director Training Institute of Japan  
Jan. 2011 Partner, Tanabe & Partners (present)  
Jun. 2015 Director, ANRITSU CORPORATION  
Director, The Board Director Training Institute of Japan  
Apr. 2018 Registered as certified public accountant of the U.S.A.  
May 2018 Corporate Auditor, Ryohin Keikaku Co., Ltd. (present)  
Jun. 2020 Statutory Auditor, The Board Director Training Institute of Japan (present)  
Jun. 2021 Director, Tokyo Electron Ltd. (present)  
Director, the Company (present)

<Important concurrent position>  
Partner, Tanabe & Partners  
Corporate Auditor, Ryohin Keikaku Co., Ltd  
Statutory Auditor, The Board Director Training Institute of Japan  
Director, Tokyo Electron Ltd.

Governance Roundtable Discussion


Evolution of Corporate Governance

Four directors look back on the last two years of implementing *Transform Olympus* and our corporate strategy and discuss the future of corporate governance at Olympus.



**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)



**Yasumasa Masuda**

Outside Director (Chairman of the Audit Committee)



**Jimmy C. Beasley**

Outside Director (Member of the Compensation Committee)

Execution and Monitoring of *Transform Olympus* and Our Corporate Strategy Are Progressing

**Takeuchi:** Corporate governance is a combination of executive team leadership and the execution, as well as the Board of Directors' abilities to supervise and lead. In June 2019, we changed our governance structure to a company with Nominating

Committee, etc. I believe that clarifying the roles of directors and executive officers through this structure has contributed to the continuing enhancement of our corporate governance. Moreover, I feel teamwork among executives has improved and has been functioning particularly well in the last two years as we have gained a greater shared awareness and united our efforts toward achieving *Transform Olympus*.

**Fujita:** I participate as an observer in the Group Executive Committee (GEC) as the Chairman of the Board of Directors. My impression of the executive team's ability to execute has steadily improved, and discussions in the GEC have become even more productive and active over the past two years since 2019. The changes to the composition of the Board of Directors and GEC, leaves no doubt that we are becoming more global. I



Strengthening corporate governance through increased communication between the executive team and the Board.”

Yasuo Takeuchi

think we can all agree that *Transform Olympus* and our corporate strategy are progressing steadily overall.

**Masuda:** We are growing into a leading global medtech company and steadily executing our strategy in line with Our Purpose of making people’s lives healthier, safer and more fulfilling, and an important factor has been our effective communications, both internally and externally. Moreover, I believe we have made steady and rapid progress with our transformation to ensure our sustainable growth as a global medtech company by focusing on the Medical Business, establishing a foundation for the global business, strengthening and improving efficiency of R&D, and undertaking M&A.

**Fujita:** In a governance structure of a company with a Nominating Committee, etc., the roles of the executive team and Board of Directors are clearly defined: the executive team readily executes management decisions, while the Board of Directors strengthens monitoring capabilities. It is important to always be aware of the matters the Board of Directors should be discussing under their respective role. Aside from regular quarterly meetings for outside directors, we also hold—after each Board of Directors’ meeting—executive sessions where only outside directors participate and exchange opinions. I believe this is a unique initiative from a monitoring

perspective. These sessions lead to insightful and proper discussions and help uncover issues from the Board of Directors’ meeting, which are then fed back to the executive team.

**Beasley:** There is a virtuous cycle of feedback between the executive team and the Board of Directors at Olympus, and I believe this process is very effective. While the executive team regularly reports key initiatives and performance indicators to the Board, other opportunities are in place for sharing more detailed information when the need arises. I believe the Board is able to grasp important issues extremely well thanks to the depth of communication between directors and the executive team.

Vision of Olympus as a Global Medtech Company Can Now Be Seen

**Fujita:** As we continue growing into a global medtech company, an important medium- to long-term challenge is what kind of corporate vision we will aim for. To this end, our current corporate strategy was launched in 2019, and based on the progress and evaluation of that strategy, an enhanced Medical Business strategy—planning for a launch in December 2021—is currently being discussed by the Board of Directors.

**Masuda:** One aspect of the Medical

Business strategy I am anticipating the most is how Olympus will provide even greater value to patients. Traditionally, Olympus has been a technology-oriented company with self-sufficient R&D and technological innovation. However, I believe a future challenge will be how we can maximize value provided through a patient’s journey from diagnosis and treatment to recovery. To this end, it is necessary to collaborate among R&D and various internal functions, form alliances with other companies, and conduct M&A.

Additionally, sustainability perspectives should be introduced in discussions regarding the Medical Business strategy. Access to healthcare has been a significant issue across the industry, with many companies working toward solving this challenge. At Olympus, we have identified “Healthcare access and outcomes” as one of our materiality items; I would like to explore how we can overcome the difficult challenge of making healthcare accessible to people, who are unable to access necessary medical care and treatment for various reasons.

**Beasley:** While Olympus has achieved numerous innovations in the past, currently management is focusing on strengthening our development pipeline toward our next innovations, improving efficiency of R&D operations, and securing the talent to achieve

these objectives. Additionally, it is vital to promote a corporate culture that fosters innovation and strengthens teamwork of initiatives that span across functions. Our future will be extremely bright if every employee across all functions cooperates to achieve our targets—not only engineers but employees in marketing, R&D, regulatory affairs, quality assurance, and manufacturing, etc.

**Takeuchi:** Until now our core strategy has revolved around how to best integrate our core technologies in the Medical Business. Going forward, I believe we will also need to address the key challenge of how we can best provide value across a patient’s journey and to expand our strengths.

As a medtech company, we must firmly establish a corporate culture which looks beyond the present and continuously takes on challenges. I recognize that this goes beyond transforming our business model, and further toward committing to becoming a healthy organization, consisting of diverse global employees which fosters a corporate culture where employees can maximize their potential.

Achieving a Compensation System Aligned with Our Corporate Vision

**Takeuchi:** Compensation systems can be very difficult to consider as they can

easily cause inconsistencies when they do not match the particular situation of a company, even when something like a model is adopted. However, I feel over the last two years, mutual understanding between the executive team and the Compensation Committee has deepened through active communication, and the compensation system has improved with respect to meeting our corporate strategy and aligning with the direction Olympus is moving in.

**Beasley:** While last year we faced the unprecedented COVID-19 pandemic, Olympus management worked to build strong and secure management foundations, even amid an extremely uncertain operating environment. In fiscal year 2021, the Compensation Committee considered compensation for the management team that responded rapidly and appropriately to the pandemic and discussed revising the compensation system in light of the impacts of the COVID-19 pandemic on the business environment. In addition, beginning fiscal year 2021, we included ESG perspectives into the long-term incentive compensation based on the corporate strategy. Our compensation system places emphasis on long-term incentive compensation and includes relative evaluations such as Total Shareholder Return (TSR). Our goal is to create a compensation system that

takes every stakeholder into consideration. I think a future challenge is how to design an attractive compensation system that will enable Olympus to secure outstanding global talent. In years to come, I believe Olympus and the Compensation Committee must aim to develop a global standard compensation framework that is attractive in any country in order to evolve the compensation system.

**Masuda:** I was a member of the Compensation Committee up until June 2021. I believe in the importance of raising the proportion of performance-linked compensation to reward executives who achieve results when executing our corporate strategy in line with Our Purpose, and we have promoted this. Compensation will remain an important challenge for the future. With regards to ESG, while we currently utilize the world’s leading ESG investment index, the Dow Jones Sustainability Index (DJSI), as evaluation criteria for our performance-linked stock compensation, I believe we need to aim for a compensation system more grounded in our actual management conditions, and we have had many discussions about future possibilities including setting evaluation indices unique to Olympus.

**Fujita:** Our Compensation Committee makes changes and improvements every year in response to various



Enhancing corporate value by strengthening our dialogue and information disclosure with shareholders and investors.”

Sumitaka Fujita





issues, and accordingly, I think our compensation system will continue its evolution. In addition to the opinions of everyone present, from my perspective, other issues related to executive compensation include enhancing related information disclosure and designing an attractive compensation system that enables Olympus to secure outstanding talent necessary for becoming a global medtech company. I expect the committee to continue to take a lead in deepening the discussion and finding solutions for issues going forward.

The Nominating Committee that has Built a Strong Executive Team

**Fujita:** The Nominating Committee is an important institution that evaluates and nominates the directors and executive officers who manage Olympus. Every year, the committee first evaluates directors and executive officers and then reviews criteria toward the next nomination. An extremely important task for the Nominating Committee is the evaluation of the executive officers, as well as the discussion of the succession plan and the future composition of executive team members. This is a significant task because the execution of management

comes down to the executive team. Therefore, we place considerable emphasis on the succession plan for executive officers. Also, regarding the future composition of the Board of Directors, we identify issues and conduct skills matrix analysis to evaluate the composition in line with the direction of the Company. **Masuda:** I feel positively that the development of the succession plan and implementation of a global leadership talent review by the Nominating Committee is progressing under the leadership of Mr. Takeuchi. **Takeuchi:** To create an executive team that can exert leadership in transforming Olympus, I participate as a member of the Nominating Committee. For several years, we have been developing a skills matrix—disclosed in May 2021—to determine the composition of the Board of Directors. However, I think this skills matrix still has room for improvement. The Nominating Committee is progressing with the succession plan and a diverse range of criteria has been added for evaluating executive officers. Currently, the Nominating Committee is still not at the stage of ongoing evaluations for talent who are anticipated to lead Olympus in the future. I feel that this will be our next step. **Beasley:** Over the past few years of interacting with each executive officer,

I have gained a sense that Olympus, and the Nominating Committee in particular, have built a strong executive team. I agree with the comment by Mr. Takeuchi on the importance of considering the succession plan. In the future, I feel cooperation and collaboration between the Nominating Committee and Compensation Committee will become even more important for further development of the succession plan.

Continuously Improving the Effectiveness of the Board of Directors

**Fujita:** There is significant meaning in implementing the evaluation of effectiveness of the Board of Directors while improving existing methods every year and sharing issues with the entire Board. This means, evaluating the improvements of the issues identified in the previous fiscal year and, with the next year in mind, following new issues identified in the evaluation of the current fiscal year. We also include external expertise to evaluate the Board of Directors' effectiveness, identify issues and conduct objective analysis that are very close to externally facilitated Board evaluation by third party. **Masuda:** The evaluation of effectiveness of the Board of Directors in fiscal year 2021 started with



Continuing to advance Olympus through a virtuous cycle of feedback between the executive team and the Board of Directors.”

Jimmy C. Beasley

discussions in two subcommittees, continued into larger discussions, and finally concluded with discussions with the Board of Directors regarding the results of the analysis and issues of concern. The process itself was important, as mutual understanding deepened between directors and executive officers during the discussion process. We gained a shared understanding of the management issues and business environment, which was beneficial for subsequent discussions. **Takeuchi:** The aim of strengthening corporate governance is to ensure sustainable growth into the future. To improve the effectiveness of the Board of Directors, we must work continually. The evaluation of effectiveness is an ongoing process and involves trial and error; over the years, we have tried numerous approaches and focused on securing future sustainable growth, and, as a result, I feel we have improved the effectiveness of the Board of Directors. **Beasley:** The Board of Directors is becoming even more diverse; we have added a female outside director in June 2021. Mr. Takeuchi has said that an ongoing evaluation process is necessary for the Board of Directors. We must continuously strengthen corporate governance so we can adapt to changes in our operating environment amid increasing new

management challenges and evolve our business.

Enhancing Dialogue with Shareholders and Investors

**Beasley:** We receive regular reports from the Board of Directors on dialogue with shareholders and investors, conducted primarily by the executive team. I think this is particularly important for grasping matters of importance and is useful for understanding the opinions and perspectives of shareholders and investors. **Masuda:** I believe Olympus is proactively progressing its dialogue with shareholders and investors and is receiving a certain level of recognition from both inside and outside of the Company, and I think we need to continue strengthening dialogue in the years to come. In terms of what we need to strengthen, I feel it is important to disclose deeper information in the future, particularly strategic information and qualitative information, such as the status regarding progress on important management projects, R&D activities, and development pipelines. **Fujita:** I believe the executive team at Olympus has undertaken regular and timely dialogue with shareholders and investors. I also think that reporting and sharing the content of discussions by our executive team, including

opinions and perspectives, within the Board of Directors is very positive. I also think it would be beneficial and worth looking into providing outside directors with opportunities for direct dialogue with shareholders and investors. **Takeuchi:** It has been about 10 years since I started undertaking dialogue with shareholders and investors, and, of course, the information required has changed based on the situation Olympus was facing at the time. A recent challenge has been ensuring that our information disclosure—including methods and posture of dialogue—is appropriate for a company aiming to become a global medtech company. With this in mind, I would like to continue working on enhancing information disclosure and undertaking constructive dialogue with all our shareholders and investors.



Supporting the execution of our corporate strategy from a sustainability perspective and in line with Our Purpose.”

Yasumasa Masuda

Corporate Governance

Characteristics of Corporate Governance at Olympus

1

### Building a Corporate Governance System Appropriate for a Global Medtech Company

- From June 2019, we transitioned to a company with a Nominating Committee, etc. to accelerate management decision-making and business execution functions as well as to reinforce management monitoring functions

2

### Highly Transparent and Effective Management

- The chairman of the Board of Directors is an independent outside director
- The majority of directors are outside directors, all of whom are independent
- Independent outside directors possess abundant experience and knowledge rich in diversity
- The chairman of each committee is an independent outside director
- Each committee is composed of a majority of independent outside directors
- Implemented efforts to improve effectiveness, such as prior explanations to independent outside directors, information sharing and mutual exchange of opinions through meetings only for independent outside directors, and the feeding back of results to executive officers

**Outside Directors on the Board of Directors\*1**

73%

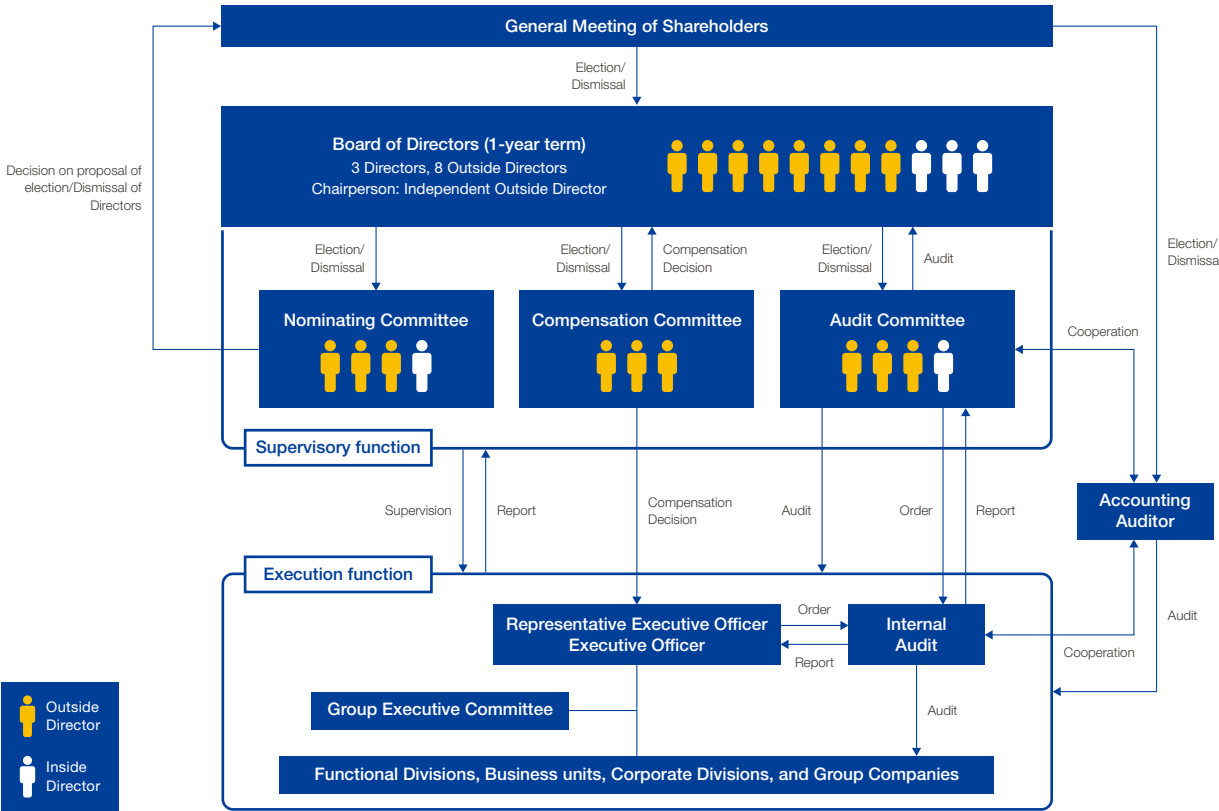
\*1 All are independent outside directors.

**Diversity on the Board of Directors**


Non-Japanese directors: 3/11

Female directors: 1/11

Corporate Governance Structure (As of June 24, 2021)



Changes in the Corporate Governance

	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
Chronology	● Deferred recording of past losses discovered ● New management system launched ● Announcement of Transform Olympus corporate transformation plan										
Management Plans	2010 Medium-Term Strategic Plan (10CSP) Advancing to the Next Stage of Globalization	Medium-Term Vision Stage of reconstructing management (recover trust and strengthen internal systems)				2016 Medium-Term Management Plan (16CSP) Sustainable growth stage (Strengthening the foundations of our business and developing a strong business portfolio)				Corporate Strategy Transforming into a truly global medtech company	
Management System	A company with an Audit & Supervisory Board									A company with a Nominating Committee, etc.	
Chairman of the Board	Directors				Independent outside directors						
Directors			More than half are outside directors								
Members	Outside 3/ Inside 12	Outside 6/ Inside 5	Outside 8/ Inside 5	Outside 5/ Inside 5	Outside 6/ Inside 5			Outside 10/ Inside 5	Outside 9/ Inside 3	Outside 8/ Inside 3	
Women	—		1			—			1		
Nationalities other than Japanese	1	—							3		
Committees			Voluntarily established a Nominating Committee, Compensation Committee, and Compliance Committee Members: Majority are outside directors Committee chairmans: Outside directors							Established a Nominating Committee, Compensation Committee, and Audit Committee*2 Members: Majority are independent outside directors Committee chairmans: Independent outside directors	

Established Management Reform Committee, Director Liability Investigation Committee, Non-Director Liability Investigation Committee

\*2 The Compliance Committee was established until July 2020.



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- to 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 2021), 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/pdf/basic\\_policy\\_for\\_corporate\\_governance\\_en.pdf](https://www.olympus-global.com/company/governance/pdf/basic_policy_for_corporate_governance_en.pdf)

Overview of Board and Each Committee

Name	Outline	Members
Board of Directors	The Board of Directors determines basic management policy, matters related to the internal control system, and other important matters, and monitors directors and executive officers, in the execution of their duties. (Meets at least once every three months and when needed.)	<ul style="list-style-type: none"><li>• Sumitaka Fujita (Chairman)</li><li>• Yasuo Takeuchi</li><li>• Susumu Kaminaga</li><li>• Tetsuo Iwamura</li><li>• Yasumasa Masuda</li><li>• Atsushi Iwasaki</li><li>• D. Robert Hale</li><li>• Jimmy C. Beasley</li><li>• Sachiko Ichikawa</li><li>• Stefan Kaufmann</li><li>• Nobuyuki Koga</li></ul>
Nominating Committee	The Nominating Committee shall deliberate matters related to human resources at the director and executive officer levels, and shall determine the content of proposals submitted to the General Meeting of Shareholders in relation to the appointment and dismissal of directors.	<ul style="list-style-type: none"><li>• Sumitaka Fujita (Chairman)</li><li>• Yasuo Takeuchi</li><li>• Tetsuo Iwamura</li><li>• D. Robert Hale</li></ul>
Compensation Committee	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.	<ul style="list-style-type: none"><li>• Susumu Kaminaga (Chairman)</li><li>• Tetsuo Iwamura</li><li>• Jimmy C. Beasley</li></ul>
Audit Committee	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	<ul style="list-style-type: none"><li>• Yasumasa Masuda (Chairman)</li><li>• Atsushi Iwasaki</li><li>• Sachiko Ichikawa</li><li>• Nobuyuki Koga</li></ul>
Group Executive Committee	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.)	<ul style="list-style-type: none"><li>• Yasuo Takeuchi (Chairman)</li><li>• Nacho Abia</li><li>• Akihiro Taguchi</li><li>• Chikashi Takeda</li><li>• Stefan Kaufmann</li></ul>

The Member Structure of the Board of 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. To ensure its effectiveness, the Board of Directors is currently composed of 11 members, of whom eight are independent

outside directors. In addition, of those 11 directors, three are non-Japanese, and one is female. With diverse human resources equipped with abundant experience and insight in corporate management, finance, and international business deployment, which are required of the global medtech company that Olympus aims to become, the Board is structured with consideration also given to internationality and gender.

Name	Year of appointment	Independence	Area Olympus expects the directors to display their capabilities in						
			Corporate Management	Overseas Business/ Diversity	Healthcare Industry	Manufacturing/ Development/ Research	Legal /Risk Management	Finance/ Accounting	ESG
Yasuo Takeuchi	Apr. 2012		●	●	●			●	
Sumitaka Fujita	Apr. 2012	○	●	●				●	●
Susumu Kaminaga	June 2016	○	●	●		●			
Tetsuo Iwamura	June 2017	○	●	●		●			
Yasumasa Masuda	June 2018	○	●	●	●			●	
Atsushi Iwasaki	June 2019	○						●	
D. Robert Hale	June 2019	○	●	●	●			●	
Jimmy C. Beasley	June 2019	○	●	●	●				
Sachiko Ichikawa	June 2021	○		●			●	●	●
Stefan Kaufmann	June 2019			●	●				
Nobuyuki Koga	June 2019				●	●			

Notes: 1. The above table does not indicate all the expertise/experiences the directors have.  
2. In 2019, Olympus transitioned to a company with a Nominating Committee, etc. As a company with an Audit & Supervisory Board, Atsushi Iwasaki and Nobuyuki Koga were appointed prior to the transition as members of the Company’s Audit & Supervisory Board in 2016 and 2017, respectively.

Message from a Newly Appointed Outside Director



Sachiko Ichikawa  
Outside Director

As a lawyer who specializes in corporate governance, I have been engaged in a variety of activities. Olympus was a company often seen in case studies relating to the deferred recording of past losses that came to light in 2011. Recently, I have the impression Olympus is earnestly engaged in a corporate transformation, based on its shift to a business portfolio centered on the Medical Business and the introduction of a job-based human resource management system. I am very pleased to have been given the opportunity to become an outside director of Olympus, which is striving to become a truly global medtech company.

If we look at social trends, ESG investment is expanding, Japan’s Corporate Governance Code has been revised, and there is demand for appropriate responses to sustainability issues. Moving forward,

I would like to provide expertise for initiatives to increase, for example, gender diversity, and the enhancement of non-financial information disclosure.

In my role as an Audit Committee member, I will first carefully review the reports from the Internal Controls Department to verify whether risks are being properly controlled and monitored according to the risk map. Bearing in mind the limited resources available, I believe it is essential to obtain information on significant risks and prioritize responses.

I believe that Olympus has further growth potential due to its firm commitment and ability to deliver on its promises. As a member of the Board of Directors, I will do my utmost to contribute to the sustainable growth of Olympus and to the enhancement of its corporate value.

Activities of the Board of Directors and Committees in Fiscal Year 2021

Name	Attendance at meetings of the Board of Directors	Attendance at meetings of the Nominating Committee	Attendance at meetings of the Compensation Committee	Attendance at meetings of the Audit Committee
Yasuo Takeuchi	18/18	12/12	—	—
Sumitaka Fujita	18/18	12/12	—	—
Susumu Kaminaga	18/18	—	11/11	—
Tetsuo Iwamura	18/18	12/12	11/11	—
Yasumasa Masuda	18/18	12/12	11/11	—
Atsushi Iwasaki	18/18	—	—	24/26
D. Robert Hale	18/18	12/12	—	—
Jimmy C. Beasley	18/18	—	11/11	—
Sachiko Ichikawa	—	—	—	—
Stefan Kaufmann	18/18	—	—	—
Nobuyuki Koga	18/18	—	—	26/26

Name	Activities
Board of Directors	<ul style="list-style-type: none"><li>● The Chairman of the Board of Directors conducted a review of the proceedings of the Board of Directors up to the previous meeting and reported on matters to be deliberated at the Group Executive Committee</li><li>● As a regular agenda item, conducted execution status reports from executive officers</li><li>● Separately from regular meetings of the Board of Directors, corporate strategy meetings were held on the state of progress and issues in the corporate strategy and on topics in the business plan</li><li>● In an ongoing effort to improve the monitoring function while aiming for outside directors to mutually exchange information and share awareness, an Opinion Exchange Meeting for Outside Directors was held four times a year (once per quarter) as a regular meeting at which only outside directors participated, and an Executive Session was held after the conclusion of every Board of Directors' meeting</li></ul>
Nominating Committee	<ul style="list-style-type: none"><li>● In considering the plan for the composition of the Board of Directors, the Nominating Committee created a matrix for the experience and knowledge required of directors of the Company</li><li>● In selecting candidates for director, the Nominating Committee held discussions and interviews in accordance with the selection criteria and made decisions</li><li>● Regarding the selection plan for executive officers, the Nominating Committee discussed their suitability and made decisions after a year-long selection process</li><li>● Regarding the succession plan for executive officers, the Nominating Committee discussed whether the candidates possessed the desired experience and knowledge in accordance with expected roles in the execution of duties at the Company</li></ul>
Compensation Committee*	<ul style="list-style-type: none"><li>● Reviewed compensation for fiscal year 2021 following the beginning of the COVID-19 pandemic</li><li>● Reviewed compensation content to further improve compensation system</li><li>● Determined compensation for fiscal year 2021</li><li>● Discussed compensation policy for fiscal year 2022</li></ul>
Audit Committee	<ul style="list-style-type: none"><li>● In addition to maintaining an independent position and fair and unbiased attitude and auditing and overseeing the accounting auditor and internal audit function, the Audit Committee conducted effective, efficient audits by directly verifying the suitability and validity of the execution of duties by the directors and executive officers</li><li>● In addition to monitoring and evaluating whether the accounting auditor maintained an independent position and performed suitable audits, the Audit Committee received reports from the accounting auditor on the state of execution of its duties and requested explanations where necessary</li></ul>

Conducted mainly in an online environment, such as by utilizing a web conferencing system, to ensure safety from the COVID-19 pandemic for those attending and the effectiveness of each committee

Support Systems for Directors

To support the effective execution of the roles and duties of directors, Olympus works proactively to provide 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 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.

Olympus provides training for newly inaugurated 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.

Concepts Concerning the Independence of Outside Officers

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 of 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.

Process for Appointment of Directors and Executive Officers, Development and Selection of Successors for the CEO

Process for Appointment of Directors and Executive Officers

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.

In addition, elections of executive officers are determined by the Board of Directors after the Nominating Committee discusses whether the candidate has experience, insight, etc. appropriate for an executive officer and develops proposals for elections.

Development and Selection of Successors for the CEO

The Nominating Committee deliberates a succession plan for the CEO and reviews it periodically. As for determining the successor, the Nominating Committee discusses whether the candidates have qualifications that are suitable for the role of CEO, and provides opinions and advice to the Board of Directors. Thereafter, the successor is decided by the Board of Directors.



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 of the Company's directors and executive officers on an individual basis, details of compensation 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 stakeholders' 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.

Compensation Level

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

Officer Compensation in Fiscal Year 2021

Position		Total amount of compensation (¥ million)	Total compensation by type (¥ million)			Number of subject officers
			Base salary	Performance-linked compensation	Non-monetary compensation	
Directors	Inside directors	717	450	182	86	5
	Outside directors	149	129	—	20	10
Executive officers		431	191	173	67	3

Notes: 1. Base salary shows the amount paid for in fiscal year 2021. Performance-linked compensation show the amounts of short-term incentive compensation for the applicable period, fiscal year 2021 (paid in July 2021), and non-monetary compensation shows the amount of long-term incentive compensation to be recorded as expenses for fiscal year 2021. Performance share unit (PSU) of ¥87 million is only recorded in non-monetary compensation and is not recorded in performance linked compensation.  
2. There are two other executive officers (concurrently holding positions as directors) in addition to the three executive officers mentioned above, compensation of the two are included in compensation for directors.  
3. The Company does not pay performance-linked compensation to directors who are not concurrently holding a position as an executive officer.  
4. The aforementioned inside directors include the two inside directors who retired at the close of fiscal year 2020 General Meeting of Shareholders held on July 30, 2020. Outside directors include the one outside director who retired at the close of the same General Meeting of Shareholders.  
5. One outside director has requested to decline his compensation and the Compensation Committee has decided to not pay the compensation to him. However, he is included in the number of outside directors mentioned above.

Compensation Structure for Directors

Given a position that supervises business management, compensation for directors is paid by fixed compensation as base salary (BS). In addition, as directors contribute to the 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 restricted stock unit (RSU), and the right to which will be

Components of Compensation

1. Base salary (BS): Cash compensation in the form of fixed compensation that is paid monthly in accordance with the roles and responsibilities regarding performance of work duties.

2. Short-term incentive (STI): Cash compensation intended to reward the drive to achieve business results every fiscal year. A type of performance-linked compensation paid at a rate between 0% and 200% in proportion to reaching financial and non-financial targets.

3. Long-term incentive (LTI):

- Restricted stock (RS): A type of non-performance-linked stock compensation based on the tenure of three years that pays a set amount of total compensation as Company stock, which has a restriction on transfer of three years. Restriction on share transfer is lifted after expiration of the transfer restriction period (applicable until the beginning of fiscal year 2020).
- Restricted stock unit (RSU)—grant-type restricted stock compensation: A type of non-performance-linked stock compensation based on the tenure of three years that grants rights (units) corresponding to a set amount of total compensation to be paid as shares of Company stock (with one unit equal to one share) at the completion of the tenure period.
- Performance share unit (PSU)—performance-linked stock compensation: A type of performance-linked stock compensation which grants rights (units) corresponding to a set amount of total compensation to be paid as shares of Company stock. The compensation paid is calculated as a ratio between 0% and 200% relating to reaching the target after three years.

BS  
81–91%

RSU  
9–19%

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

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. In addition, stock-based compensation will be set at ¥3 million for both Japanese

Compensation Structure for Executive Officers

In fiscal year 2020, in accordance with a corporate strategy of aiming to become a global medtech company, we established a new compensation system which was implemented at the beginning of fiscal year 2021. In order to achieve our corporate 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. The new compensation system, which was designed for fiscal year 2021 and later, was decided upon 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 base salary (BS) 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 base salary, a fixed compensation (BS), short-term incentive compensation which is linked to business results by every fiscal year (STI), and long-term incentive compensation (LTI). Focusing on achieving corporate strategies aimed at enhancing medium- to long-term corporate value and shareholder value, the ratio of performance-linked compensation, particularly long-term incentive compensation (LTI), was raised, and the standard amount of short-term incentive compensation (STI) and long-term incentive compensation (LTI) was set. LTI consists of restricted stock unit (RSU) and performance share unit (PSU).

and non-Japanese residents. The number of shares to be given will be calculated based on the share price at the time of assumption of office at the General Meeting of Shareholders, and the number of shares will be given after vesting.

Changes in the Compensation System for Executive Officers

FY2020

Executive Officer

BS  
50%

STI  
25%

LTI  
25%

Note: Executive officers who do not reside in Japan are not eligible for compensation through RSUs, and their compensation through PSUs will be paid in equivalent cash compensation instead of the shares themselves.

Setting up a new compensation system, in line with the corporate strategy of becoming a global medtech company.

FY2021, FY2022

Representative Executive Officer

BS  
25%

STI  
25%

LTI  
50%

Executive Officer

BS  
28.5%

STI  
28.5%

LTI  
43%

Note: Executive officers who are not residing in Japan will also be provided with shares for long-term incentive compensation (LTI).

1

Increasing the proportion of long-term incentives in line with the long-term corporate strategy

2

Setting challenging and achievable targets in accordance with the business environment and increasing the motivation of executive officers

Compensation of Executive Officers for Fiscal Year 2021 and Fiscal Year 2022

The Company established a new compensation system in fiscal year 2020, in accordance with the corporate strategy of aiming to become a global medtech company, based on the direction of greater emphasis on long-term incentive compensation (LTI). However, while there were major changes in the business environment in fiscal year 2021 as a result of the COVID-19 pandemic, the Compensation Committee voted that the compensation details—an element of the Company's philosophy toward compensation to “increase the motivation of executive officers by setting challenging and achievable targets”—decided upon in fiscal year 2020, were not suitable

to the environment and would not lead to enhancement of shareholder value from the creation of corporate value. For this reason, we undertook a review of the fiscal year 2021 compensation details.

Taking into account the impact of the COVID-19 pandemic on the business environment in fiscal year 2022, the decision was made to revise short-term incentive compensation (STI) and long-term incentive compensation (LTI) of executive officers, and grant subsequent grant-type restricted stock compensation “Transformational FY22-RSU.”

FY2021 (Results)

Representative Executive Officer

BS	STI	RSU	PSU
25%	25%	13%	37%

Executive Officer

BS	STI	RSU	PSU
28.5%	28.5%	11%	32%

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 is concurrently holding a position 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. (This is not included in the ratios shown in the figure above.)

FY2022

Representative Executive Officer

BS	STI	RSU	PSU
25%	25%	20%	30%

Executive Officer

BS	STI	RSU	PSU
28.5%	28.5%	17.2%	25.8%

Notes: 1. The above table shows a 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 is concurrently holding a position 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. (This is not included in the ratios shown in the figure above.)  
3. For CEO and CTO only, additional “Transformational FY22-RSU” have been granted, corresponding to 18% of BS (This is not included in the ratios show in the figure above).

Short-term Incentive (STI)

A form of linked compensation based on a single year's financial targets and important issues facing the entire Company, in which targets commonly set for all executive officers. The compensation is payable at a ratio of 0% to 200% in proportion to reaching targets.

FY2021 (Results)

<Initial setting>

Index	Weight
Revenue	30%
Operating profit	50%
Strategic goals	20%

<Targets and results after changes>

Index	Weight	Target value	Actual value	Achievement rate	Payment rate
Revenue	20%	¥669.5 billion	¥715.4 billion	107%	21.4%
General and administrative expenses	20%	¥384.2 billion	¥358.9 billion	120%	24.0%
Strategic goals	60%	—	—	111%	66.6%

FY2022

Index	Weight	Target
Revenue	30%	¥830.0 billion
Operating profit	40%	16.9%*1
Strategic goals	30%	Items set based on issues facing the entire Company

Rationale for Changes

- The COVID-19 pandemic has made it difficult to set targets for the initial financial indicators. Given this and the importance the Company places on corporate transformation, even in an uncertain environment, the Company increased the weight of strategic goals, which are non-financial indicators
- Since operating profit, which was set as a financial indicator, is greatly affected by the external environment, the Company set general and administrative expenses, which are closely related to operating profit, as an indicator instead

Rationale for Changes from Initial Setting

- Since it is important to have steady implementation of long-term and strategic initiatives within each fiscal year, the Compensation Committee has decided to increase the proportion of strategic goals among STI targets

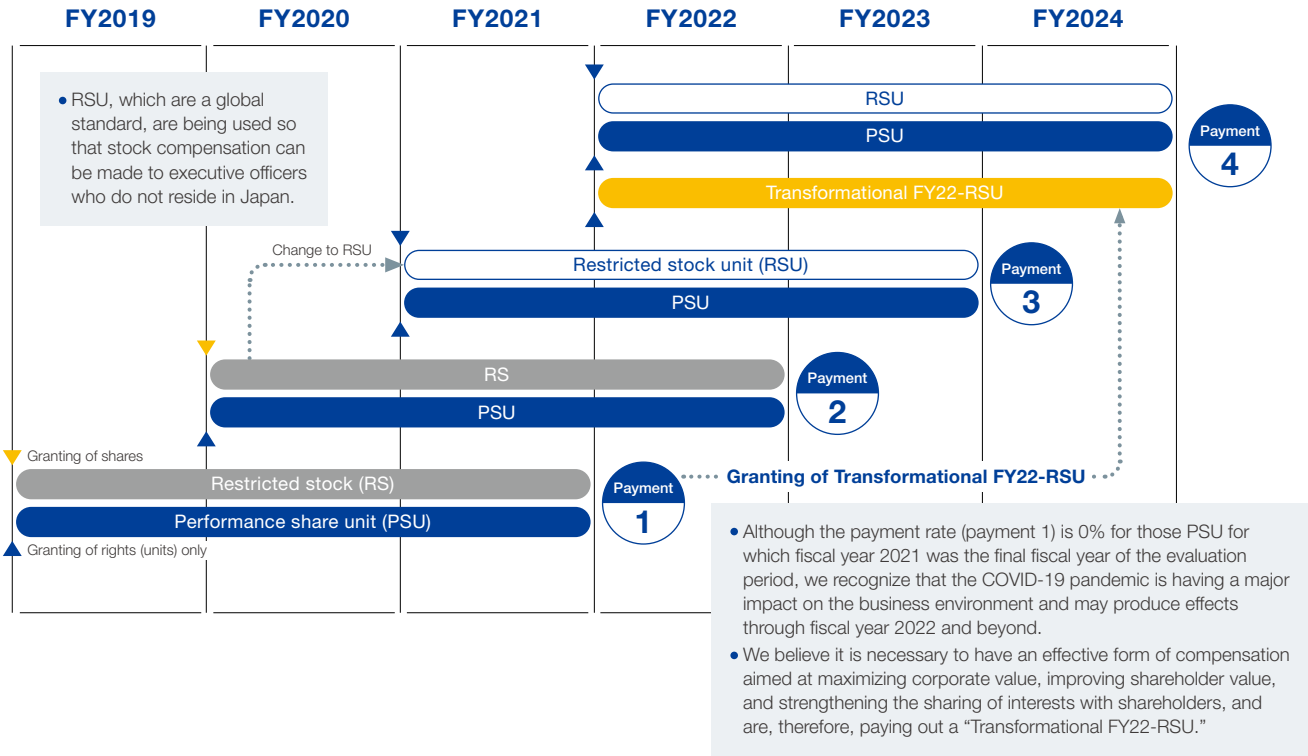
Rationale for Changes

- In conjunction with the revision of fiscal year 2022 earnings forecasts (announced on August 5, 2021), certain changes have been made to the evaluation table and calculation method for revenue and operating profit

\*1 For evaluations, operating margin, which is calculated from operating profit after adjustments that deduct other income and other expenses from operating profit, is used.

Long-term Incentive (LTI)

From fiscal year 2021, restricted stock unit (RSU) and performance share unit (PSU) are being utilized. Executive officers, including those who do not reside in Japan, are granted rights (units) that correspond to a fixed amount of total compensation, and which are payable as actual shares three years later.



Performance Share Unit (PSU)

FY2020 (Results)

Index	Weight	Target value	Minimum value	Actual value	Payment rate
Total Profit for applicable period	70%	¥291.9 billion	¥145.9 billion	¥72.7 billion	0%
Average rate of revenue growth over applicable period	30%	6.4%	3.2%	0.2%	0%

FY2022

Index	Weight
Total Profit for applicable period	70%
Average rate of revenue growth over applicable period	30%

FY2023

Index	Weight
Operating margin	40%
ROIC	15%
EPS growth rate	15%
Relative TSR*2	20%
ESG*3	10%

FY2024

Index	Weight
Operating profit	40%
Relative TSR*2	40%
ESG*3	20%

Rationale for Changes

- To establish a new compensation system in fiscal year 2020, in line with the corporate strategy of aiming to become a global medtech company
- To set business indicators linked to target values in the corporate strategy based on the philosophy toward compensation of “an incentive program which is consistent with the corporate strategy”

Rationale for Changes

- To change the valuation indicators and their weights according to the business environment, based on the philosophy toward compensation of “an incentive program which is consistent with the corporate strategy”

\*2 Evaluated in comparison with 20 global medtech companies.  
\*3 Evaluated based on the Dow Jones Sustainability Index (DJSI), the world's leading ESG investment index.



Corporate Governance

Initiatives for Enhancing Effective Corporate Governance

We have been continuously strengthening our corporate governance system and enhancing its effectiveness, positioning these tasks as top management priorities. Since 2015, we have been conducting evaluations of the effectiveness, etc. of the Board of Directors and an overview of the results has been made public. During the fiscal year 2020 evaluation of the Board of Directors, it was confirmed that we established appropriate governance structure as a company with Nominating Committee, etc., and produced operational results. We also objectively identified 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).  
Based on the analysis and evaluation results for fiscal year 2021, we will continue our efforts in the current fiscal year to further enhance effectiveness.

Evaluation Results for Effectiveness of the Board of Directors

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

Agenda of the Board of Directors in Fiscal Year 2021

We are expanding the delegation of authority to the execution of operations and addressing issues that should be discussed by the Board of Directors in a timely and appropriate manner.

The main agenda of the Board of Directors for fiscal year 2021 was as follows. We confirmed the progress of each agenda item and future initiative, and held active discussions.

Theme	Main Agenda	
Items Related to the Corporate Strategy	● Corporate strategy (divestiture of Imaging Business, etc.) and corporate transformation plan <i>Transform Olympus</i> ● Business plans and forecasts ● Status report on individual businesses and regions	
Items Related to Corporate Governance	● Policy for holding stocks ● Evaluation of the Board of Directors' effectiveness ● Audit & Supervisory Board audit plan report ● Items related to quality	● Internal audit plan ● Executive officer structure for the next fiscal year ● Internal controls ● Risk management
Others	● Response to the COVID-19 pandemic ● Financial results, IR activity	

Evaluation of the Effectiveness of the Board of Directors

Analysis and Evaluation Results for Fiscal Year 2021	Initiatives for Fiscal Year 2022
<ul style="list-style-type: none"><li>● Trust in the executive team from the Board of Directors has been fostered and a common understanding has been formed that the Board of Directors should appropriately expand the delegation of authority to the execution of operations and further accelerate management decision-making.</li><li>● We have confirmed that the systemic foundation to support effective corporate governance is secured for the Board of Directors as a company with Nominating Committee, etc.</li><li>● In terms of operations, substantial efforts have been continuously made to improve the effectiveness of the Board of Directors, such as prior explanations to outside directors and information sharing and mutual exchange of opinions through meetings of outside directors.</li><li>● We identified the following responsibilities of the Board of Directors. "In order to contribute to the enhancement of Olympus' corporate value through cooperation with the executives, the Board of Directors will: (i) deepen the recognition and insight of the business environment and management issues through constructive discussions with the executives; (ii) effectively monitor management decision-making and execution from a strategic and broad perspective; and (iii) support the promotion of measures for the growth of Olympus as a truly global medtech company."</li></ul>	<ul style="list-style-type: none"><li>● Olympus will continue to promote initiatives to further deepen discussions on proposals such as quality and research as well as development as main important agenda items at the Board of Directors' meeting, which are important in implementing its corporate strategy to become a global medtech company.</li><li>● In light of the fact that it is important for the Board of Directors to understand the reality of management, including the issues of execution and the background of its history and corporate culture in monitoring management, the Board of Directors will strive to organize and present specific issues in relevant agenda items and share the importance, complexity, and broad significance of such issues in order to promote a comprehensive understanding, including a sensible understanding among the members of the Board of Directors.</li><li>● We will ensure the more effective operation of the three committees (Nominating Committee, Compensation Committee, and Audit Committee) and strengthen cooperation between those three committees and Board of Directors as a whole.</li><li>● In order to ensure the sustainable operation of the "Board Succession Plan", the Board of Directors shall clarify the optimum composition (skills matrix) for the Board of Directors to effectively fulfill its duties, and the Nominating Committee shall evaluate and appoint directors in a systematic manner for its realization, taking into account the corporate strategy and management issues at that time.</li></ul>

Internal Controls

All our activities are based on our corporate philosophy, "Making people's lives healthier, safer and more fulfilling."  
Olympus, 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 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 the 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 the 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

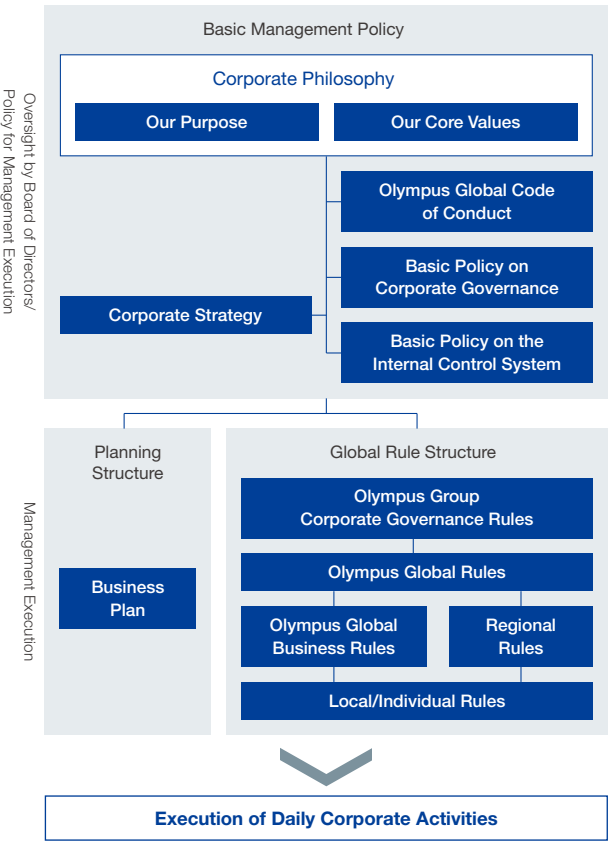
https://www.olympus-global.com/company/governance/control.html

Status of Main Operations for Fiscal Year 2021

- Held meetings of the Global Compliance Leadership Team to identify key global measures under the direction of the Chief Compliance Officer
- To strengthen the promotion of ESG, ratings by an ESG evaluation organization as strategic goals were linked to part of the long-term incentive compensation in the evaluation index for performance share unit for executive officers
- Regularly and systematically held the meetings of the Group Executive Committee and the Board of Directors using online methods
- In response to the global COVID-19 pandemic, Olympus established the Covid-19 Global Task Force and the Central Task Force in Japan to implement cross-organizational and integrated responses
- The internal control rules were reviewed for the purpose of strengthening the risk management system, and the Risk Management Operation Rules were revised to clarify the process
- Directors, executive officers, corporate officers and employees of Olympus Group ensured the effectiveness of audits by the Audit Committee in order to cooperate with the Audit Committee for investigations by interviews and on-site inspections

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 the “Policy of Risk Management and Crisis Response” and related rules, the Olympus Group develops global risk management systems, undertaking risk management from both the “offensive” perspective through active and sound risk taking leading to sustainable growth and value creation for the Company and the “defensive” perspective to prevent illegalities and accidents.

A crisis management process has also been established to minimize the impact of unforeseen incidents on corporate value.

 Business Risk

<https://www.olympus-global.com/ir/policy/risk.html>

Risk Management

The Olympus Group’s risk management systems clarify the executive officer in charge of risks that could affect the achievement of the Company’s business targets as well as the corporate strategy (establishing risk assurance) and each executive officer executes the necessary measures (organizational structure, process preparation, focus measures, etc.) to keep within the acceptable level of their designated area of risks.

In addition, the Olympus Group operates risk management processes with a plan-do-check-act (PDCA) cycle of risk assessment (identification, analysis and evaluation of risk, and setting countermeasures), implementation of risk countermeasures, monitoring and reporting, and improvement. Risk assessment is linked to the process for formulating the fiscal year plan, with risk evaluated using common companywide evaluation standards, and companywide risks visualized and uniformly managed. In addition, the status of response to the Group’s key risks are periodically monitored and reported to the Group Executive Committee and the Board of Directors. We will achieve basic management policy through these risk management initiatives.



Crisis Management

Any major incident that is highly likely to affect business management in the Olympus Group is reported promptly to the CEO and executive officers and handled appropriately by the managers in coordination with relevant divisions.

Further, we revised our business continuity plans (BCPs), which conventionally focused on natural disasters, such as earthquakes and storms, to include pandemics, as represented by COVID-19. We are also building viable BCPs with increased focus on the entire value chain. As a part of this effort, we are constantly implementing our disaster prevention and reduction activities such as by formulating the “BCP/BCM Development Guideline.” We provide training and drills to employees to improve the effectiveness of our BCPs.

We continuously implement every possible measure to keep our products and services available to our customers, giving the highest priority to the health and safety of our employees, healthcare professionals, patients, and communities.

Information Security

Basic Approach and Governance

Information security is integrated into our business plan as a major risk, and the Board of Directors and Audit Committee oversee all critical corporate risks, including information security. The Board of Directors and executive officers administer enterprise risk management for the entire Group, and information security is one of the core areas. Risk management for each region and function is based on the instructions of the executive officers, and priority measures for information security in business plan are implemented by the heads of each business and function based on risk assessment. Among the executive officers, the CAO assumes executive responsibility in the area of information security, and the Chief Information Security Officer (CISO) strengthens the governance of business

execution under CAO’s delegation. The CAO reports regularly on the status of information security to the Group Executive Committee and the Board of Directors.

Promotion Structure

To ensure the appropriate management and protection of information security concerning the business, the information security management structure is formed under the CISO with clear responsibility assignments. Under the direction of the CISO, and under a global governance structure that incorporates four information security areas, we will work to manage and ensure information security.

Four areas of information security	Definition
Information security governance and strategy	Manage information security risks and formulate strategies.
Product security	Ensure security of products across their life cycles, including the supply chain.
Enterprise information security	Ensure enterprise information security, including cyber security, IT security, and physical security.
Data protection	Ensure management of property damage risks by incorporating risk control processes that are compliant with legal obligations, and which include appropriate data classification and specification of privacy requirements, within our business procedures.

Initiatives (Management)

Information Security Risk Management

The Olympus Group implements the PDCA (Plan-Do-Check-Act) cycle, which includes assessment, analysis, planning and implementation based on four areas of information security, and review of implementation results, according to the necessary hierarchy. In the assessment process, we incorporate information from multiple third-party perspectives, including domestic and overseas regulatory ministries and agencies, government agencies related to information security, independent agencies, industry organizations, and threat intelligence vendors, as well as strive to gain a global understanding of our own situation. In addition, in order to formulate effective countermeasures for the analyzed risks, we classify the risks appropriately and examine them from multiple perspectives, including our own initiatives, collaboration with relevant organizations, and risk assurance.

Risk Management Processes

The Olympus Group conducts third-party assessments, including a penetration test to evaluate vulnerabilities, as well as global monitoring of information security incidents, and takes measures to address risks according to any observed incidents.

Risk Mitigation

**Incident Response:** To respond to IT security incidents, we have clarified the global rules, and the global Information

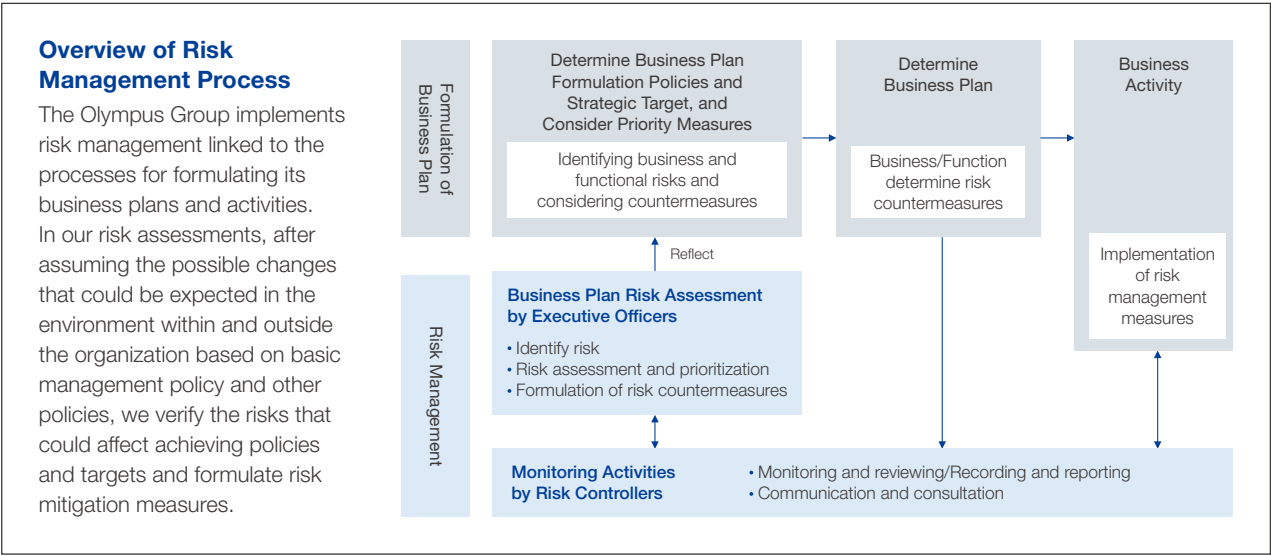
Security Governance Committee, which is formed under CISO, shares information on incidents as the situation demands. We conduct trainings in order to maintain the effectiveness of our incident response system. In light of the recent frequency of cyber attacks, the incident response plan is constantly updated as necessary to ensure global information security. Regarding product security, we have established a system to collect information on threats and vulnerabilities related to our products and analyze security risks, and are working to implement security measures as soon as possible. As for data protection, we are implementing appropriate protection by classifying the importance of data from the perspective of compliance and risk control, as well as related laws and regulations, and introducing appropriate management methods.

**Business Continuity Plans:** In order to minimize the impact on business operations in the event of an incident, we have identified the most important operations and information assets throughout the Company and in each function and division, and are developing emergency systems and procedures to maintain and protect them.

**Information Security Education:** Education through e-learning and other means, as well as awareness of the information security policy and incident reporting process, is being implemented in all regions.

 Information Security

<https://www.olympus-global.com/csr/governance/security/>





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. Such information will then immediately be posted on our website. Furthermore, any information not required by laws or rules will be disclosed through a press release or via the website.

Communication with Stakeholders

Seeking to facilitate sustainable growth and medium- to long-term improvements in corporate value, the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO) play a central role in our proactive efforts to communicate with shareholders. Investor relations functions 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 2021.

Activity	Times conducted	Details
Briefing sessions on results for institutional investors and analysts both in Japan and overseas	4	Meetings or teleconferences held quarterly to explain topics from the period, focused on financial performance and forecasts
Large meetings with the CEO and small meetings with the CFO	3	Meetings for investors and analysts with the CEO or the CFO after disclosure of financial performance
New product and technology briefings	1	Briefings concerning the Company's new products and technologies
Overseas IR roadshows	3	Meetings for oversea institutional investors with the CEO and the CFO
Conferences held by securities companies (including overseas conferences)	14	Participation in and meetings at conferences held by securities companies
Briefing sessions/events for individual investors	1	Events for individual investors
Individual meetings with institutional investors and analysts	Approx. 900	Individual meetings held with the CEO, the CFO, and/or IR division representatives (including meetings conducted at overseas IR roadshows and conferences)

Data Section

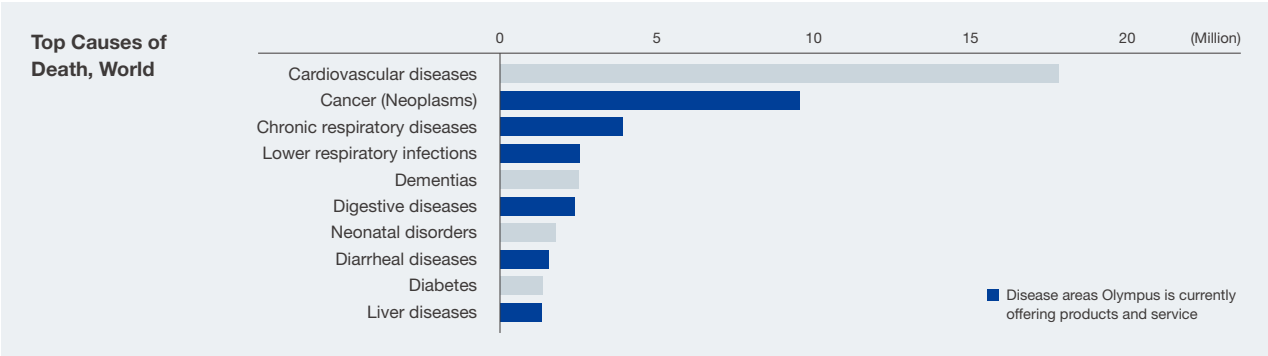
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# Global Healthcare Data

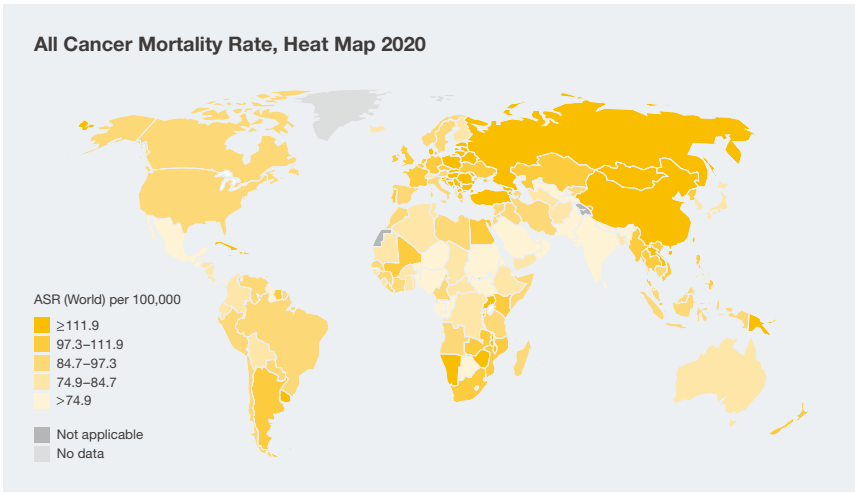
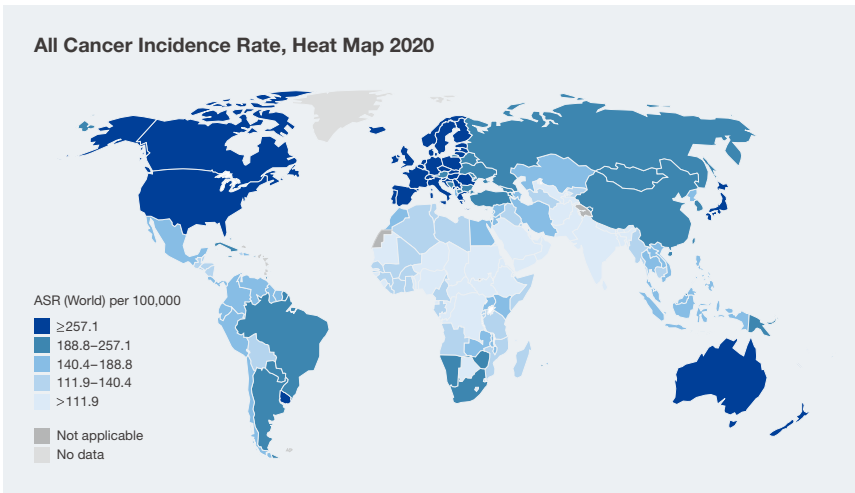
## Diseases

- Cancer is one of the leading causes of death in the world, about 10 million people die from cancer each year.



Data source: OurWorldInData (2017)

- In regions such as Europe, the United States, and Japan, where cancer screening, early detection, early diagnosis, and early treatment technologies are widespread, the incidence rate of cancer is high, but the mortality rate tends to be low.
- On the other hand, there are many regions in the world where the mortality rate is increasing, especially in emerging countries.
- Olympus has been contributing to improve more healthcare access by proving the endoscopy training as well.

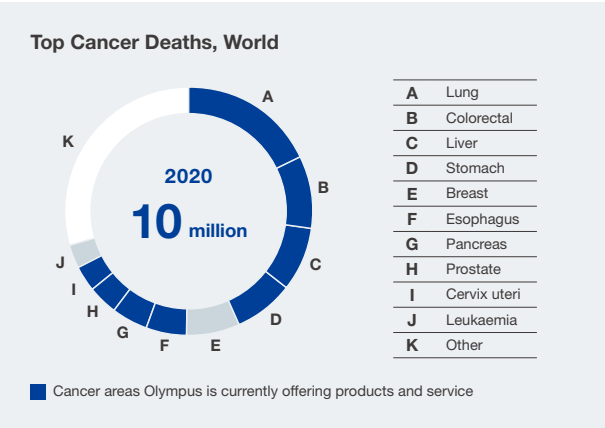
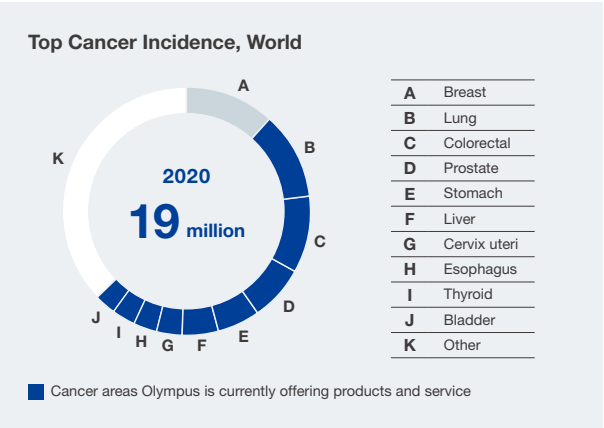


All rights reserved. The designations employed and the presentation of the material in this publication do not imply the expression of any opinion whatsoever on the part of the World Health Organization/International Agency for Research on Cancer concerning the legal status of any country, territory, city or area or of its authorities, or concerning the delimitation of its frontiers or boundaries. Dotted and dashed lines on maps represent approximate borderlines for which there may not yet be full agreement.

Data source: GLOBOCAN 2020  
Graph production: IARC  
(<http://gco.iarc.fr/today>)  
World Health Organization

## Cancer

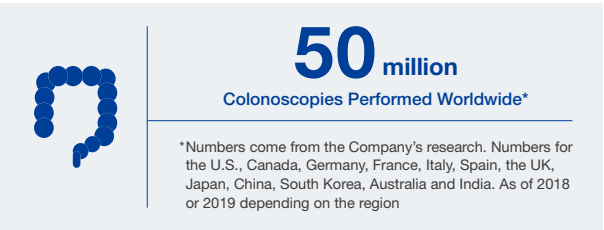
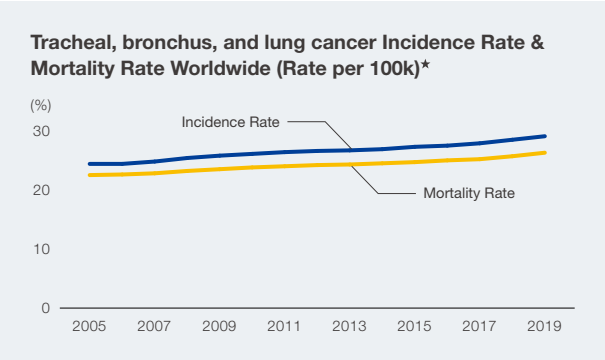
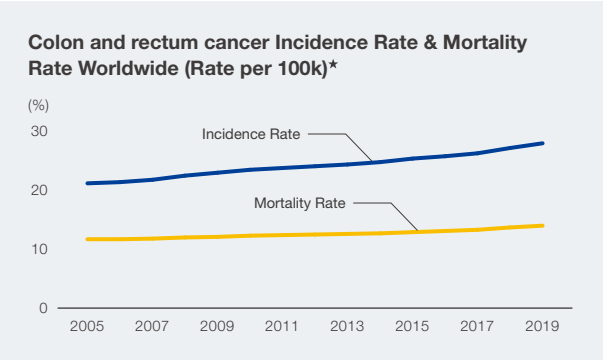
- When reviewing the leading causes of cancer mortalities, lung cancer is the leading cause of cancer related deaths globally followed by colorectal cancer.
- With a product portfolio built to improve quality of life, Olympus provides patients the value of early detection, early diagnosis and early treatment when it comes to cancer.



Data source: GLOBOCAN 2020

## Colorectal Cancer and Lung Cancer

- Colorectal cancer and Lung cancer are overall on a gradual increase in both incidence rate and mortality rate.



- Colorectal cancer is one of the cancers that can be highly treatable by early detection and appropriate treatment at an early stage, which is why screening is important.
- Colonoscopies are the standard of care with around 50 million cases performed annually worldwide.
- Olympus' colonoscopes and devices are widely used for colorectal cancer screening, diagnosis, and treatments.



- With increased awareness and more lung cancer screenings performed, the need for definitive diagnosis of lesions, by conducting tissue biopsies, in the peripheral regions of the lungs is expected to increase.
- Bronchoscopies are performed about 3.5 million cases annually worldwide. Olympus' bronchoscopes are also used for diagnosis, lung cancer staging and therapeutic treatments.

★ Data source: Institute for Health Metrics Evaluation. Used with permission. All rights reserved.



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

	JGAAP						IFRS					(Millions of yen)
	2012	2013	2014		2015	2016	2017	2017	2018	2019	2020*8	2021*8
Revenue	848,548	743,851	713,286		764,671	804,578	748,050	740,557	786,497	793,862	755,231	730,544
Selling, general and administrative (SG&A) expenses	348,287	343,121	367,011		398,889	430,773	414,855	397,697	426,596	437,510	381,171	357,032
Percentage of revenue (%)	41.0%	46.1%	51.5%		52.2%	53.5%	55.5%	53.7%	54.2%	55.1%	50.5%	48.9%
Operating profit	35,518	35,077	73,445		90,962	104,464	76,487	71,192	81,029	28,281	92,200	81,985
Percentage of revenue (%)	4.2%	4.7%	10.3%		11.9%	13.0%	10.2%	9.6%	10.3%	3.6%	12.2%	11.2%
Profit (loss) before tax	(9,495)	19,142	16,425		8,934	70,800	81,686	62,481	76,665	20,117	86,617	76,810
Net income (loss) (JGAAP)/Profit (loss) attributable to owners of parent (IFRS)	(48,985)	8,020	13,627		(8,737)	62,594	78,191	42,783	57,064	8,147	51,670	12,918
Percentage of revenue (%)	—	1.1%	1.9%		—	7.8%	10.5%	5.8%	7.3%	1.0%	6.8%	1.8%
EBITDA margin*1 (%)	9.5%	10.6%	16.8%		18.5%	19.2%	17.4%	16.9%	17.0%	11.0%	21.1%	19.4%
EBITDA margin (Medical Business)*2 (%)	26.6%	29.0%	29.7%		29.1%	29.5%	27.4%	27.4%	26.5%	24.9%	29.3%	27.7%
R&D expenditures	61,356	63,379	66,796		74,101	81,415	79,178	79,178	89,469	93,968	87,750	81,794
Percentage of revenue (%)	7.2%	8.5%	9.4%		9.7%	10.1%	10.6%	10.7%	11.4%	11.8%	11.6%	11.2%
Capital expenditures	37,961	28,109	37,810		47,743	64,445	49,347	60,683	65,255	66,830	74,673	98,935
Depreciation and amortization	33,787	33,899	36,850		41,219	39,912	44,658	54,290	52,913	58,669	67,377	59,559
Amortization of goodwill	11,103	9,683	9,457		9,421	9,867	8,642	—	—	—	—	—
Financial indicators												
Total assets*3	966,526	960,239	1,027,475		1,081,551	1,000,614	991,062	960,032	978,663	932,030	1,015,663	1,181,017
Total net assets (JGAAP)*3/Total equity (IFRS)	48,028	151,907	331,284		357,254	384,283	430,880	396,228	444,259	442,387	371,958	395,480
Equity ratio (JGAAP)/Ratio of equity attributable to owners of parent to total assets (IFRS) (%)	4.6%	15.5%	32.1%		32.9%	38.2%	43.3%	41.1%	45.2%	47.3%	36.5%	33.4%
Interest-bearing debt	642,426	560,390	415,831		354,421	321,138	286,357	285,970	247,974	181,335	280,915	355,264
Net debt	442,338	330,780	163,710		144,546	154,584	86,926	86,505	56,735	66,909	118,421	137,786
Inventories	102,493	99,307	98,595		107,387	111,558	124,064	125,319	139,309	153,623	167,596	158,984
Inventory turnover period*4 (months)	1.4	1.6	1.7		1.6	1.6	1.9	1.9	2.0	2.2	2.6	2.7
Cash and cash equivalents at end of year	198,661	225,782	251,344		209,809	166,323	199,431	199,465	191,239	114,563	162,494	217,478
Cash flows from operating activities	30,889	25,233	72,388		66,811	48,621	90,194	102,052	95,146	66,943	133,544	124,122
Cash flows from investing activities	(35,735)	33,455	(20,273)		(39,612)	(52,897)	(8,305)	(20,814)	(53,312)	(60,296)	(62,430)	(118,918)
Cash flows from financing activities	(5,761)	(42,436)	(39,693)		(70,185)	(33,870)	(44,244)	(43,615)	(51,058)	(82,948)	(19,462)	40,800
Return on equity (ROE) (%)	(62.3)%	8.3%	5.7%		(2.6)%	17.0%	19.3%	11.3%	13.6%	1.8%	12.7%	3.4%
Return on assets (ROA) (%)	(4.9)%	0.8%	1.4%		(0.8)%	6.0%	7.9%	4.4%	5.9%	0.9%	5.3%	1.2%
Net income (loss) per share*5 (JGAAP)/ Profit attributable to owners of parent per share (IFRS) (yen)	(183.54)	28.96	41.05		(25.53)	182.90	228.47	125.01	41.71	5.97	39.37	10.05
Total equity per share*5 (JGAAP)/ Equity attributable to owners of parent per share (IFRS) (yen)	167.76	493.30	962.83		1,038.64	1,117.24	1,252.96	1,153.45	324.25	323.06	288.39	306.72
Price earnings ratio (PER)*6 (times)	—	76.4	80.2		—	23.9	18.7	34.2	24.2	201.3	39.7	228.0
Price book-value ratio (PBR) (times)	8.1	4.5	3.4		4.3	3.9	3.4	3.7	3.1	3.7	5.4	7.5
Outstanding market value (billions of yen)	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	3,140.8
Cash dividends per share*7 (yen)	—	—	—		2.5	4.25	7	7	7	7.5	10	12
Average exchange rate												
U.S. dollar/Yen	79.08	83.10	100.24		109.93	120.14	108.38	108.38	110.85	110.91	108.74	106.06
Euro/Yen	108.98	107.14	134.37		138.77	132.58	118.79	118.79	129.70	128.41	120.82	123.70
Non-financial indicators												
Number of employees	34,112	30,697	30,702		31,540	33,336	34,687	34,687	35,933	35,124	35,174	31,653
[Average number of temporary employees]	[5,009]	[2,240]	[2,978]		[1,374]	[1,257]	[1,298]	[1,298]	[1,511]	[1,396]	[1,437]	[1,135]
Overseas employees as a percentage of employees (%)	62.1%	62.4%	62.5%		63.2%	63.3%	63.7%	63.7%	63.7%	61.9%	61.3%	57.2%
Percentage of women in management roles in Japan*9 (%)	0.8%	0.9%	1.0%		1.2%	1.4%	1.9%	1.9%	2.3%	2.9%	3.2%	3.5%
Percentage of women in management roles globally*10 (%)	—	—	—		—	—	—	—	—	—	8.4%	10.8%
Percentage of foreign management roles globally*10 (%)	—	—	—		—	—	—	—	—	—	32.2%	36.9%
Percentage of employees with disabilities*11 (%)	1.9%	1.9%	2.0%		2.1%	1.9%	2.1%	2.1%	2.2%	2.2%	2.3%	2.6%

\*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 revenue used to calculate the inventory turnover period for fiscal year 2020 is for continuing operations only.

\*5 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 year ended March 31, 2019 is recalculated using the same method.

\*6 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.

\*7 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.

\*8 From the second quarter of fiscal year 2021, the Imaging Business has been categorized as a discontinued operation. Accordingly, we restated figures for fiscal year 2020.

\*9 Figures for fiscal year 2020 are for Olympus Corporation as of the end of March, and those for the Olympus Group in Japan as of April 1 for fiscal year 2021.

\*10 The percentage within global senior management as of August 1, 2020 for fiscal year 2020 and July 1, 2021 for fiscal year 2021.

\*11 Through fiscal year 2019, figures are as of June 1 of each respective year, and from fiscal year 2020, the figures are as of March 31 of each respective year for individuals in Japan (at eight special-purpose subsidiaries).

Overview of Operating Results and Others

Analysis of Business Results

Olympus Corporation and Consolidated Subsidiaries  
For the fiscal year ended March 31, 2021

Analysis of the Overall Operations

The global economy faced challenging conditions in the fiscal year ended March 31, 2021 due to the impact of the global spread of the novel coronavirus disease (COVID-19). While economic activities are gradually reopening and vaccinations are gradually progressing, the global economy continued to face highly uncertain conditions including a second (or more) wave of infection in some regions. The Japanese economy faced challenging conditions, as was the case for the global economy, due to the impact of COVID-19, despite showing signs of recovery in exports and a diminished effect of COVID-19 on corporate earnings.

Under such circumstances, the Olympus Group has been carrying out activities toward sustainable growth under its business transformation plan *Transform Olympus* announced in January 2019, aiming to develop itself as a truly global medtech company, and a medium- and long-term corporate strategy, which was announced in November 2019, based on *Transform Olympus*.

The Company has set “focus its corporate portfolio” as one of the core components for business growth and enhanced profitability in this corporate strategy. As a measure to implement this strategy, on September 30, 2020, the Company divested its Imaging Business to a newly established wholly owned subsidiary of the Company (the “New Imaging Company”) through an absorption-type split. In addition, the Company concluded a final agreement with Japan Industrial Partners, Inc. concerning the transferal of 95% of the shares of the New Imaging Company to OJ Holdings, Ltd., a special purpose company established by JIP. Based on this agreement, on January 1, 2021, the Company completed the transferal of the shares in question. Due to this, the Imaging Business is presented as a discontinued operation from the second quarter of the fiscal year ended March 31, 2021. As a result, in line with our presentation format for the fiscal year ended March 31, 2021, we have partially reorganized the presentation in our Consolidated Statements of Profit or Loss, Consolidated Statements of Cash Flows, and the related Notes to Consolidated Financial Statements for the fiscal year ended March 31, 2020. Furthermore, in February 2021, to realize the corporate strategy amid a challenging external environment, the Company solicited voluntary retirement through a career support for external opportunity to (i) promote an external career opportunity for employees wishing to leverage their skills to use outside Olympus Group, (ii) recruit and promote people who can be active moving forward to the right positions, and (iii) achieve the profitability befitting a global medtech company.

Business Results

Business results of continuing operations are presented in (1) to (7).

(1) Revenue

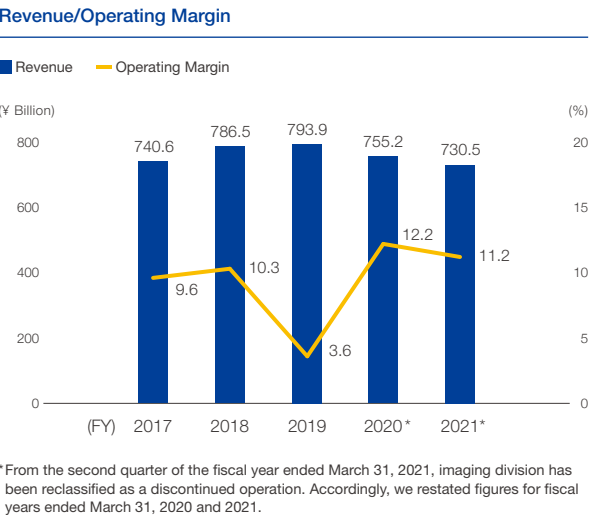
Revenue decreased by ¥24,687 million year on year to ¥730,544 million. This decrease was due to a decrease in revenue in the Endoscopic Solutions Business, Therapeutic Solutions Business and Scientific Solutions Business, despite an increase in revenue in other businesses. Details are as described in “Analysis of the performance by segment” on the next page.

(2) Cost of sales

Cost of sales decreased by ¥1,442 million year on year to ¥271,014 million. The cost-to-sales ratio deteriorated 1.0 percentage points year on year to 37.1%.  
In the fiscal year ended March 31, 2020, we decided to conduct voluntary transition from fixed-endcap type to new disposable-endcap type that are easy to clean and disinfect, targeting duodenoscopes owned by customers, and recorded a provision for market response expense of approximately ¥10,400 million. At the same time, in the fiscal year ended March 31, 2021, Endoscopic Solutions Business recorded expenses of approximately ¥6,000 million for the voluntary recall of bronchoscopes and cholangioscopes, and Therapeutic Solutions Business recorded expenses of approximately ¥2,000 million for the voluntary recall of endotherapy products. Furthermore, factory utilization rates have declined as a result of reduced production volume because of the impact of COVID-19.

(3) Selling, general and administrative expenses

Selling, general and administrative expenses decreased by ¥24,139 million year on year to ¥357,032 million. This was mainly due to a decrease in travel and transportation expenses, advertising and promotion expenses, etc., as a result of restrictions on sales activities due to the spread of COVID-19, and a decrease of approximately ¥5,200 million in depreciation as amortization of intangible assets recorded when Gyrus Group PLC was acquired in 2008 finished in the fiscal year ended March 31, 2020.



(4) Share of profit (loss) of investments accounted for using equity method/Other income/Other expenses

The sum of share of profit (loss) of investments accounted for using equity method, other income, and other expenses amounted to ¥(20,513) million, and the loss increased by ¥11,109 million year on year. Other income increased due to factors such as government subsidies of approximately ¥2,400 million associated with COVID-19 measures. On the other hand, other expenses increased due to factors such as expenses of approximately ¥12,000 million for special additional payment associated with implementing the career support for external opportunity, expenses of approximately ¥5,200 million for business restructuring related to the establishment and transfer of a new company due to the divestiture of the Imaging Business, which was carried out to promote selection of and concentration on the corporate portfolio, and an increase of approximately ¥2,700 million in related expenses for the promotion of the corporate transformation plan *Transform Olympus*.

(5) Operating profit

Reflecting the factors stated above, operating profit decreased by ¥10,215 million year on year to ¥81,985 million.

(6) Finance income (loss)

Finance loss, which reflects finance income and finance costs, improved ¥408 million year on year to ¥5,175 million. The main factor for this improvement of loss was a decrease in exchange losses.

(7) Income taxes

Income taxes decreased by ¥14,895 million year on year to ¥11,140 million. The decrease was mainly due to newly increased deferred tax assets, as taxable income is expected to increase in the future due to improved profitability mainly due to the divestiture of the Imaging Business.

(8) Profit attributable to owners of parent (the aggregate of continuing operations and discontinued operations)

Reflecting the factors stated above, profit attributable to owners of parent decreased by ¥38,752 million year on year to ¥12,918 million.

Analysis of the Performance by Segment

From the fiscal year ending March 31, 2022, bronchoscopes, which were classified in the gastrointestinal endoscope segment of ESD, have been transferred into the respiratory segment of TSD. Figures in this section are before restated (figures in other sections are restated).

Figures for continuing operations are presented below.

Endoscopic Solutions Business

Consolidated revenue in the Endoscopic Solutions Business amounted to ¥419,466 million (down 1.5% year on year), while

operating profit amounted to ¥104,705 million (down 4.3% year on year).

In the Endoscopic Solutions Business, in April 2020 in Europe and Asia, and in July in Japan, we introduced the new flagship endoscope system EVIS X1, but due to the impact of COVID-19, postponement/cancellation of gastrointestinal endoscopy was recommended by each academic society, the number of procedures decreased, and there were restrictions on sales promotion activities such as restrictions on visits to medical institutions or postponement/cancellation of business negotiations. As a result, revenue in the Endoscopic Solutions Business declined.

Operating profit in the Endoscopic Solutions Business decreased. This was mainly because we decided to conduct voluntary transition from fixed-endcap type to new disposable-endcap type that are easy to clean and disinfect, targeting duodenoscopes sold, and recorded a provision for market response expense of approximately ¥10,400 million, depressing profit in the fiscal year ended March 31, 2020. In addition, in the fiscal year ended March 31, 2021, while profitability improved to the extent that raising cost efficiency was promoted, the decline in revenue due to the spread of COVID-19, and recording a provision for expenses of approximately ¥6,000 million for the voluntary recall of bronchoscopes and cholangioscopes, as well as recording approximately ¥4,200 million as expenses mainly for special additional payment associated with implementing the career support for external opportunity in other expenses resulted in profits declining.

Revenue decreased 0.5% year on year, and operating profit decreased 0.3% year on year, excluding the impact of the foreign exchange rate.

Therapeutic Solutions Business

Consolidated revenue in the Therapeutic Solutions Business amounted to ¥206,040 million (down 4.6% year on year), while operating profit amounted to ¥24,633 million (down 5.9% year on year).

Due to the impact of COVID-19, postponement/cancellation of surgery was recommended by each academic society, the number of procedures decreased, and there were restrictions on sales promotion activities such as restrictions on visits to medical institutions or postponement/cancellation of business negotiations. As a result, revenue in the Therapeutic Solutions Business declined.

Operating profit in the Therapeutic Solutions Business decreased. Although depreciation decreased approximately ¥5,200 million due to amortization of intangible assets recorded when Gyrus Group PLC was acquired in 2008 finished in the fiscal year ended March 31, 2020, and raising cost efficiency was promoted, the decline in revenue, recording approximately ¥2,000 million as expense for the voluntary recall of endotherapy products in the nine months ended December 31, 2020 in cost of sales, and recording approximately ¥1,400 million as expenses mainly for special additional payment associated with implementing the career support for external opportunity in other expenses resulted in profits declining.



Overview of Operating Results and Others

Revenue decreased 4.1% year on year, and operating profit was flat year on year, excluding the impact of the foreign exchange rate.

Scientific Solutions Business

Consolidated revenue in the Scientific Solutions Business amounted to ¥95,861 million (down 8.9% year on year), while operating profit amounted to ¥4,949 million (down 50.5% year on year). In China, the business environment recovered, primarily for cancer research and regenerative medicine in the life science field, and for semiconductor-related industries in the industrial field, and sales were favorable from the fourth quarter. However, overall, in addition to a reduced desire for capital investment mainly in the aviation industry, restrictions on sales promotion activities including restrictions on visits to clients or postponement/cancellation of business negotiations due to the impact of COVID-19 led to decreased revenue in the Scientific Solutions Business.

Operating profit in the Scientific Solutions Business decreased mainly due to the recording of approximately ¥1,200 million as expenses mainly for special additional payment associated with implementing the career support for external opportunity in other expenses in addition to decreased revenue and a decline in operating levels at manufacturing bases as a result of reduced production volume due to the impact of COVID-19 despite the progress in cost efficiency. Revenue decreased 7.9% year on year, and operating profit decreased 39.6% year on year, excluding the impact of the foreign exchange rate.

Others

In other businesses, the Olympus Group conducts R&D and exploratory activities for new businesses in addition to engaging in R&D, manufacturing, and sales of biomedical materials, such as synthetic bone filler, and orthopedic equipment.

Consolidated revenue for other businesses amounted to ¥9,177 million (up 11.6% year on year) and operating loss was ¥682 million (compared with an operating loss of ¥2,864 million in the fiscal year ended March 31, 2020). Revenue increased with the addition of sales of ¥1,735 million from FH ORTHO SAS, which became a subsidiary in November 2020. Operating profit for other businesses improved through recording a gain on the sale of ¥1,770 million as other income through the sale of all shares of Olympus RMS Corporation, which had been a subsidiary of the Company, to ROHTO Pharmaceutical Co., Ltd. in March 2021.

Analysis of Financial Position and Cash Flows

Analysis of Assets, Liabilities and Equity

In several business combinations that occurred during the year ended March 31, 2021, figures may be adjusted during the first year after the acquisition date if additional information becomes available regarding the facts and circumstances that existed at the acquisition date with respect to the measurement of the fair value of the assets acquired and liabilities assumed. The consolidated statement of financial position may also be adjusted accordingly.

Assets

As of the end of the fiscal year ended March 31, 2021, total assets increased by ¥165,354 million from the end of the fiscal year ended March 31, 2020 to ¥1,181,017 million. This was mainly because cash and cash equivalents increased by ¥54,984 million due to the issuance of bonds payable and the financing through borrowings, and goodwill and intangible assets increased by ¥32,485 million and ¥25,643 million, respectively, mainly due to the effects of the acquisition of

subsidiaries. In addition, property, plant and equipment increased by ¥36,818 million, mainly due to the impact of the acquisition of right-of-use assets etc., as a result of the consolidation of offices mainly in the Therapeutic Solutions Business in the U.S. and redevelopment of the head office in Europe. At the same time, during the three months ended June 30, 2020, retirement benefits assets decreased by ¥8,434 million mainly due to the impact of implementing a pension buy-in in the UK subsidiary's pension plan. Through the pension buy-in, a portion of plan assets held was contributed to an insurance company, and an agreement was concluded whereby the pension fund can receive the amount required for the pension benefits of beneficiaries from the insurance company in the future.

Liabilities

Total liabilities increased by ¥141,832 million from the end of the fiscal year ended March 31, 2020 to ¥785,537 million. The main factor was an increase of ¥123,838 million in bonds payable and borrowings in non-current liabilities due to the issuance of bonds payable and the financing through borrowings. In view of the impact of COVID-19 on business performance, we procured ¥100,000 million in long-term borrowings in May 2020 and issued ¥50,000 million in bonds payable in July 2020 to secure liquidity on hand. On the other hand, bonds and borrowings in current liabilities decreased by ¥49,489 million mainly due to the impact of the redemption of commercial papers.

Equity

Total equity increased by ¥23,522 million from the end of the fiscal year ended March 31, 2020 to ¥395,480 million. While paying dividends from retained earnings, recording profit attributable to owners of parent of ¥12,918 million resulted in an increase in retained earnings of ¥2,410 million, and in addition, as a result of the change in foreign currency translation adjustment due to the impact of depreciation of the yen, other components of equity increased by ¥21,404 million, which were the main factors.

As a result of the foregoing, equity attributable to owners of parent to total assets decreased from 36.5% as of the fiscal year ended March 31, 2020 to 33.4%.

Analysis of Cash Flows

Cash flows from operating activities

Net cash provided by operating activities for the fiscal year ended March 31, 2021 was ¥124,122 million (compared with ¥133,544 million provided for the fiscal year ended March 31, 2020). Profit before tax of ¥76,810 million and adjustment for depreciation of ¥59,937 million were the main factors for the increase.

Cash flows from investing activities

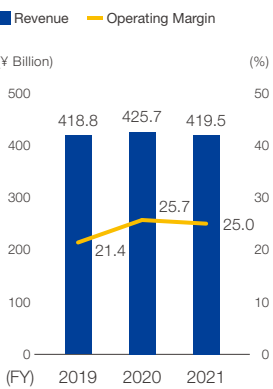
Net cash used in investing activities for the fiscal year ended March 31, 2021 was ¥118,918 million (compared with ¥62,430 million used for the fiscal year ended March 31, 2020). The main factors were ¥44,541 million for payments for the acquisition of subsidiaries such as Arc Medical Design Ltd. and Veran Medical Technologies, Inc., and expenditure of ¥27,830 million associated with the transfer of the Imaging Business. In addition, uses of cash included purchase of property, plant and equipment for manufacturing equipment, demo devices, etc. of ¥38,660 million, and purchase of intangible assets such as R&D assets of ¥20,567 million.

Cash flows from financing activities

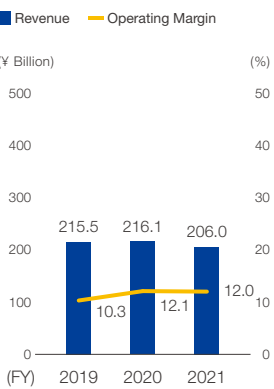
Net cash provided by financing activities for the fiscal year ended March 31, 2021 was ¥40,800 million (compared with ¥19,462 million used for the fiscal year ended March 31, 2020). The main factors were ¥99,230 million in proceeds from long-term borrowings and ¥49,757 million in proceeds from issuance of bonds. On the other hand, decreasing factors mainly included ¥67,721 million in decrease in short-term borrowings and commercial papers mainly due to the impact of the redemption of commercial papers, and ¥12,856 million in dividends paid. Regarding proceeds from long-term borrowings and issuance of bonds, this was because financing was carried out in order to secure on-hand liquidity in light of the impact of COVID-19 on business results.

As a result of the foregoing, cash and cash equivalents at the end of the fiscal year ended March 31, 2021 reached ¥217,478 million, an increase of ¥54,761 million compared to the end of the fiscal year ended March 31, 2020.

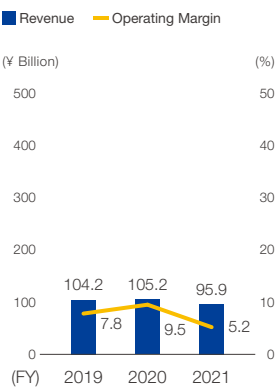
Endoscopic Solutions Business



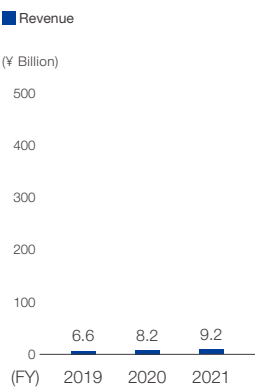
Therapeutic Solutions Business



Scientific Solutions Business

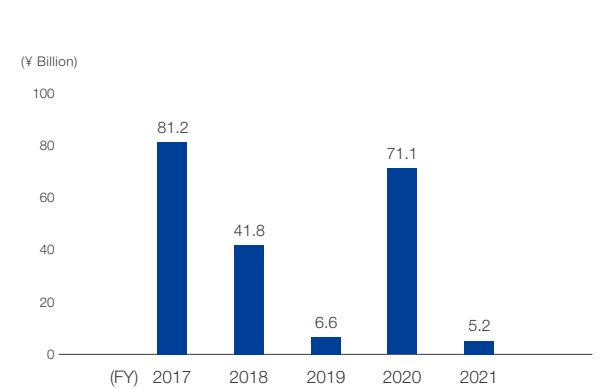


Others\*1, 2



\*1 From the second quarter of the fiscal year ended March 31, 2021, imaging division has been reclassified as a discontinued operation. Accordingly, we restated figures for the fiscal year ended March 31, 2020 and 2021 of "Others".  
\*2 The operating margin is not shown for the "Others" because it has recorded an operating loss from the fiscal year ended March 2019 to 2021.

Free Cash Flows



Consolidated Financial Statements and Notes

Consolidated Statements of Financial Position

Olympus Corporation and Consolidated Subsidiaries  
As of March 31, 2020 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2020	2021	2021
ASSETS			
Current assets			
Cash and cash equivalents (Notes 7, 35)	¥ 162,494	¥ 217,478	\$ 1,959,261
Trade and other receivables (Notes 8, 35)	143,062	157,920	1,422,703
Other financial assets (Notes 10, 35)	3,424	10,268	92,505
Inventories (Note 9)	167,596	158,984	1,432,288
Income taxes receivable	3,521	10,425	93,919
Other current assets (Note 11)	20,336	24,970	224,955
Subtotal	500,433	580,045	5,225,631
Assets held for sale (Note 12)	6,274	117	1,054
Total current assets	506,707	580,162	5,226,685
Non-current assets			
Property, plant and equipment (Note 13)	202,134	238,952	2,152,721
Goodwill (Note 14)	98,328	130,813	1,178,495
Intangible assets (Note 14)	74,792	100,435	904,820
Retirement benefit asset (Note 23)	31,111	22,677	204,297
Investments accounted for using equity method	2,267	3,128	28,180
Trade and other receivables (Notes 8, 35)	19,685	24,577	221,414
Other financial assets (Notes 10, 35)	27,266	23,350	210,360
Deferred tax assets (Note 37)	51,156	55,507	500,064
Other non-current assets (Note 11)	2,217	1,416	12,757
Total non-current assets	508,956	600,855	5,413,108
Total assets	¥1,015,663	¥1,181,017	\$10,639,793

See accompanying notes to consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2020	2021	2021
LIABILITIES AND EQUITY			
Liabilities			
Current liabilities			
Trade and other payables (Notes 17, 35)	¥ 59,557	¥ 69,891	\$ 629,649
Bonds and borrowings (Notes 18, 35)	81,018	31,529	284,045
Other financial liabilities (Notes 19, 35)	20,188	21,873	197,054
Income taxes payable	11,276	10,736	96,721
Provisions (Note 20)	20,598	33,412	301,009
Other current liabilities (Note 21)	136,912	160,953	1,450,027
Subtotal	329,549	328,394	2,958,505
Liabilities directly associated with assets held for sale (Note 12)	4,221	—	—
Total current liabilities	333,770	328,394	2,958,505
Non-current liabilities			
Bonds and borrowings (Notes 18, 35)	199,897	323,735	2,916,532
Other financial liabilities (Notes 19, 35)	30,733	60,197	542,315
Retirement benefit liability (Note 23)	49,607	42,446	382,396
Provisions (Note 20)	7,281	5,676	51,135
Deferred tax liabilities (Note 37)	13,147	10,852	97,766
Other non-current liabilities (Note 21)	9,270	14,237	128,261
Total non-current liabilities	309,935	457,143	4,118,405
Total liabilities	643,705	785,537	7,076,910
Equity			
Share capital (Note 24)	124,643	124,643	1,122,910
Capital surplus (Note 24)	91,157	90,835	818,333
Treasury shares (Note 24)	(98,135)	(98,048)	(883,315)
Other components of equity (Note 24)	(22,751)	(1,347)	(12,136)
Retained earnings (Note 24)	275,833	278,243	2,506,694
Total equity attributable to owners of parent	370,747	394,326	3,552,486
Non-controlling interests	1,211	1,154	10,397
Total equity	371,958	395,480	3,562,883
Total liabilities and equity	¥1,015,663	¥1,181,017	\$10,639,793



Consolidated Financial Statements and Notes

Consolidated Statements of Profit or Loss

Olympus Corporation and Consolidated Subsidiaries For the years ended March 31, 2020 and 2021	Millions of yen		Thousands of U.S. dollars (Note 2)
	2020	2021	2021
Continuing operations			
Revenue (Notes 6, 28)	¥755,231	¥730,544	\$6,581,477
Cost of sales (Notes 9, 13, 14, 23)	272,456	271,014	2,441,567
Gross profit	482,775	459,530	4,139,910
Selling, general and administrative expenses (Notes 13, 14, 23, 29)	381,171	357,032	3,216,505
Share of profit (loss) of investments accounted for using equity method (Note 6)	485	595	5,360
Other income (Note 30)	2,930	8,479	76,387
Other expenses (Notes 16, 30)	12,819	29,587	266,548
Operating profit (Note 6)	92,200	81,985	738,604
Finance income (Note 31)	1,765	1,193	10,748
Finance costs (Note 31)	7,348	6,368	57,370
Profit before tax	86,617	76,810	691,982
Income taxes (Note 37)	26,035	11,140	100,360
Profit from continuing operations	60,582	65,670	591,622
Discontinued operations			
Loss from discontinued operations (Note 41)	(8,927)	(52,681)	(474,604)
Profit	¥ 51,655	¥ 12,989	\$ 117,018
Profit attributable to:			
Owners of parent	¥ 51,670	¥ 12,918	\$ 116,378
Non-controlling interests	¥ (15)	¥ 71	\$ 640
Profit	¥ 51,655	¥ 12,989	\$ 117,018
	Yen		U.S. dollars (Note 2)
	2020	2021	2021
Earnings per share			
Basic earnings (loss) per share			
Continuing operations (Note 32)	¥46.17	¥ 51.03	\$ 0.46
Discontinued operations (Note 32)	¥ (6.80)	¥(40.98)	\$(0.37)
Basic earnings per share (Note 32)	¥39.37	¥ 10.05	\$ 0.09
Diluted earnings (loss) per share			
Continuing operations (Note 32)	¥46.16	¥ 51.00	\$ 0.46
Discontinued operations (Note 32)	¥ (6.80)	¥(40.96)	\$(0.37)
Diluted earnings per share (Note 32)	¥39.36	¥ 10.04	\$ 0.09

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

Olympus Corporation and Consolidated Subsidiaries For the years ended March 31, 2020 and 2021	Millions of yen		Thousands of U.S. dollars (Note 2)
	2020	2021	2021
Profit	¥ 51,655	¥12,989	\$117,018
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)	(1,126)	2,626	23,658
Remeasurements of defined benefit plans (Note 33)	(4,227)	(926)	(8,343)
Total of items that will not be reclassified to profit or loss (Note 33)	(5,353)	1,700	15,315
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations (Note 33)	(13,273)	21,938	197,640
Cash flow hedges (Note 33)	337	169	1,522
Share of other comprehensive income (loss) of associates accounted for using equity method (Note 33)	(97)	(55)	(495)
Total of items that may be reclassified to profit or loss (Note 33)	(13,033)	22,052	198,667
Total other comprehensive income	(18,386)	23,752	213,982
Comprehensive income	¥ 33,269	¥36,741	\$331,000
Comprehensive income attributable to:			
Owners of parent	¥ 33,284	¥36,670	\$330,360
Non-controlling interests	¥ (15)	¥ 71	\$ 640
Comprehensive income	¥ 33,269	¥36,741	\$331,000

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

Olympus Corporation and Consolidated Subsidiaries  
For the years ended March 31, 2020 and 2021

	Millions of yen							
	Equity attributable to owners of parent							Non-controlling interests
	Share capital	Capital surplus	Treasury shares	Other components of equity	Retained earnings	Total		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

	Millions of yen							
	Equity attributable to owners of parent							Non-controlling interests
	Share capital	Capital surplus	Treasury shares	Other components of equity	Retained earnings	Total		Total equity
Balance at April 1, 2020	¥124,643	¥91,157	¥(98,135)	¥(22,751)	¥275,833	¥370,747	¥1,211	¥371,958
Profit					12,918	12,918	71	12,989
Other comprehensive income				23,752		23,752		23,752
Comprehensive income	—	—	—	23,752	12,918	36,670	71	36,741
Purchase of treasury shares (Note 24)			(2)			(2)		(2)
Disposal of treasury shares (Note 24)		(58)	58			0		0
Dividends from surplus (Note 26)					(12,856)	(12,856)	(170)	(13,026)
Transfer from other components of equity to retained earnings				(2,348)	2,348	—		—
Share-based payment transactions (Note 27)		240	31			271		271
Equity transactions with non-controlling interests		(504)				(504)	42	(462)
Total transactions with owners	—	(322)	87	(2,348)	(10,508)	(13,091)	(128)	(13,219)
Balance at March 31, 2021	¥124,643	¥90,835	¥(98,048)	¥ (1,347)	¥278,243	¥394,326	¥1,154	¥395,480

	Thousands of U.S. dollars (Note 2)							
	Equity attributable to owners of parent							Non-controlling interests
	Share capital	Capital surplus	Treasury shares	Other components of equity	Retained earnings	Total		Total equity
Balance at April 1, 2020	\$1,122,910	\$821,234	\$(884,099)	\$(204,964)	\$2,484,982	\$3,340,063	\$10,910	\$3,350,973
Profit					116,378	116,378	640	117,018
Other comprehensive income				213,982		213,982		213,982
Comprehensive income	—	—	—	213,982	116,378	330,360	640	331,000
Purchase of treasury shares (Note 24)			(18)			(18)		(18)
Disposal of treasury shares (Note 24)		(523)	523			0		0
Dividends from surplus (Note 26)					(115,820)	(115,820)	(1,532)	(117,352)
Transfer from other components of equity to retained earnings				(21,154)	21,154	—		—
Share-based payment transactions (Note 27)		2,163	279			2,442		2,442
Equity transactions with non-controlling interests		(4,541)				(4,541)	379	(4,162)
Total transactions with owners	—	(2,901)	784	(21,154)	(94,666)	(117,937)	(1,153)	(119,090)
Balance at March 31, 2021	\$1,122,910	\$818,333	\$(883,315)	\$ (12,136)	\$2,506,694	\$3,552,486	\$10,397	\$3,562,883

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, 2020 and 2021

	Millions of yen	Thousands of U.S. dollars (Note 2)	
	2020	2021	2021
Cash flows from operating activities			
Profit before tax	¥ 86,617	¥ 76,810	\$ 691,982
Loss before tax from discontinued operations (Note 41)	(8,819)	(52,476)	(472,757)
Depreciation and amortization	68,309	59,937	539,973
Impairment loss (reversal) (Note 14)	5,501	842	7,586
Interest and dividend income	(1,911)	(1,169)	(10,532)
Interest expenses	3,810	3,992	35,964
Loss on sale of Imaging Business (Note 41)	—	44,794	403,550
Share of loss (profit) of investments accounted for using equity method	(485)	(595)	(5,360)
Decrease (increase) in trade and other receivables	1,276	(9,718)	(87,550)
Decrease (increase) in inventories	(16,401)	4,024	36,252
Increase (decrease) in trade and other payables	731	7,361	66,315
Increase (decrease) in retirement benefit liability	(2,303)	(987)	(8,892)
Decrease (increase) in retirement benefit asset	2,136	(718)	(6,468)
Increase (decrease) in provisions	9,637	6,826	61,495
Other	6,752	13,847	124,748
Subtotal	154,850	152,770	1,376,306
Interest received	1,456	817	7,360
Dividends received	455	352	3,171
Interest paid	(3,689)	(3,355)	(30,225)
Income taxes paid	(19,528)	(26,462)	(238,396)
Net cash provided by operating activities	133,544	124,122	1,118,216
Cash flows from investing activities			
Payments into time deposits	(1)	(40,002)	(360,378)
Proceeds from withdrawal of time deposits	95	40,015	360,495
Purchase of property, plant and equipment	(37,774)	(38,660)	(348,288)
Proceeds from sales of property, plant and equipment	198	1,621	14,604
Purchase of intangible assets	(28,155)	(20,567)	(185,288)
Payments for loans receivable	(872)	(466)	(4,198)
Collection of loans receivable	1,755	1,167	10,514
Proceeds from sales of investments	3,031	7,870	70,901
Payments for acquisition of business (Notes 34)	(571)	—	—
Payments for sale of businesses (Note 34)	—	(27,830)	(250,721)
Proceeds from sale of businesses (Note 34)	—	2,121	19,108
Payments for acquisition of subsidiaries (Notes 34, 40)	(49)	(44,541)	(401,270)
Proceeds from sale of subsidiaries (Note 34)	—	1,328	11,964
Purchase of investments in associates	—	(1,069)	(9,631)
Other	(87)	95	855
Net cash used in investing activities	(62,430)	(118,918)	(1,071,333)
Cash flows from financing activities			
Increase (decrease) in short-term borrowings and commercial papers (Note 34)	69,534	(67,721)	(610,099)
Repayments of lease liabilities (Note 34)	(15,604)	(16,188)	(145,838)
Proceeds from long-term borrowings (Note 34)	39,780	99,230	893,964
Repayments of long-term borrowings (Note 34)	(58,874)	(10,606)	(95,550)
Dividends paid (Note 26)	(10,243)	(12,856)	(115,820)
Dividends paid to non-controlling interests	(126)	(170)	(1,532)
Proceeds from issuance of bonds (Notes 18, 34)	49,793	49,757	448,261
Payments for purchase of treasury shares	(93,381)	(2)	(18)
Payments for acquisition of interests in subsidiaries from non-controlling interests	—	(462)	(4,162)
Other	(341)	(182)	(1,638)
Net cash provided by (used in) financing activities	(19,462)	40,800	367,568
Effect of exchange rate changes on cash and cash equivalents	(3,498)	8,757	78,891
Net increase (decrease) in cash and cash equivalents	48,154	54,761	493,342
Cash and cash equivalents at beginning of period	114,563	162,717	1,465,919
Cash and cash equivalents at end of period	¥162,717	¥ 217,478	\$ 1,959,261

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 had principally been engaged in the manufacture and sales of endoscopic, therapeutic, scientific, imaging and other products, but in the second quarter of the fiscal year ended March 31, 2021, following the classification of the Imaging Business as discontinued operations, the Olympus Group has changed its reportable segments. 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, 2021 were approved by Yasuo Takeuchi, Director, Representative Executive Officer, President and CEO, and Chikashi Takeda, Executive Officer CFO, on June 21, 2021.

(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 ¥111 to US\$1.00, the approximate rate of exchange prevailing at March 31, 2021. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could be, or could in the future be converted into U.S. dollars at this or any other rate of exchange.

(4) Changes in presentation

(Changes resulting from the classification of the Imaging Business as discontinued operations)  
In the second quarter of the fiscal year ended March 31, 2021, the Company concluded a share transfer agreement with OJ Holdings, Ltd., a special purpose company established by Japan Industrial Partners, Inc., for the transfer of the Imaging Business.

Following the conclusion of the agreement, from the second quarter of the fiscal year ended March 31, 2021, the Olympus Group has classified the Imaging Business as discontinued operations. As a result, in line with the presentation for the fiscal year ended March 31, 2021, the presentation in the consolidated statements of profit or loss, consolidated statements of cash flows, and the related notes to the consolidated financial statements for the fiscal year ended March 31, 2020 has been reclassified.

Profit or loss related to the Imaging Business, classified as discontinued operations, is shown separately in the consolidated statements of profit or loss following profit from continuing operations, at an amount after tax effect.

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.

Consolidated Financial Statements and Notes

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.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which a business combination occurs, the items for which the accounting treatment is incomplete are measured at provisional amounts, and adjustments to the provisional amounts are finalized during the measurement period within one year from the acquisition date.

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, of the costs incurred during the development phase, the following are eligible for capitalization and recognized as development costs, 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

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.

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 and discontinued operations 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.

When businesses that are considered as individual units on which management decisions are made have already been sold or fulfill the requirements to be classified as being held for sale, the Olympus Group classifies those businesses as discontinued operations.

(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 executive officers, corporate officers (excluding non-residents of Japan), and non-executive directors.

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.

Share-Based Remuneration Plan

With the aim of enhancing awareness toward contributing to sustainable improvement of corporate value, as well as further enhancing value sharing with shareholders, the Company has introduced a performance-linked share-based remuneration plan and subsequent grant-type restricted share-based remuneration plan for executive officers, and a restricted share-based remuneration plan and performance-linked share-based remuneration plan for corporate officers. In addition, the Company has introduced a subsequent grant-type restricted share-based remuneration plan for non-executive directors. 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 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.



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 is calculated reflecting future demand and market trends. If the net realizable value decreased significantly due to a worse than expected market environment, losses may be incurred.
- Impairment of non-financial assets (Note 3 “Significant accounting policies (11) Impairment of non-financial assets,” Note 16 “Impairment of non-financial assets”)  
The Olympus Group performs impairment tests on property, plant and equipment, goodwill, and intangible assets in accordance with the accounting treatment described in Note 3 “Significant accounting policies.” Assumptions concerning future cash flows, discount rates, etc., are set to calculate recoverable amounts in testing for impairment. Although these assumptions are determined based on management’s best estimates and judgment, they may be affected as a result of changes in uncertain future economic conditions. Should those assumptions require change, the consolidated financial statements may be significantly affected.
- 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 42 “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  
Although the impact of the spread of COVID-19 differs by region, it is currently expected to continue diminishing overall as vaccinations become available worldwide, and we have assumed that the Company’s sales activities will also begin 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.

In the past, the Olympus Group had five reportable segments: “Endoscopic Solutions,” “Therapeutic Solutions,” “Scientific Solutions,” “Imaging Business,” and “Others.” However, from the second quarter of the fiscal year ended March 31, 2021, the Group has changed the segment classification to the following four reportable segments: “Endoscopic Solutions,” “Therapeutic Solutions,” “Scientific Solutions,” and “Others.”

This change was made because the Imaging Business was classified as discontinued operations with the conclusion of the share transfer agreement with Japan Industrial Partners, Inc. for the divestiture of the Imaging Business by the Company. As a result, corporate expenses that have been allocated to the Imaging Business have been included in “Adjustment”.

For details on discontinued operations, please see Note 41 “Discontinued operations.”

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,
Others	Biomedical materials, orthopedic equipment

**(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, 2020							
	Reportable Segment					Adjustment (Notes 2, 3, 4, 5)	Amount on consolidated financial statements
	Endoscopic Solutions	Therapeutic Solutions	Scientific Solutions	Others	Total		
Revenue							
Revenue from outside customers	¥425,742	¥216,075	¥105,189	¥ 8,225	¥755,231	¥ —	¥ 755,231
Intersegment revenue (Note 1)	—	—	50	486	536	(536)	—
Total	425,742	216,075	105,239	8,711	755,767	(536)	755,231
Operating profit (loss)	109,424	26,191	9,997	(2,864)	142,748	(50,548)	92,200
Finance income							1,765
Finance costs							7,348
Profit before tax							86,617
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	1,166	61,105	6,272	67,377
Impairment losses (non-financial assets)	1,663	1,109	—	10	2,782	1,201	3,983
Segment assets	414,978	256,239	94,841	8,206	774,264	241,399	1,015,663
Investments accounted for using equity method	—	2,267	—	—	2,267	—	2,267
Capital expenditures	¥ 47,557	¥ 12,897	¥ 6,427	¥ 875	¥ 67,756	¥ 6,917	¥ 74,673

Notes: 1. Intersegment revenue is based on actual market prices.

2. Adjustment for operating profit (loss) represents corporate expenses 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 and assets of discontinued operations.

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.

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	Millions of yen						
	For the year ended March 31, 2021						Amount on consolidated financial statements
	Reportable Segment					Adjustment (Notes 2, 3, 4, 5)	
	Endoscopic Solutions	Therapeutic Solutions	Scientific Solutions	Others	Total		
Revenue							
Revenue from outside customers	¥419,466	¥206,040	¥95,861	¥ 9,177	¥730,544	¥ —	¥ 730,544
Intersegment revenue (Note 1)	—	—	4	166	170	(170)	—
Total	419,466	206,040	95,865	9,343	730,714	(170)	730,544
Operating profit (loss)	104,705	24,633	4,949	(682)	133,605	(51,620)	81,985
Finance income							1,193
Finance costs							6,368
Profit before tax							76,810
Other items							
Share of profit (loss) of investments accounted for using equity method	656	(61)	—	—	595	—	595
Depreciation and amortization	30,684	13,241	7,313	923	52,161	7,398	59,559
Impairment losses (non-financial assets)	70	414	—	—	484	358	842
Segment assets	469,090	323,188	97,088	20,517	909,883	271,134	1,181,017
Investments accounted for using equity method	1,040	2,088	—	—	3,128	—	3,128
Capital expenditures	¥ 52,713	¥ 22,531	¥ 9,098	¥ 928	¥ 85,270	¥ 13,665	¥ 98,935

Notes: 1. Intersegment revenue is based on actual market prices.  
2. Adjustment for operating profit (loss) represents corporate expenses 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, 2021						Amount on consolidated financial statements
	Reportable Segment					Adjustment (Notes 2, 3, 4, 5)	
	Endoscopic Solutions	Therapeutic Solutions	Scientific Solutions	Others	Total		
Revenue							
Revenue from outside customers	\$3,778,973	\$1,856,216	\$863,613	\$ 82,675	\$6,581,477	\$ —	\$ 6,581,477
Intersegment revenue (Note 1)	—	—	36	1,496	1,532	(1,532)	—
Total	3,778,973	1,856,216	863,649	84,171	6,583,009	(1,532)	6,581,477
Operating profit (loss)	943,288	221,919	44,586	(6,144)	1,203,649	(465,045)	738,604
Finance income							10,748
Finance costs							57,370
Profit before tax							691,982
Other items							
Share of profit (loss) of investmtns accounted for using equity method	5,910	(550)	—	—	5,360	—	5,360
Depreciation and amortization	276,432	119,288	65,883	8,316	469,919	66,649	536,568
Impairment losses (non-financial assets)	631	3,729	—	—	4,360	3,226	7,586
Segment assets	4,226,036	2,911,604	874,667	184,837	8,197,144	2,442,649	10,639,793
Investments accounted for using equity method	9,369	18,811	—	—	28,180	—	28,180
Capital expenditures	\$ 474,892	\$ 202,982	\$ 81,964	\$ 8,360	\$ 768,198	\$ 123,108	\$ 891,306

(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.

Revenue by country or region

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Japan	¥132,511	¥123,454	\$1,112,198
North America	259,754	236,979	2,134,946
Europe	175,316	181,227	1,632,676
China	101,826	110,354	994,180
Asia and Oceania	66,831	63,563	572,640
Others	18,993	14,967	134,837
Total	¥755,231	¥730,544	\$6,581,477

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, 2020 and 2021, revenue from external customers in the U.S. was ¥245,010 million and ¥222,057 million (\$2,000,514 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, 2020 and 2021.

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

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Japan	¥163,308	¥158,872	\$1,431,280
America	140,302	189,513	1,707,324
Europe and Middle East	52,329	99,022	892,090
Asia and Oceania	21,532	24,209	218,099
Total	¥377,471	¥471,616	\$4,248,793

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.  
Within America, the balances of non-current assets (except financial instruments, deferred tax assets, and retirement benefit assets) in the United States were ¥133,116 million and ¥182,123 million (\$1,640,748 thousand) as of March 31, 2020 and 2021, respectively. Within Europe and Middle East, the balances of non-current assets (except financial instruments, deferred tax assets, and retirement benefit assets) in Germany were ¥28,262 million and ¥52,414 million (\$472,198 thousand) as of March 31, 2020 and 2021, 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, the United States, and Germany were not material as of March 31, 2020 and 2021.

(5) Major customers

Information on revenue attributable to major customers for the years ended March 31, 2020 and 2021 was omitted because revenue attributable to each customer accounted for less than 10% 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, 2020 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Cash and deposits	¥157,739	¥173,278	\$1,561,063
Short-term investments	4,755	44,200	398,198
Cash and cash equivalents in the consolidated statements of financial position	¥162,494	¥217,478	\$1,959,261
Cash and cash equivalents included in assets held for sale	223	—	—
Cash and cash equivalents in the consolidated statements of cash flows	¥162,717	¥217,478	\$1,959,261



8. Trade and Other Receivables

The breakdown of trade and other receivables as of March 31, 2020 and 2021 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Trade notes receivable and trade accounts receivable	¥127,910	¥136,657	\$1,231,144
Other receivables	12,678	12,147	109,432
Contract assets	367	436	3,928
Lease receivables	36,891	45,377	408,802
Allowance for doubtful accounts	(15,099)	(12,120)	(109,189)
Total	¥162,747	¥182,497	\$1,644,117
Current	143,062	157,920	1,422,703
Non-current	19,685	24,577	221,414
Total	¥162,747	¥182,497	\$1,644,117

Note: 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, 2020 and 2021 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Merchandise and finished goods	¥ 76,680	¥ 77,896	\$ 701,766
Work in progress	29,919	23,718	213,676
Raw materials and supplies	60,997	57,370	516,846
Total	¥167,596	¥158,984	\$1,432,288

The amounts of inventories recorded as cost of sales for the years ended March 31, 2020 and 2021 were ¥228,615 million and ¥219,710 million (\$1,979,369 thousand), respectively.

Write-downs of inventories recognized as expenses for the years ended March 31, 2020 and 2021 were ¥12,693 million and ¥14,959 million (\$134,766 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, 2020 and 2021 were ¥6,219 million and ¥5,779 million (\$52,063 thousand), respectively.

10. Other Financial Assets

The breakdown of other financial assets as of March 31, 2020 and 2021 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Financial assets measured at fair value through profit or loss			
Derivative assets	¥ 1,455	¥ 968	\$ 8,721
Equity securities and others	845	1,495	13,468
Financial assets measured at amortized cost			
Deposits with withdrawal restrictions (Note)	—	4,661	41,991
Lease and guarantee deposits	4,938	4,760	42,883
Other	8,216	10,554	95,081
Financial assets measured at fair value through other comprehensive income			
Equity securities	15,236	11,180	100,721
Total	¥30,690	¥33,618	\$302,865
Current	3,424	10,268	92,505
Non-current	27,266	23,350	210,360
Total	¥30,690	¥33,618	\$302,865

Note: Deposits with withdrawal restrictions, which are deposits on which drawdown restrictions are imposed based on the decision of the court in association with a lawsuit against the Olympus Group, were transferred from assets held for sale in the fiscal year ended March 31, 2021.

11. Other Current Assets and Other Non-current Assets

The breakdown of other current assets and other non-current assets as of March 31, 2020 and 2021 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Prepaid expenses	¥ 9,514	¥10,090	\$ 90,901
Consumption tax receivables	6,524	9,277	83,577
Other	6,515	7,019	63,234
Total	¥22,553	¥26,386	\$237,712
Current	20,336	24,970	224,955
Non-current	2,217	1,416	12,757
Total	¥22,553	¥26,386	\$237,712

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, 2020 and 2021 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Assets			
Cash and cash equivalents	¥ 223	¥ —	\$ —
Land	27	45	405
Buildings and structures	274	72	649
Machinery and vehicles	543	0	0
Construction in progress	308	—	—
Other tangible fixed assets	19	—	—
Goodwill	310	—	—
Other financial assets	4,482	—	—
Other current assets	88	—	—
Total	¥6,274	¥117	\$1,054
Liabilities			
Provisions	4,196	—	—
Other current liabilities	25	—	—
Total	¥4,221	¥ —	\$ —

Assets classified as assets held for sale and liabilities directly associated with assets held for sale at the end of the previous fiscal year are mainly as follows.

(Transfer of the equity interests in Olympus (Shenzhen) Industrial Ltd.)

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 transferring 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.

(Transfer of the Norwalk facility)

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.

Assets classified as assets held for sale and liabilities directly associated with these assets in the fiscal year under review are planned to be sold within one year following the fiscal year closing date.

In addition, assets classified as assets held for sale and liabilities directly associated with these assets in the previous fiscal year that were reclassified or sold during the fiscal year under review are as follows.

(Reclassification of the equity interests in Olympus (Shenzhen) Industrial Ltd.)

The Company is continuing to pursue its initiative to transfer 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, as it appears that it will take some time for the transfer, the Company has temporarily stopped classifying the equity interests as part of the disposal group held for sale in the third quarter of the fiscal year ended March 31, 2021. Based on the characteristics of the individual assets and liabilities, the Company has reclassified the equity interests from "assets held for sale" to current assets and "liabilities directly associated with assets held for sale" to current liabilities.

(Transfer of the Norwalk facility)

During the fiscal year under review, the Company concluded an agreement with Nissha Co., Ltd. (hereinafter "NISSHA") for the transfer of the Norwalk facility (hereinafter "Said Facility"), one of the manufacturing plants in the United States for therapeutic devices under Olympus Surgical Technologies America, to Nissha Medical Technologies (hereinafter "NMT"), a wholly owned subsidiary of NISSHA. The handover of Said Facility to NMT was completed on November 2, 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, 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
Additions	39,927	5,625	23,195	482	10,204	79,433
Additions through business combinations	491	281	818	57	10	1,657
Depreciation	(14,879)	(6,777)	(22,906)	(356)	—	(44,918)
Impairment losses	(339)	(11)	(27)	—	—	(377)
Sales and disposals	(2,615)	(1,153)	(3,841)	(69)	—	(7,678)
Transfer to non-current assets for sale	(72)	0	—	(45)	—	(117)
Reclassification	3,870	1,534	2,137	—	(7,015)	526
Exchange differences on translation of foreign operations	4,873	502	3,413	266	401	9,455
Decrease by sale of businesses	(372)	(343)	(195)	(47)	(204)	(1,161)
Other	(13)	11	(1)	1	—	(2)
Balance at March 31, 2021	¥122,847	¥21,549	¥ 64,057	¥23,028	¥ 7,471	¥238,952

	Thousands of U.S. dollars					
	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
Balance at March 31, 2020	\$ 828,612	\$197,117	\$ 553,730	\$204,856	\$ 36,712	\$1,821,027
Additions	359,703	50,676	208,964	4,342	91,928	715,613
Additions through business combinations	4,423	2,532	7,369	514	90	14,928
Depreciation	(134,045)	(61,055)	(206,360)	(3,207)	—	(404,667)
Impairment losses	(3,054)	(99)	(243)	—	—	(3,396)
Sales and disposals	(23,559)	(10,387)	(34,604)	(621)	—	(69,171)
Transfer to non-current assets for sale	(649)	0	—	(405)	—	(1,054)
Reclassification	34,865	13,820	19,252	—	(63,198)	4,739
Exchange differences on translation of foreign operations	43,901	4,522	30,748	2,396	3,613	85,180
Decrease by sale of businesses	(3,351)	(3,090)	(1,757)	(423)	(1,838)	(10,459)
Other	(117)	99	(9)	8	—	(19)
Balance at March 31, 2021	\$1,106,729	\$194,135	\$ 577,090	\$207,460	\$ 67,307	\$2,152,721

Notes: 1. No borrowing costs were capitalized for the years ended March 31, 2020 and 2021.  
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 and ¥2,134 million (\$19,225 thousand) by company housing the Company contracted and loaned to employees is recorded "Additions" and "Sales and disposals" of "Buildings and structures" for the years ended March 31, 2020 and 2021, respectively. And that has no impact on balance.



Data Section

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Acquisition cost

	Millions of yen					
	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
Balance at April 1, 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
Balance at March 31, 2021	<b>¥243,919</b>	<b>¥66,029</b>	<b>¥267,051</b>	<b>¥23,873</b>	<b>¥7,471</b>	<b>¥608,343</b>

	Thousands of U.S. dollars					
	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
Balance at March 31, 2021	<b>\$2,197,468</b>	<b>\$594,856</b>	<b>\$2,405,865</b>	<b>\$215,072</b>	<b>\$67,307</b>	<b>\$5,480,568</b>

Accumulated depreciation and accumulated impairment losses

	Millions of yen					
	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
Balance at April 1, 2019	¥ 92,016	¥39,049	¥197,294	¥ —	¥—	¥328,359
Balance at March 31, 2020	103,587	42,160	200,186	510	—	346,443
Balance at March 31, 2021	<b>¥121,072</b>	<b>¥44,480</b>	<b>¥202,994</b>	<b>¥845</b>	<b>¥—</b>	<b>¥369,391</b>

	Thousands of U.S. dollars					
	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
Balance at March 31, 2021	<b>\$1,090,739</b>	<b>\$400,721</b>	<b>\$1,828,775</b>	<b>\$7,612</b>	<b>\$—</b>	<b>\$3,327,847</b>

(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:

	Millions of yen				
	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Total
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
Balance at March 31, 2021	<b>¥51,624</b>	<b>¥4,487</b>	<b>¥2,173</b>	<b>¥264</b>	<b>¥58,548</b>

	Thousands of U.S. dollars				
	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Total
Balance at March 31, 2021	<b>\$465,081</b>	<b>\$40,423</b>	<b>\$19,577</b>	<b>\$2,378</b>	<b>\$527,459</b>

Note: Right-of-use assets increased during the fiscal years ended March 31, 2020 and 2021 by ¥13,380 million and ¥39,849 million (\$359,000 thousand), respectively.

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:

	Millions of yen				
	Intangible assets				
	Goodwill	Capitalized development costs	Software	Other	Total
Balance at April 1, 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
Additions	—	—	<b>2,948</b>	<b>1,485</b>	<b>4,433</b>
Additions through internal development	—	<b>16,134</b>	—	—	<b>16,134</b>
Additions through business combinations (Note 2)	<b>28,365</b>	<b>521</b>	<b>199</b>	<b>17,943</b>	<b>18,663</b>
Amortization	—	<b>(8,617)</b>	<b>(3,542)</b>	<b>(2,860)</b>	<b>(15,019)</b>
Impairment losses	—	<b>(465)</b>	—	—	<b>(465)</b>
Sales and disposals	—	<b>(80)</b>	<b>(208)</b>	<b>(610)</b>	<b>(898)</b>
Reclassification to assets held for sale	—	—	—	—	—
Reclassification	—	<b>(9)</b>	<b>267</b>	<b>113</b>	<b>371</b>
Exchange differences on translation of foreign operations	<b>4,120</b>	<b>1,054</b>	<b>263</b>	<b>1,146</b>	<b>2,463</b>
Decrease by sale of businesses	—	—	<b>(16)</b>	<b>(44)</b>	<b>(60)</b>
Other	—	—	—	<b>21</b>	<b>21</b>
Balance at March 31, 2021	<b>¥130,813</b>	<b>¥56,234</b>	<b>¥11,641</b>	<b>¥32,560</b>	<b>¥100,435</b>

	Thousands of U.S. dollars				
	Intangible assets				
	Goodwill	Capitalized development costs	Software	Other	Total
Balance at March 31, 2020	\$ 885,838	\$429,694	\$105,676	\$138,432	\$673,802
Additions	—	—	<b>26,559</b>	<b>13,378</b>	<b>39,937</b>
Additions through internal development	—	<b>145,351</b>	—	—	<b>145,351</b>
Additions through business combinations (Note 2)	<b>255,541</b>	<b>4,694</b>	<b>1,793</b>	<b>161,648</b>	<b>168,135</b>
Amortization	—	<b>(77,630)</b>	<b>(31,910)</b>	<b>(25,766)</b>	<b>(135,306)</b>
Impairment losses	—	<b>(4,189)</b>	—	—	<b>(4,189)</b>
Sales and disposals	—	<b>(721)</b>	<b>(1,874)</b>	<b>(5,495)</b>	<b>(8,090)</b>
Reclassification to assets held for sale	—	—	—	—	—
Reclassification	—	<b>(81)</b>	<b>2,405</b>	<b>1,018</b>	<b>3,342</b>
Exchange differences on translation of foreign operations	<b>37,116</b>	<b>9,495</b>	<b>2,369</b>	<b>10,325</b>	<b>22,189</b>
Decrease by sale of businesses	—	—	<b>(144)</b>	<b>(396)</b>	<b>(540)</b>
Other	—	—	—	<b>189</b>	<b>189</b>
Balance at March 31, 2021	<b>\$1,178,495</b>	<b>\$506,613</b>	<b>\$104,874</b>	<b>\$293,333</b>	<b>\$904,820</b>

Notes: 1. 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.  
2. Of additions through business combinations, major components included in "Other" are ¥2,016 million (\$18,162 thousand) in technology-related assets arising in the acquisition of FH ORTHO SAS, and ¥15,010 million (\$135,225 thousand) in provisionally valued intangible assets arising in the acquisition of Veran Medical Technologies, Inc. For details on business combinations, please see Note "40. Business Combinations."

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Acquisition cost

	Millions of yen				
	Intangible assets				
	Goodwill	Capitalized development costs	Software	Other	Total
Balance at April 1, 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
Balance at March 31, 2021	¥130,813	¥87,537	¥56,335	¥143,585	¥287,457

	Thousands of U.S. dollars				
	Intangible assets				
	Goodwill	Capitalized development costs	Software	Other	Total
Balance at March 31, 2021	\$1,178,495	\$788,622	\$507,523	\$1,293,558	\$2,589,703

Accumulated amortization and accumulated impairment losses

	Millions of yen				
	Intangible assets				
	Goodwill	Capitalized development costs	Software	Other	Total
Balance at April 1, 2019	¥—	¥24,900	¥39,167	¥100,156	¥164,223
Balance at March 31, 2020	—	24,969	42,232	106,296	173,497
Balance at March 31, 2021	¥—	¥31,303	¥44,694	¥111,025	¥187,022

	Thousands of U.S. dollars				
	Intangible assets				
	Goodwill	Capitalized development costs	Software	Other	Total
Balance at March 31, 2021	\$—	\$282,009	\$402,649	\$1,000,225	\$1,684,883

(2) Significant intangible assets

There were no individually significant intangible assets at March 31, 2020.

Significant intangible assets recognized at March 31, 2021 are provisionally valued intangible assets arising from the acquisition of Veran Medical Technologies, Inc. by the Olympus Group on December 29, 2020. The carrying amount was ¥15,266 million (\$137,532 thousand) at March 31, 2021.

For details on business combinations, please see Note “40. Business Combinations.”

(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, 2020 and 2021 were ¥64,746 million and ¥65,660 million (\$591,532 thousand), respectively.

15. Commitments

Commitments to acquire property, plant and equipment and intangible assets subsequent to March 31, 2020 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Property, plant and equipment	¥2,183	¥6,738	\$60,703
Intangible assets	944	910	8,198
Total	¥3,127	¥7,648	\$68,901

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	
	2020	2021	2021
Property, plant and equipment			
Buildings and structures	¥ 979	¥339	\$3,054
Machinery and vehicles	2	11	99
Tools, furniture and fixtures	1,628	27	243
Intangible assets			
Capitalized development	1,151	465	4,189
Other	223	—	—
Total	¥3,983	¥842	\$7,585

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 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 of impairment losses (buildings and structures, ¥332 million;, machinery and vehicles, ¥519 million;, tools, furniture and fixtures, ¥505 million;, software, ¥85 million;, and long-term prepaid expenses, ¥77 million). The recoverable amount was the fair value less costs of disposal and was measured at ¥5,412 million based on third-party appraisals such as cost approach. It was classified as level-3 in the fair value hierarchy. In addition, these impairment losses are not included in the above table, because the impairment losses have been reclassified to “Loss from discontinued operations” in the consolidated statements of profit or loss.

The fair value hierarchy is described in greater detail in Note 35 “Financial Instruments (4) Fair value.”

There were no individual material impairment losses to be disclosed for the year ended March 31, 2021.

(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	
	2020	2021	2021
Endoscopic solutions segment	¥17,364	¥ 23,793	\$ 214,351
Therapeutic solutions segment	79,038	101,981	918,748
Scientific solutions segment	1,926	1,971	17,757
Others			
Orthopedic business	—	3,068	27,639
Total	¥98,328	¥130,813	\$1,178,495

The Olympus Group tested goodwill for impairment on March 31, 2020 and 2021.

Individually significant goodwill carried on the consolidated statements of financial position is the goodwill attributable to the endoscopic solutions segment and therapeutic solutions segment. As for goodwill recorded as a result of business combinations in the fiscal year ended March 31, 2021, goodwill of Quest Photonic Devices B.V., is attributable to the endoscopic solutions segment, goodwill of Arc Medical Design Limited and Veran Medical Technologies, Inc., are attributable to the therapeutic solutions segment, and goodwill of FH ORTHO SAS is attributable to the orthopedic business, respectively.

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 growth rate of “Endoscopic Solutions Business” and “Therapeutic Solutions Business” is 1.1% – 5.87% and 1.5% – 4.17%, respectively, as of March 31, 2020, and 1.1% – 5.00% and 1.8% – 4.43%, respectively, as of March 31, 2021.



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The discount rate is calculated based on the CGUs’ pretax weighted average cost of capital, were 9.0% as of March 31, 2020 and 8.6% as of March 31, 2021.

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.

Although the impact of the spread of COVID-19 differs by region, it is currently expected to continue diminishing overall as vaccinations become available worldwide, and the Company assumes that sales activities will also begin to normalize.

Value in use measured using the above rates amply exceeds the carrying amount of the endoscopic solutions segment and the carrying amount of the Therapeutic solutions segment, respectively. 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, 2020 and 2021 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Notes and account payable	¥44,311	¥44,463	\$400,568
Other payable	15,246	25,428	229,081
Total	¥59,557	¥69,891	\$629,649

18. Bonds and Borrowings

The breakdown of bonds and borrowings as of March 31, 2020 and 2021 was as follows:

	Millions of yen		Thousands of U.S. dollars	Average interest rate (%)	Maturity
	2020	2021	2021		
Short-term borrowings	¥10,135	¥ 5,458	\$ 49,171	0.00	—
Current portion of long-term borrowings	10,883	26,071	234,874	2.41	May 2021 to March 2022
Commercial papers	60,000	—	—	—	—
Bonds (excluding current portion)	69,737	119,596	1,077,441	0.24	September 2022 to July 2030
Long-term borrowings (excluding current portion)	130,160	204,139	1,839,091	0.57	February 2023 to September 2029
Total	¥280,915	¥355,264	\$3,200,577		
Current	81,018	31,529	284,045		
Non-current	199,897	323,735	2,916,532		
Total	¥280,915	¥355,264	\$3,200,577		

Notes: 1. The average interest rate is the weighted average interest rate on the balance of borrowings as of March 31, 2021.  
2. Bonds and borrowings are classified as financial liabilities measured at amortized cost.

The breakdown of bonds as of March 31, 2020 and 2021 was as follows:

Company	Bond name	Issue date	Millions of yen		Thousands of U.S. dollars	Interest (%)	Maturity date
			2020	2021	2021		
Olympus Corporation	22nd unsecured bonds	September 20, 2017	¥ 9,973	¥ 9,984	\$ 89,946	0.22	September 2022
Olympus Corporation	23rd unsecured bonds	March 7, 2019	9,957	9,967	89,793	0.27	March 2024
Olympus Corporation	24th unsecured bonds	December 5, 2019	29,895	29,933	269,667	0.06	December 2022
Olympus Corporation	25th unsecured bonds	December 5, 2019	19,912	19,931	179,559	0.20	December 2024
Olympus Corporation	26th unsecured bonds	July 18, 2020	—	24,903	224,351	0.25	July 2025
Olympus Corporation	27th unsecured bonds	July 19, 2020	—	24,878	224,125	0.47	July 2030
Total			¥69,737	¥119,596	\$1,077,441		

The breakdown of long-term borrowings, including current portion, as of March 31, 2020 and 2021 was as follows:

Financial institution	Millions of yen		Thousands of U.S. dollars	Interest rate (%)	Maturity date
	2020	2021	2021		
Japanese Bank	¥ 12,946	¥ 13,007	\$ 117,180	0.86	September 2029
Japanese Bank	1,452	1,458	13,135	0.73	September 2027
Japanese Bank	10,000	10,000	90,090	1.38	September 2025
Japanese Bank	9,469	9,538	85,928	0.53	August 2027
Japanese Bank	10,000	10,000	90,090	1.39	September 2025
Japanese Bank	15,000	15,000	135,135	2.04	May 2021
Japanese Bank (Foreign Currency)	5,441	—	—	2.91	February 2021
Japanese Bank (Foreign Currency)	5,442	—	—	2.92	March 2021
Japanese Bank (Foreign Currency)	5,442	5,535	49,865	2.91	February 2022
Japanese Bank (Foreign Currency)	5,442	5,536	49,874	2.91	February 2023
Japanese Bank (Foreign Currency)	5,442	5,536	49,874	2.92	March 2022
Japanese Bank (Foreign Currency)	5,442	5,536	49,874	2.92	March 2023
Japanese Bank	9,525	9,581	86,315	0.55	June 2028
Japanese Bank	39,798	39,855	359,054	0.10	November 2023
Japanese Bank	—	49,611	446,946	0.32	April 2025
Japanese Bank	—	39,751	358,117	0.23	May 2024
Japanese Bank	—	10,000	90,090	0.36	May 2024
Other	202	266	2,397		
Total	¥141,043	¥230,210	\$2,073,964		

19. Other Financial Liabilities

The breakdown of other financial liabilities as of March 31, 2020 and 2021 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Financial liabilities measured at fair value through profit or loss			
Derivative liabilities	¥ 1,960	¥ 2,467	\$ 22,225
Contingent consideration	163	3,608	32,505
Financial liabilities measured at amortized cost			
Lease liabilities	41,743	66,407	598,261
Other	7,055	9,588	86,378
Total	¥50,921	¥82,070	\$739,369
Current	20,188	21,873	197,054
Non-current	30,733	60,197	542,315
Total	¥50,921	¥82,070	\$739,369

20. Provisions

The changes in provisions during the year ended March 31, 2021 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, 2020	¥ 3,472	¥ 385	¥12,000	¥12,022	¥27,879
Increase during the year	8,929	95	1,248	5,015	15,287
Decrease (Provisions used)	(3,058)	(372)	(854)	(1,027)	(5,311)
Decrease (Provisions reversed)	(152)	(42)	—	(3,492)	(3,686)
Transfer from liabilities associated with assets held for sale	—	3,826	—	—	3,826
Exchange differences on translation of foreign operations	568	216	—	309	1,093
Balance at March 31, 2021	¥ 9,759	¥4,108	¥12,394	¥12,827	¥39,088
Current	¥ 9,578	¥4,027	¥12,394	¥ 7,413	¥33,412
Non-current	181	81	—	5,414	5,676
Total	¥ 9,759	¥4,108	¥12,394	¥12,827	¥39,088

	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, 2020	\$ 31,279	\$ 3,468	\$108,109	\$108,306	\$251,162
Increase during the year	80,442	856	11,243	45,180	137,721
Decrease (Provisions used)	(27,550)	(3,351)	(7,694)	(9,252)	(47,847)
Decrease (Provisions reversed)	(1,369)	(378)	—	(31,460)	(33,207)
Transfer from liabilities associated with assets held for sale	—	34,468	—	—	34,468
Exchange differences on translation of foreign operations	5,117	1,946	—	2,784	9,847
Balance at March 31, 2021	\$ 87,919	\$37,009	\$111,658	\$115,558	\$352,144
Current	\$ 86,288	\$36,279	\$111,658	\$ 66,784	\$301,009
Non-current	1,631	730	—	48,774	51,135
Total	\$ 87,919	\$37,009	\$111,658	\$115,558	\$352,144

Note: Provision for product warranties includes ¥4,649 million (\$41,883 thousand), which is the amount expected to be required for voluntary recall of a Video Bronchoscope model and a Choledochofiberscope model. The provision for expected additional taxes payable of ¥3,875 million (\$34,910 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, 2021.

(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, 2020 and 2021 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Accrued expenses	¥ 95,112	¥107,754	\$ 970,757
Contract liabilities	34,480	44,923	404,712
Other	16,590	22,513	202,819
Total	¥146,182	¥175,190	\$1,578,288
Current	136,912	160,953	1,450,027
Non-current	9,270	14,237	128,261
Total	¥146,182	¥175,190	\$1,578,288

22. Government Grants

Government grants included other current liabilities and other non-current liabilities as of March 31, 2020 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Other current liabilities	¥ 523	¥ 473	\$ 4,261
Other non-current liabilities	2,714	2,425	21,847

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.

In the year ended March 31, 2021, the Company recorded proceeds from government subsidies of ¥2,388 million (\$21,514 thousand) in "Other income." The government subsidies are the grants from the national government or, municipalities, and the like due to the spread of COVID-19.

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.

A pension buy-in was implemented for the primary pension plan for the Olympus Group's subsidiaries located in the U.K. in June 2020. In the implementation of the transaction, a portion of plan assets held by the pension plan have been contributed to the insurance company, and the Olympus Group concluded an insurance agreement with the insurance company that ensures the receipt of an amount of money equivalent to pension benefits for pensioners in the future. Consequently, the pension plan was released from the risk of management of plan assets and the risk of increase in defined benefit obligations due to a rise in longevity of pensioners and other factors. However, if the insurance company does not pay employee benefits stipulated in the insurance policy to employees, the Olympus Group continues to have legal or constructive obligations to make an additional payment.

Furthermore, a pension buyout was implemented for the primary pension plan for the Olympus Group's subsidiaries located in the U.S. in relation to pension benefits to pensioners in March 2021. In conjunction with this, an insurance company has accepted plan assets and obligations at the amount of defined benefit obligations of the plan plus fees, etc., and this insurance company will pay benefits to plan participants in the future. Consequently, in relation to pension benefits for pensioners, the pension plan was released from the risk of management of plan assets and the risk of increase in defined benefit obligations due to a rise in longevity of pensioners and other factors. Since pension benefits paid to active employees and vested pensioners in a waiting period are not subject to the pension buyout, the Olympus Group continues to have the risk of management of plan assets and the risk of increase in defined benefit obligations due to a rise in longevity of pensioners and other factors, for the pension benefits to active employees and vested pensioners in a waiting period.



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(1) Defined benefit plans

1) Reconciliation of defined benefit obligations

The changes in defined benefit obligations were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Balance at April 1	¥207,009	¥202,638	\$1,825,568
Current service cost	7,412	7,314	65,892
Past service cost	(105)	51	459
Interest cost	3,295	2,878	25,928
Remeasurements			
Actuarial gains and losses arising from changes in demographic assumptions	(374)	(516)	(4,649)
Actuarial gains and losses arising from changes in financial assumptions	5,601	1,133	10,207
Other	1,074	301	2,712
Contributions by employees	125	137	1,234
Benefits paid	(18,255)	(13,403)	(120,748)
Settlement of a plan (Note 1)	—	(21,921)	(197,486)
Effects of business combinations and disposals	—	(3,007)	(27,090)
Exchange differences on translation of foreign operations	(3,037)	3,776	34,018
Other	(107)	(41)	(369)
Balance at March 31	¥202,638	¥179,340	\$1,615,676

Note: 1. This represents a decrease in defined benefit obligations due to the implementation of the pension buyout transaction.

2) Reconciliation of fair value of plan assets

The change in the fair value of plan assets during the year ended March 31, 2021 is presented below.

The Olympus Group conducts a financial verification based on the Company's corporate pension rules 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, 2022, the Olympus Group plans to contribute ¥5,342 million (\$48,126 thousand) to the plan.

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Balance at April 1	¥194,132	¥184,142	\$1,658,937
Interest income	2,956	2,585	23,288
Remeasurements			
Return on plan assets (Note 1)	859	(2,580)	(23,243)
Contributions by employer	8,227	6,570	59,189
Contributions by employees	126	136	1,225
Benefits paid	(18,080)	(11,083)	(99,847)
Settlement of a plan (Note 2)	—	(22,474)	(202,468)
Effects of business combinations and disposals	—	(3,550)	(31,982)
Exchange differences on translation of foreign operations	(3,985)	6,051	54,514
Other	(93)	(226)	(2,036)
Balance at March 31	¥184,142	¥159,571	\$1,437,577

Notes: 1. "Return on plan assets" for the year ended March 31, 2021 includes ¥(14,418) million (\$ (129,892) thousand) in the difference due to remeasurement of fair value of plan assets arising in conjunction with the pension buy-in transaction.  
2. This represents a decrease in plan assets due to the implementation of the pension buyout transaction.

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		Thousands of U.S. dollars
	2020	2021	2021
Present value of the funded defined benefit obligations	¥ 185,372	¥ 161,366	\$ 1,453,748
Fair value of plan assets	(184,142)	(159,571)	(1,437,577)
Subtotal	1,230	1,795	16,171
Present value of the unfunded defined benefit obligations	17,266	17,974	161,928
Net defined benefit liabilities (assets)	18,496	19,769	178,099
Amounts recognized in the consolidated statement of financial position			
Retirement benefit liability	49,607	42,446	382,396
Retirement benefit asset	(31,111)	(22,677)	(204,297)
Net defined benefit liabilities (assets)	¥ 18,496	¥ 19,769	\$ 178,099

4) Components of plan assets

The breakdown of plan assets by category was as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Assets with quoted market prices in an active market			
Japanese equity securities	¥ 1,284	¥ 1,407	\$ 12,676
Overseas equity securities	—	—	—
Overseas debt securities	35,838	8,008	72,144
Cash and cash equivalents	4,573	2,458	22,144
Other	881	—	—
Total	¥ 42,576	¥ 11,873	\$ 106,964
Assets without quoted market prices in an active market			
Overseas equity securities	¥ 18,653	¥ 12,098	\$ 108,991
Overseas debt securities	12,049	9,044	81,477
General account for life insurance companies	57,178	55,138	496,739
Jointly managed money trust	51,570	53,756	484,288
Other (Note 1)	2,116	17,662	159,118
Total	¥141,566	¥147,698	\$1,330,613
Total of plan assets	¥184,142	¥159,571	\$1,437,577

Note: 1. An insurance agreement concluded in the pension buy-in transaction that is included in "Other" as of March 31, 2021 is ¥15,202 million (\$136,955 thousand).

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:

	2020	2021
Discount rate	0.56%	0.61%

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		Thousands of U.S. dollars
	2020	2021	2021
Discount rate			
0.5% increase (decrease in obligations)	¥(13,077)	¥(11,736)	\$ (105,730)
0.5% decrease (increase in obligations)	15,401	13,769	124,045

7) Weighted average duration

The weighted average durations of the defined benefit obligations were 12.5 years and 13.9 years as of March 31, 2020 and 2021, respectively.

(2) Defined contribution plans

The amounts recognized as expenses related to the defined contribution plan were ¥15,278 million and ¥18,714 million (\$168,595 thousand) for the years ended March 31, 2020 and 2021, respectively, and included expenses recognized in relation to the public pension system.

(3) Implementation of career support for external opportunity

The Company, at its meeting of the Board of Directors held on December 18, 2020, resolved to implement a career support for external opportunity. Application for the career support for external opportunity was ended during the fiscal year ended March 31, 2021, and its result is finalized.

1. Reason for implementation

In order for the Company to achieve its new corporate strategy to develop as a truly global medical technology company and achieve sustainable growth, the Company will build a corporate culture full of opportunities for employees to enhance their specializations and personal developments, aiming at a performance-oriented organization where each employee is actively engaged with a clear understanding of their responsibilities. During this transformational period, our goals are to (i) promote an external career opportunity for employees wishing to leverage their skills to use outside Olympus Group, (ii) recruit and promote people who can be active moving forward to the right positions, and (iii) achieve the profitability befitting a global medtech company. As such, the Company implemented the career support for external opportunity.

2. Overview of the implementation of the career support for external opportunity

- ( i ) Target companies: Olympus Corporation and its Group companies in Japan
- (ii) Eligible employees:
  - Regular employees with three or more years of service who are at least age 40 years old as of March 31, 2021
  - Employees rehired after mandatory retirement
  - Employees with indefinite term contracts
- (iii) Number of applicants: Approximately 950 individuals
- (iv) Application period: February 1, 2021 to February 19, 2021
- (v) Retirement date: March 31, 2021  
(Under special circumstances the date may be adjusted up to September 30, 2021)
- (vi) Details of the support:
  - Special additional payment together with the standard severance allowance
  - Re-employment support services for those wishing to receive such support

3. Implementation result

The number of retirees under the scheme: 842 individuals  
The Company recorded ¥11,866 million (\$106,901 thousand) in “Other expenses” for the costs incurred in the provision of special additional payment and re-employment support through the implementation of the career support for external opportunity.

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	
	2020	2021
Authorized shares (Note 3)	4,000,000,000	4,000,000,000
Issued shares (Note 1)		
As of April 1	342,713,349	1,370,914,963
Increase or decrease (Note 3) (Note 4)	1,028,201,614	—
As of March 31	1,370,914,963	1,370,914,963
Treasury shares (Note 2)		
As of April 1	1,292,520	85,329,780
Increase or decrease (Note 3) (Note 5)	84,037,260	(49,859)
As of March 31	85,329,780	85,279,921

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, as of March 31, 2020, authorized shares increased by 3,000,000,000 shares, the total number of issued shares increased by 1,028,140,047 shares and treasury stock increased by 3,877,560 shares.  
4. The major reasons of changes in the number of issued shares as of March 31, 2020, other than stock split under Note 3, 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 as of March 31, 2020 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 deficit. 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 differences on translation of foreign operations	Cash flow hedges	Financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Share of other comprehensive income (loss) of associates accounted for using equity method	Total
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)
Other comprehensive income	21,938	169	2,626	(926)	(55)	23,752
Reclassification to retained earnings	—	—	(3,274)	926	—	(2,348)
Balance at March 31, 2021	¥ (5,825)	¥(347)	¥ 4,977	¥ —	¥(152)	¥ (1,347)

Thousands of U.S. dollars						
	Exchange differences on translation of foreign operations	Cash flow hedges	Financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Share of other comprehensive income (loss) of associates accounted for using equity method	Total
Balance at March 31, 2020	\$(250,117)	\$(4,649)	\$ 50,676	\$ —	\$ (874)	\$(204,964)
Other comprehensive income	197,639	1,523	23,657	(8,342)	(495)	213,982
Reclassification to retained earnings	—	—	(29,496)	8,342	—	(21,154)
Balance at March 31, 2021	\$ (52,478)	\$(3,126)	\$ 44,837	\$ —	\$(1,369)	\$ (12,136)

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).

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, 2020 and 2021 were as follows.

	2020	2021
Equity ratio (Note 1)	36.5%	33.4%
Return on equity (ROE) (Notes 2, 3)	12.7%	3.4%

Notes: 1. Total equity attributable to owners of parent / Total assets  
2. Profit attributable to owners of parent (total of continuing operations and discontinued operations) / Total equity attributable to owners of parent (Average)  
3. ROE calculated using profit attributable to owners of parent (continuing operations only) at March 31, 2020 and 2021 was 14.9% and 17.1%, respectively.

26. Dividends

Dividends paid during the year ended March 31, 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 25, 2019)	Common stock	¥10,243	¥30.00	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.

Dividends paid during the year ended March 31, 2021 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 (July 30, 2020)	Common stock	¥12,856 (\$115,820 thousand)	¥10.00 (\$0.090)	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.

Dividends for which the record date falls in the current fiscal year and the effective date is in the following fiscal year are as follows:

Resolution	Class of shares	Amount of dividends paid (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors' Meeting (May 7, 2021)	Common stock	¥15,428 (\$138,991 thousand)	¥12.00 (\$0.108)	March 31, 2021	June 3, 2021

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 executive officers, corporate officers (excluding non-residents of Japan) and non-executive directors 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 option plans

Under the stock option plans, 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, executive officer or corporate officers 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 members or after vacating their position as a director or corporate 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 option 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

	2020		2021	
	Number of shares	Weighted average exercise price (Yen)	Number of shares	Weighted average exercise price (Yen)
Outstanding at beginning of year	572,400	1	563,600	1
Granted	—	—	—	—
Exercised	(8,800)	1	(50,400)	1
Expired	—	—	—	—
Outstanding at end of year	563,600	1	513,200	1
Exercisable at end of year	271,200	1	294,800	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 ¥1,659 and ¥1,988 (\$17.91) for the years ended March 31, 2020 and 2021, respectively.  
3. The weighted average remaining lives of unexercised stock options year were 24.9 years and 23.9 years as of March 31, 2020 and 2021, respectively.

(2) Restricted Share-Based Remuneration Plan

1) Overview of Restricted Share-Based Remuneration Plan

The Restricted Share-Based Remuneration Plan is for the Company's corporate officers.

Under the Restricted Share-Based Remuneration Plan, the Company's corporate officers 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 corporate officers 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) entering into agreement including contents such as 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

	2020	2021
Grant date	June 25, 2019	July 30, 2020
Number of shares	61,567	26,821
Fair value at grant date	¥1,205	¥1,947 (\$17.54)

(3) Performance-Linked Share-Based Remuneration Plan

1) Overview of Performance-Linked Share-Based Remuneration Plan

The Performance-Linked Share-Based Remuneration Plan is for executive officers and corporate officers.

Under the Performance-Linked Share-Based Remuneration Plan for executive officers, the number of units for shares of common share delivered based on the amount of basic compensation is determined at the beginning of the performance evaluation period, and the executive officers transfer all their rights to monetary remuneration receivable paid according to the degree of attainment of targets at the end of the performance evaluation period as in-kind property contributions and receive newly issued shares of the Company's common share.

The performance evaluation period is three years, and the Compensation Committee determines the payment rate within the predetermined range according to the degree of attainment, at the end of the performance evaluation period, of predetermined performance indicators and targets set by the Compensation Committee.

Although the Performance-Linked Share-Based Remuneration Plan for corporate officers is basically the same, the performance indicators and targets at the start of the performance evaluation period and the payment rate at the end of the performance evaluation period are determined by the representative executive officer.

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 years ended March 31, 2020 and 2021 were ¥1,213 and ¥1,824 (\$16.43), respectively.

The number of shares delivered correspond to the directors' standard variable remuneration calculated based on their position and adjusted within the predetermined range based on the degree of attainment, as of the end of the three fiscal years, of predetermined performance targets set by the Compensation Committee or representative executive officer as described above in (3) 1).

(4) Subsequent Grant-type Restricted Stock Compensation Plan

1) Overview of Subsequent Grant-type Restricted Stock Compensation Plan

The Subsequent Grant-type Restricted Stock Compensation Plan is for the Company's directors and executive officers.

Under the Subsequent Grant-type Restricted Stock Compensation Plan for directors and executive officers, the number of units for shares of common share delivered is determined based on the amount of basic compensation, etc. in advance at the beginning of the transfer restriction period, and the eligible persons transfer all their rights to monetary remuneration receivable according to that number of units after the end of the transfer restriction period as in-kind property contributions and receive newly issued shares of the Company's common shares.

For directors, the transfer restrictions are lifted when the directors retire, in principle. For executive officers, the transfer restriction period is three years.

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, 2021 was ¥1,939 (\$17.47).

As for the number of shares, the Company's common shares determined by the Company in advance are delivered after the end of the transfer restriction period as stated in (4) 1) above.

(5) Share-based Payment Expenses

	Millions of yen		Thousands of U.S. dollars	
	2020	2021	2021	
Selling, general and administrative expenses	¥30	¥175	\$1,577	

28. Revenue

(1) Disaggregation of Revenue

The Olympus Group was fundamentally organized in the Endoscopic Solutions Business, Therapeutic Solutions Business, Scientific Solutions Business, Imaging Business, and “Others” segments. However, from the second quarter of the fiscal year ended March 31, 2021, the organizational structure has been changed to be fundamentally organized in the Endoscopic Solutions Business, Therapeutic Solutions Business, Scientific Solutions Business, and “Others” segments because the Imaging Business was classified as discontinued operations. The Company presents revenue under these business segments because separate financial information for each business is available and 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.

	Millions of yen				
	For the year ended March 31, 2020				
	Endoscopic Solutions	Therapeutic Solutions	Scientific Solutions	Others	Total
Japan	¥ 65,457	¥ 43,003	¥ 16,308	¥7,743	¥132,511
North America	147,424	80,786	31,367	177	259,754
Europe	101,241	52,926	21,083	66	175,316
China	65,615	19,168	17,026	17	101,826
Asia and Oceania	36,200	16,767	13,642	222	66,831
Others	9,805	3,425	5,763	—	18,993
Total	¥425,742	¥216,075	¥105,189	¥8,225	¥755,231
Revenue from contracts with customers	372,367	210,372	105,119	8,225	696,083
Revenue from other sources	53,375	5,703	70	—	59,148

Note: Revenue from other sources includes revenue from lease contracts as defined under IFRS 16.

	Millions of yen				
	For the year ended March 31, 2021				
	Endoscopic Solutions	Therapeutic Solutions	Scientific Solutions	Others	Total
Japan	¥ 61,246	¥ 40,443	¥14,798	¥6,967	¥123,454
North America	139,177	72,254	25,384	164	236,979
Europe	106,640	53,656	19,132	1,799	181,227
China	70,556	20,499	19,277	22	110,354
Asia and Oceania	34,400	16,486	12,452	225	63,563
Others	7,447	2,702	4,818	0	14,967
Total	¥419,466	¥206,040	¥95,861	¥9,177	¥730,544
Revenue from contracts with customers	368,980	200,283	95,132	9,177	673,572
Revenue from other sources	50,486	5,757	729	—	56,972



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	Thousands of U.S. dollars				
	For the year ended March 31, 2021				
	Endoscopic Solutions	Therapeutic Solutions	Scientific Solutions	Others	Total
Japan	\$ 551,766	\$ 364,351	\$133,315	\$62,766	\$1,112,198
North America	1,253,847	650,937	228,685	1,477	2,134,946
Europe	960,721	483,387	172,360	16,208	1,632,676
China	635,640	184,676	173,667	197	994,180
Asia and Oceania	309,910	148,523	112,180	2,027	572,640
Others	67,089	24,342	43,406	0	134,837
Total	\$3,778,973	\$1,856,216	\$863,613	\$82,675	\$6,581,477
Revenue from contracts with customers	3,324,144	1,804,351	857,046	82,675	6,068,216
Revenue from other sources	454,829	51,865	6,567	—	513,261

Note: Revenue from other sources includes revenue from lease contracts as defined under IFRS 16.

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 biological microscopes, industrial microscopes, industrial endoscopes and non-destructive testing equipment, 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. The Imaging Business was classified as discontinued operations during the fiscal year ended March 31, 2021.

5) Others

“Others” includes R&D and discovery activities related to new businesses, in addition to sales of biomedical materials and orthopedic equipment, 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, 2019	March 31, 2020
Receivables from contracts with customers	¥136,252	¥121,174
Contract assets	754	367
Contract liabilities	31,295	34,480

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

	Millions of yen		Thousands of U.S. dollars
	April 1, 2020	March 31, 2021	March 31, 2021
Receivables from contracts with customers	¥121,174	¥131,127	\$1,181,324
Contract assets	367	436	3,928
Contract liabilities	34,480	44,923	404,712

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, 2020 and 2021, amounts corresponding to liabilities from contracts with customers at the beginning of each fiscal year were ¥25,423 million and ¥30,629 million (\$275,937 thousand), respectively. For the years ended March 31, 2020 and 2021, 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
	2020	2021	2021
Within 1 Year	¥7,203	¥10,771	\$ 97,036
Over 1 Year	2,643	7,097	63,937
Total	¥9,846	¥17,868	\$160,973

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, 2020 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Personnel expenses (Note)	¥213,887	¥213,793	\$1,926,063
Depreciation	38,212	31,543	284,171
Advertising and promotion expenses	17,914	11,746	105,820

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, 2020 (April 1, 2019 – March 31, 2020)  
There are no significant transactions.

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

The Company recorded proceeds from government subsidies of ¥2,388 million (\$21,514 thousand) in “Other income.” The government subsidies are the grants from the national government, municipalities, and the like due to the spread of COVID-19.

(Reversal of allowance for doubtful accounts)  
The Company recorded reversal of allowance for doubtful accounts of ¥1,359 million (\$12,243 thousand) in “Other income.”

(Subsidiary share transfer)  
The Company transferred all shares of OLYMPUS-RMS CORP., a consolidated subsidiary of the Company, and recorded a gain of ¥1,770 million (\$15,946 thousand) in “Other income.”

(2) Other expenses

Major items of other expenses are as follows.

Fiscal year ended March 31, 2020 (April 1, 2019 – March 31, 2020)  
(Business restructuring expenses)  
The Company recorded ¥3,954 million for the cost related to promotion of the business transformation plan “Transform Olympus” in “Other expenses.”

(Impairment losses)  
Regarding business assets in the Endoscopic Solutions Business as no future use is expected, the carrying value has been written down to the recoverable amount, and impairment losses of ¥1,522 million have been recorded in “Other expenses.” Impairment losses are presented in Note 16 “Impairment of non-financial assets.”

Fiscal year ended March 31, 2021 (April 1, 2020 – March 31, 2021)  
(Business restructuring expenses)  
The Company recorded ¥6,614 million (\$59,586 thousand) for the cost related to promotion of the business transformation plan “Transform Olympus” in “Other expenses.”  
The Company recorded ¥5,156 million (\$46,450 thousand) in “Other expenses” for the costs incurred to establish and transfer a new company due to the divestiture of the Imaging Business that aims at promoting selection of and concentration on the business portfolio of the Company.

(Implementation of career support for external opportunity)  
The Company recorded ¥11,866 million (\$106,901 thousand) in “Other expenses” for the costs incurred in the provision of special additional payment and re-employment support through career support for external opportunity implemented by the Company and its Group companies in Japan.

31. Finance Income and Finance Costs

The breakdown of finance income and finance costs for the years ended March 31, 2020 and 2021 was as follows:

	Millions of yen	Thousands of U.S. dollars	
	2020	2021	2021
Finance income			
Interest income			
Financial assets measured at amortized cost	¥1,279	¥ 817	\$ 7,360
Dividends received			
Financial assets measured through other comprehensive income	455	352	3,171
Other	31	24	217
Total	¥1,765	¥1,193	\$10,748
Finance costs			
Interest expense			
Financial liabilities measured at amortized cost	3,699	3,597	32,405
Bond interest			
Financial liabilities measured at amortized cost	108	391	3,523
Foreign exchange loss (Note 1)	2,942	2,098	18,901
Other	599	282	2,541
Total	¥7,348	¥6,368	\$57,370

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	
	2020	2021	2021
Basic earnings per share			
Continuing operations	¥46.17	¥ 51.03	\$ 0.460
Discontinued operations	(6.80)	(40.98)	(0.369)
Basic earnings per share	39.37	10.05	0.091
Diluted earnings per share			
Continuing operations	¥46.16	¥ 51.00	\$ 0.459
Discontinued operations	(6.80)	(40.96)	(0.369)
Diluted earnings per share	39.36	10.04	0.090

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

	Millions of yen	Thousands of U.S. dollars	
	2020	2021	2021
Profit used to calculate basic earnings per share and diluted earnings per share			
Profit attributable to owners of parent	¥51,670	¥12,918	\$116,378
Profit not attributable to owners of parent	—	—	—
Profit used to calculate basic earnings per share	51,670	12,918	116,378
Continuing operations	60,597	65,599	590,982
Discontinued operations	(8,927)	(52,681)	(474,604)
Adjustment to profit	—	—	—
Profit used to calculate diluted earnings per share	51,670	12,918	116,378
Continuing operations	60,597	65,599	590,982
Discontinued operations	(8,927)	(52,681)	(474,604)



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

	Thousand shares	
	2020	2021
Average number of shares during the period	1,312,285	1,285,607
Increase in number of shares of common stock		
Increase due to exercise of subscription rights to shares	570	536
Increase due to performance-linked share-based remuneration plan	8	—
Increase due to common stock relating to subsequent grant-type restricted share-based remuneration	—	71
Average number of shares of diluted common stock during the period	1,312,863	1,286,214

33. Other Comprehensive Income

The breakdown of each component of other comprehensive income (including non-controlling interests) for the years ended March 31, 2020 and 2021 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Items that will not be reclassified to profit or loss			
Financial assets measured at fair value through other comprehensive income			
Amount arising during the year	¥ (1,314)	¥ 3,914	\$ 35,261
Tax effect	188	(1,288)	(11,603)
Financial assets measured at fair value through other comprehensive income	¥ (1,126)	¥ 2,626	\$ 23,658
Remeasurements of defined benefit plans			
Amount arising during the year	¥ (5,442)	¥ (3,498)	\$ (31,514)
Tax effect	1,215	2,572	23,171
Remeasurements of defined benefit plans	¥ (4,227)	¥ (926)	\$ (8,343)
Total of items that will not be reclassified to profit or loss	¥ (5,353)	¥ 1,700	\$ 15,315
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations			
Amount arising during the year	¥(13,305)	¥21,736	\$195,820
Reclassification adjustments	32	202	1,820
Before tax effect	(13,273)	21,938	197,640
Tax effect	—	—	—
Exchange differences on translation of foreign operations	¥(13,273)	¥21,938	\$197,640
Cash flow hedges			
Amount arising during the year	¥11	¥ (28)	\$ (252)
Reclassification adjustments	474	271	2,441
Before tax effect	485	243	2,189
Tax effect	(148)	(74)	(667)
Cash flow hedges	¥337	¥ 169	\$ 1,522
Share of other comprehensive income (loss) of associates accounted for using equity method			
Amount arising during the year	¥(97)	¥ (55)	\$ (495)
Reclassification adjustments	—	—	—
Before tax effect	¥(97)	¥ (55)	\$ (495)
Tax effect	—	—	—
Share of other comprehensive income (loss) of associates accounted for using equity method	¥(97)	¥ (55)	\$ (495)
Total of items that may be reclassified to profit or loss	¥(13,033)	¥22,052	\$198,667
Total of other comprehensive income	¥(18,386)	¥23,752	\$213,982

34. Cash Flow Information

(1) Non-cash transactions

The major non-cash transactions are follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Right-of-use assets acquired through lease transactions	¥13,380	¥39,644	\$357,153

(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, 2020					
	Beginning balance	Movement due to cash inflows/ outflows from financing activities	Increase due to new lease	Non-cash items Exchange differences on translation of foreign operations	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 (Notes 1, 2)	¥ 47,534	¥(15,604)	¥13,380	¥(1,261)	¥(2,306)	¥ 41,743

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.

	Millions of yen					
	For the year ended March 31, 2021					
	Beginning balance	Movement due to cash inflows/ outflows from financing activities	Increase due to new lease	Non-cash items Exchange differences on translation of foreign operations	Other	Ending balance
Short-term borrowings	¥ 10,135	¥ (7,721)	¥ —	¥ (25)	¥3,069	¥ 5,458
Bonds (Note 1)	69,737	49,757	—	—	102	119,596
Commercial papers	60,000	(60,000)	—	—	—	—
Long-term borrowings (Note 1)	141,043	88,624	—	118	425	230,210
Lease liabilities (Note 1)	¥ 41,743	¥(16,188)	¥39,644	¥443	¥ 765	¥ 66,407

	Thousands of U.S. dollars					
	For the year ended March 31, 2021					
	Beginning balance	Movement due to cash inflows/ outflows from financing activities	Increase due to new lease	Non-cash items Exchange differences on translation of foreign operations	Other	Ending balance
Short-term borrowings	\$ 91,306	\$ (69,559)	\$ —	\$ (225)	\$27,649	\$ 49,171
Bonds (Note 1)	628,261	448,261	—	—	919	1,077,441
Commercial papers	540,541	(540,541)	—	—	—	—
Long-term borrowings (Note 1)	1,270,658	798,414	—	1,063	3,830	2,073,965
Lease liabilities (Note 1)	\$ 376,063	\$(145,838)	\$357,153	\$3,991	\$ 6,892	\$ 598,261

Note: Balances redeemable within one year are included.

(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		Thousands of U.S. dollars
	2020	2021	2021
Consideration for acquisitions paid in cash	¥571	¥—	\$—
Payments for acquisition of business	¥571	¥—	\$—

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(4) Payments for acquisition of subsidiaries

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

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Consideration for acquisitions paid in cash	¥49	¥45,472	\$409,658
Cash and cash equivalents of assets acquired, at the time the Olympus Group obtained control of the subsidiaries	—	(931)	(8,388)
Payments for acquisition of subsidiaries	¥49	¥44,541	\$401,270

(5) Loss of control

1) Divestiture of Imaging Business

(i) Overview of transaction

Based on the share transfer agreement concluded with OJ Holdings, Ltd., a special purpose company established by Japan Industrial Partners, Inc. on September 30, 2020, the Company completed the transfer of 95% of its shares held in OM Digital Solutions Corporation (95% of total issued shares) on January 1, 2021. As a result of this transfer, the Company has lost control of OM Digital Solutions Corporation.

(ii) Assets and liabilities associated with the loss of control

	Millions of yen	Thousands of U.S. dollars
	Amount	Amount
Cash and cash equivalents	¥24,266	\$218,613
Other current assets	282	2,541
Non-current assets	479	4,314
Total assets	¥25,027	\$225,468
Current liabilities	24,783	223,270
Non-current liabilities	244	2,198
Total liabilities	¥25,027	\$225,468

(iii) Cash flows associated with the loss of control

	Millions of yen	Thousands of U.S. dollars
	Amount	Amount
Cash and cash equivalents received as consideration of the loss of control	¥ 0	\$ 0
Expenses related to sale of businesses	(3,564)	(32,108)
Cash and cash equivalents of subsidiaries with the loss of control	(24,266)	(218,613)
Payments for sale of businesses (Note)	¥(27,830)	\$(250,721)

Note: Payments for sale of businesses are included in "Cash flows from investing activities" in the Consolidated Statements of Cash Flows.

(iv) Gain or loss associated with the loss of control

The Company recorded a loss of ¥44,794 million (\$403,550 thousand) associated with the loss of control under "Loss from discontinued operations" in the consolidated statements of profit or loss. Details on said loss on sale of business are as described in Note "41. Discontinued Operations."

2) Divestiture of significant operations

(i) Overview of transaction

The Company concluded an agreement with Nissha Co., Ltd. (hereinafter "NISSHA") on August 6, 2020 for the transfer of the Norwalk facility (hereinafter "Said Facility"), one of the manufacturing plants in the United States for therapeutic devices under Olympus Surgical Technologies America, to Nissha Medical Technologies, a wholly owned subsidiary of NISSHA. The transfer of Said Facility was completed on November 2, 2020, and the Company lost its control of Said Facility.

(ii) Assets and liabilities associated with the loss of control

	Millions of yen	Thousands of U.S. dollars
	Amount	Amount
Current assets	¥ 860	\$ 7,748
Non-current assets	1,488	13,405
Total assets	¥2,348	\$21,153

(iii) Cash flows associated with the loss of control

	Millions of yen	Thousands of U.S. dollars
	Amount	Amount
Cash and cash equivalents received as consideration of the loss of control	¥2,121	\$19,108
Cash and cash equivalents of businesses with the loss of control	—	—
Proceeds from sale of businesses (Note)	¥2,121	\$19,108

Note: Proceeds from sale of businesses are included in "Cash flows from investing activities" in the Consolidated Statements of Cash Flows. The total transfer price is US\$30 million, and of this amount, the consideration planned to be received from the next fiscal year onward is not included in the figures above.

(iv) Gain or loss associated with the loss of control

The Company recorded a gain of ¥486 million (\$4,378 thousand) associated with the loss of control of Said Facility under "Other income" in the consolidated statements of profit or loss.

3) Transfer of OLYMPUS-RMS CORP.

(i) Overview of transaction

The Company concluded an agreement to transfer all shares of OLYMPUS-RMS CORP., a consolidated subsidiary of the Company, to ROHTO Pharmaceutical Co., Ltd. and completed the transfer procedures on March 23, 2021. As a result, the Company lost control of OLYMPUS-RMS CORP. on the same day.

(ii) Assets and liabilities associated with the loss of control

	Millions of yen	Thousands of U.S. dollars
	Amount	Amount
Current assets	¥418	\$3,766
Non-current assets	6	54
Total assets	¥424	\$3,820
Current liabilities	572	5,153
Non-current liabilities	—	—
Total liabilities	¥572	\$5,153

(iii) Cash flows associated with the loss of control

	Millions of yen	Thousands of U.S. dollars
	Amount	Amount
Cash and cash equivalents received as consideration of the loss of control	¥1,622	\$14,613
Cash and cash equivalents of subsidiaries with the loss of control	(294)	(2,649)
Proceeds from sale of subsidiaries (Note)	¥1,328	\$11,964

Note: Proceeds from sale of subsidiaries are included in "Cash flows from investing activities" in the Consolidated Statements of Cash Flows.

(iv) Gain or loss associated with the loss of control

The Company recorded a gain of ¥1,770 million (\$15,946 thousand) associated with the loss of control of OLYMPUS-RMS CORP. and is included in "Other income" in the consolidated statements of profit or loss.



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.

Trade receivables	Millions of yen			
	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	¥161,358	¥4,992	¥356	¥166,706
Balance at March 31, 2021	¥179,320	¥4,470	¥418	¥184,208

Trade receivables	Thousands of U.S. dollars			
	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, 2021	\$1,615,496	\$40,270	\$3,766	\$1,659,532

There was no significant change that had a material impact on allowance for doubtful accounts for “Trade receivables” as of March 31, 2020 and March 31, 2021.

Receivables other than trade receivables	Millions of yen			
	No significant increase in credit risk	Non-credit-impaired financial assets	Credit-impaired financial assets	Total
Balance at March 31, 2020	¥16,605	¥8,225	¥517	¥25,347
Balance at March 31, 2021	¥24,108	¥6,783	¥584	¥31,475

Receivables other than trade receivables	Thousands of U.S. dollars			
	No significant increase in credit risk	Non-credit-impaired financial assets	Credit-impaired financial assets	Total
Balance at March 31, 2021	\$217,189	\$61,108	\$5,262	\$283,559

There was no significant change that had material impacts on allowance for doubtful accounts for “Receivables other than trade receivables” as of March 31, 2020 and March 31, 2021.

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, 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
Increase	382	0	—	17
Decrease	(2,228)	(0)	(1,442)	—
Other	274	—	—	50
Balance at March 31, 2021	¥ 5,872	¥ 0	¥ 6,783	¥584

	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, 2020	\$ 67,063	\$ 0	\$ 74,099	\$4,658
Increase	3,441	0	—	153
Decrease	(20,072)	(0)	(12,991)	—
Other	2,469	—	—	450
Balance at March 31, 2021	\$ 52,901	\$ 0	\$ 61,108	\$5,261

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(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, 2020

	Millions of yen			
	Carrying amount	Total	Contractual cash flows	
			Within 1 year	Over 1 year
Non-derivative financial liabilities				
Bonds and borrowings	¥280,915	¥289,505	¥82,948	¥206,557
Lease liabilities	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

As of March 31, 2021

	Millions of yen			
	Carrying amount	Total	Contractual cash flows	
			Within 1 year	Over 1 year
Non-derivative financial liabilities				
Bonds and borrowings	¥355,264	¥364,972	¥33,462	¥331,510
Lease liabilities	66,407	77,256	16,617	60,639
Derivative financial liabilities				
Currency derivatives	1,967	1,967	1,821	146
Interest rate derivatives	¥ 500	¥ 499	¥ 184	¥ 315

	Thousands of U.S. dollars			
	Carrying amount	Total	Contractual cash flows	
			Within 1 year	Over 1 year
Non-derivative financial liabilities				
Bonds and borrowings	\$3,200,577	\$3,288,036	\$301,459	\$2,986,577
Lease liabilities	598,261	696,000	149,703	546,297
Derivative financial liabilities				
Currency derivatives	17,721	17,721	16,406	1,315
Interest rate derivatives	\$ 4,505	\$ 4,495	\$ 1,658	\$ 2,837

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.

(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 foreign exchange forward 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	
	2020		2021		2021	
	Contract amount	Fair value	Contract amount	Fair value	Contract amount	Fair value
Foreign exchange forward contracts:	¥78,263	¥ 33	¥ 96,391	¥(1,050)	\$ 868,387	\$(9,459)
U.S. dollar	23,002	(540)	18,364	(579)	165,441	(5,216)
Other currency	55,261	573	78,027	(471)	702,946	(4,243)
Currency options	—	—	—	—	—	—
Other currency	—	—	—	—	—	—
Currency swaps	16,095	205	20,689	51	186,387	459
Receive other currencies / pay Euro	15,639	208	20,235	54	182,297	486
Receive Euro / pay other currencies	456	(3)	454	(3)	4,090	(27)
Total	¥94,358	¥ 238	¥117,080	¥ (999)	\$1,054,774	\$(9,000)

(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	
	2020	2021	2021
U.S. dollar	¥(69)	¥(445)	\$(4,009)
Euro	¥(62)	¥(103)	\$ (928)

2) Interest rate risk

The Olympus Group's exposure to interest rate risk mainly relates to debt such as borrowings and bonds. Because the amount of interest is affected by fluctuations in market interest rates, the Olympus Group is exposed to interest rate risk of fluctuations in future cash flows of interest.

Mainly to limit an increase in the amount of interest paid in the future due to a rise in interest rates, the Olympus Group raises funds by issuing bonds at a fixed interest rate. If funds are procured through long-term borrowings at a variable interest rate, the Olympus Group endeavors to stabilize cash flows by entering into an interest rate swap contract to receive a variable interest rate and pay a fixed interest rate with financial institutions and virtually fixing the borrowing rate.

In the first quarter of the fiscal year ended March 31, 2021, the Olympus Group borrowed ¥100 billion as business financing and long-term working capital in view of the impact of the spread of COVID-19 on operating results. Of this amount, ¥50 billion was procured at a variable interest rate and no interest rate swap contract has been concluded. Therefore, the Olympus Group is exposed to interest rate risk of fluctuations in future cash flows of interest. The Olympus Group retains cash and cash equivalents exceeding the variable interest bearing debts, and if the interest rate rises due to changes in the market environment, it mitigates interest rate risk by reducing the interest bearing debts using these funds, and other means.

Interest rate sensitivity analysis

As for borrowings with variable interest rates held by the Olympus Group at the end of the fiscal year, the amount of effects on profit before tax in the consolidated statements of profit or loss in the event of a 1% increase in interest rates at the end of the fiscal year is as follows. This analysis calculated the amount of effects by multiplying the balance of borrowings with variable interest rates at the end of the fiscal year by 1%. The analysis excludes borrowings with variable interest rates of which interest rates have been fixed by interest rate swap agreements.

	Millions of yen	Thousands of U.S. dollars	
	2020	2021	2021
Consolidated statements of profit or loss (Profit before tax)	¥—	¥(498)	\$(4,486)



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3) Market price risk

The Olympus Group holds listed shares for strategic 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 issuers (business counterparts), 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
	2020	2021	2021
Other comprehensive income (before tax effect)	¥(144)	¥(103)	\$(928)

(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, 2020 and 2021.

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, 2020

	Millions of yen			
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets measured at fair value through profit or loss				
Derivative assets	¥ —	¥1,455	¥ —	¥ 1,455
Equity securities and others	—	—	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 or loss				
Derivative liabilities	—	1,960	—	1,960
Contingent consideration	¥ —	¥ —	¥163	¥ 163

As of March 31, 2021

	Millions of yen			
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets measured at fair value through profit or loss				
Derivative assets	¥ —	¥ 968	¥ —	¥ 968
Equity securities and others	—	—	1,495	1,495
Financial assets measured at fair value through other comprehensive income				
Equity securities	10,327	—	853	11,180
Financial liabilities				
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities	—	2,467	—	2,467
Contingent consideration	¥ —	¥ —	¥3,608	¥ 3,608

	Thousands of U.S. dollars			
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets measured at fair value through profit or loss				
Derivative assets	\$ —	\$ 8,721	\$ —	\$ 8,721
Equity securities and others	—	—	13,468	13,468
Financial assets measured at fair value through other comprehensive income				
Equity securities	93,036	—	7,685	100,721
Financial liabilities				
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities	—	22,225	—	22,225
Contingent consideration	\$ —	\$ —	\$32,505	\$32,505

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

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Balance at April 1	¥1,774	¥1,658	\$14,937
Gains and losses (Note)			
Profit or loss	(129)	11	99
Other comprehensive income	(185)	1	9
Purchases	229	727	6,550
Sales	(6)	—	—
Other	(25)	(48)	(442)
Balance at March 31	¥1,658	¥2,348	\$21,153

Note: Gains or losses recognized in profit or loss are included in "Finance income" or "Finance costs" in the consolidated statements of profit or loss. Gains or 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 gains or losses recognized in profit or loss included losses of ¥(20) million and gain of ¥11 million (\$99 thousand) on financial instruments held as of the years ended March 31, 2020 and 2021, respectively.

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

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Balance at April 1	¥ 584	¥ 163	\$ 1,468
Business combinations	163	3,433	30,928
Settlement	(571)	—	—
Change in fair value		(111)	(1,000)
Other	(13)	123	1,109
Balance at March 31	¥ 163	¥3,608	\$32,505

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.

(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.

	Millions of yen		Thousands of U.S. dollars			
	2020		2021		2021	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets						
Lease receivables	¥ 36,891	¥ 36,819	¥ 45,377	¥ 45,319	\$ 408,802	\$ 408,279
Financial liabilities						
Bonds	69,737	69,513	119,596	120,070	1,077,441	1,081,712
Borrowings	¥116,036	¥118,053	¥155,456	¥157,715	\$1,400,505	\$1,420,856

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 equity instruments by major issuer were as follows:

Issuer	Millions of yen
	2020
ASAHI INTECC CO., LTD.	¥3,608
CASIO COMPUTER CO., LTD.	2,716
FUJI CORPORATION	1,441
USHIO INC.	1,159
Mitsubishi UFJ Financial Group, Inc.	¥ 845

Issuer	Millions of yen	Thousands of U.S. dollars
	2021	2021
ASAHI INTECC CO., LTD.	¥4,119	\$37,108
USHIO INC.	1,636	14,739
Mitsubishi UFJ Financial Group, Inc.	1,240	11,171
Sumitomo Realty & Development Co., Ltd.	1,113	10,027
OHARA INC.	¥ 675	\$ 6,081

The fair value at the date of sale and cumulative gains or losses on sales of equity instruments sold during the year based on the Company's policy for equity securities and others held for strategic investment purposes were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Fair value at the date of sale	¥3,032	¥7,869	\$70,892
Cumulative gains or losses on sale	¥1,579	¥4,721	\$42,532

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

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Equity instruments derecognized during the year	¥ 46	¥195	\$1,757
Equity instruments held at the end of year	409	157	1,414
Total	¥455	¥352	\$3,171

(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 underlying data for interest rate of the hedging instrument and the hedged item are to be matched, in principle. No ineffective portion was recognized as of March 31, 2020 and 2021.

A summary of interest rate swaps designated as cash flow hedge was as follows:

As of March 31, 2020

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

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As of March 31, 2021

Millions of yen					
	Notional amount	Over 1 year	Carrying amount (Note)		Interest rate
			Assets	Liabilities	
Interest rate swaps	¥25,000	¥10,000	¥—	¥500	Variable rate receipt: 6-month Japanese yen TIBOR Fixed rate payment: 1.3815% to 2.040%

	Thousands of U.S. dollars				Interest rate
	Notional amount	Over 1 year	Carrying amount (Note)		
			Assets	Liabilities	
Interest rate swaps	\$225,225	\$90,090	\$—	\$4,505	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 (before tax effect) regarding the above table was as follows:

	Millions of yen		Thousands of U.S. dollars	
	2020	2021	2021	
Interest rate swaps	¥(743)	¥(500)	\$ (4,505)	

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, 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

As of March 31, 2021

	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	¥(28)	¥271

	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	\$ (252)	\$ 2,441

Note: The amounts included in the consolidated statements of profit or loss are recorded in “Finance income” or “Finance costs.”

(6) Transfer of financial instruments

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, 2020 and 2021 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	
	2020	2021	2021	
Transferred financial assets	¥2,869	¥2,928	\$26,378	
Related liabilities	2,178	1,996	17,982	
Net position of transferred financial assets	¥ 691	¥ 932	\$ 8,396	

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

36. Leases

(1) Lessor

The Olympus Group leases endoscopes and other equipment under finance leases and also leases endoscopes and other equipment, and property owned by the Company as operating leases.

The breakdown of revenue under finance leases was as follows:

	Millions of yen		Thousands of U.S. dollars	
	2020	2021	2021	
Revenue				
Lease income (loss)	¥8,233	¥7,710	\$69,459	
Interest income	¥1,495	¥1,997	\$17,991	

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

	Millions of yen		Thousands of U.S. dollars	
	2020	2021	2021	
Undiscounted lease payments to be received				
Within 1 year	¥17,911	¥22,241	\$200,369	
More than 1 year, but within 2 years	11,246	13,001	117,126	
More than 2 years, but within 3 years	6,392	7,762	69,928	
More than 3 years, but within 4 years	2,698	3,451	31,090	
More than 4 years, but within 5 years	972	1,539	13,865	
More than 5 years	55	84	757	
Total	¥39,274	¥48,078	\$433,135	
Discounted unguaranteed residual value	863	1,380	12,432	
Unearned finance income	(3,246)	(4,081)	(36,765)	
Net investment in the lease	¥36,891	¥45,377	\$408,802	

The breakdown of revenue under operating leases was as follows:

	Millions of yen		Thousands of U.S. dollars	
	2020	2021	2021	
Revenue				
Lease income	¥ 6,075	¥ 6,381	\$ 57,486	
Variable lease payments (Note)	¥20,646	¥22,110	\$199,189	

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	2021	2021	
Within 1 year	¥19,970	¥17,873	\$161,018	
More than 1 year, but within 2 years	12,764	11,081	99,829	
More than 2 years, but within 3 years	5,535	5,332	48,036	
More than 3 years, but within 4 years	1,747	2,359	21,252	
More than 4 years, but within 5 years	514	860	7,748	
More than 5 years	508	451	4,063	
Total	¥41,038	¥37,956	\$341,946	



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(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 as of March 31, 2020. Mainly, a lease related to an asset (contract amount: ¥18,837 million) scheduled to be used as an office of a regional headquarters in Europe was under construction as of March 31, 2020, but commenced during the year ended March 31, 2021. There were no leases that have not yet commenced among lease contracts concluded by the Olympus Group as of March 31, 2021.

The book value of right-of-use assets by type of underlying asset and the increase in right-of-use assets are described in Note 13 "Property, plant and equipment."

The total amount of cash outflows related to leases were ¥18,694 million and ¥18,975 million (\$170,946 thousand) for the years ended March 31, 2020 and 2021, respectively.

The breakdown of lease-related income and expenses for lessee were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Revenue from sublease of right-of-use assets	¥ 39	¥ 18	\$ 162
Depreciation of right-of-use assets by underlying asset class			
Land	376	356	3,207
Buildings and structures	8,629	8,667	78,081
Machinery and vehicles	1,118	1,048	9,441
Tools, furniture and fixtures	2,612	2,736	24,649
Interest expense under lease obligations	900	1,124	10,126
Expenses under short-term leases	704	582	5,243
Expenses under leases of low-value asset	¥1,608	¥1,388	\$12,505

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
	2020	2021	2021
Deferred tax assets			
Inventories	¥ 9,520	¥ 5,442	\$ 49,027
Prepaid expenses	11,200	11,099	99,991
Accrued bonuses	6,327	7,057	63,577
Accrued expenses	4,577	5,998	54,036
Unrealized intercompany profits	6,290	7,123	64,171
Depreciation of property, plant and equipment	7,014	9,814	88,414
Amortization of intangible assets	4,908	3,379	30,441
Interest rate swaps	227	153	1,378
Retirement benefit liabilities	6,556	5,931	53,432
Loss carryforwards	3,783	17,617	158,712
Other	9,344	9,430	84,956
Total	¥ 69,746	¥ 83,043	\$ 748,135
Deferred tax liabilities			
Depreciation of property, plant and equipment	¥ (4,435)	¥ (3,602)	\$ (32,450)
Financial assets measured at fair value through other comprehensive income	(1,694)	(1,516)	(13,658)
Retirement benefit assets	(4,689)	(2,158)	(19,441)
Fair value differences on acquisition	(1,992)	(6,295)	(56,712)
Capitalized development costs	(13,499)	(17,193)	(154,892)
Retained profit of overseas subsidiaries	(2,194)	(2,318)	(20,883)
Other	(3,234)	(5,306)	(47,801)
Total	¥(31,737)	¥(38,388)	\$ (345,837)
Net deferred tax assets	¥ 38,009	¥ 44,655	\$ 402,298

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
	2020	2021	2021
Loss carryforwards	¥19,682	¥18,660	\$168,108
Deductible temporary differences	28,364	29,767	268,171
Tax credits carried forward	723	842	7,586
Total	¥48,769	¥49,269	\$443,865

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

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Within 4th year	¥15,441	¥12,943	\$116,603
5th year and thereafter	4,241	5,717	51,505
Total	¥19,682	¥18,660	\$168,108

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 ¥234,087 million and ¥261,657 million (\$2,357,270 thousand) as of March 31, 2020 and 2021, respectively.

(2) Income tax expenses

The breakdown of income tax expenses was as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Current tax expenses (Note 1)	¥26,646	¥19,347	\$174,297
Deferred tax expenses (Notes 2, 3, 4)	(611)	(8,207)	(73,937)
Total of income tax expenses	¥26,035	¥11,140	\$100,360

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, 2020 and 2021 decreased by ¥474 million and ¥1,657 million (\$14,928 thousand), respectively. In addition, the current tax expense for the fiscal year ended March 31, 2021 includes the corporation tax for the previous fiscal year of ¥(2,056) million (\$ (18,523) 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, 2020 and 2021 decreased by ¥529 million and ¥557 million (\$5,018 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 years ended March 31, 2020 and 2021 increased by ¥2,167 million and ¥3,941 million (\$35,505 thousand), respectively.  
4. The deferred tax expense decreased by ¥1,203 million for the fiscal year ended March 31, 2020 and decreased by ¥174 million (\$1,568 thousand) for the fiscal year ended March 31, 2021 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 actual tax rate for the fiscal years ended March 31, 2020 and 2021 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, 2020 and 2021, respectively. Overseas subsidiaries are subject to income taxes of the countries in which they operate.

	2020	2021
Effective statutory tax rate	30.6%	30.6%
Non-deductible expense, such as entertainment expenses	12.4	2.9
Non-taxable income, such as dividend income	(1.2)	(0.3)
Tax credit for experimental research cost and others	(4.0)	(1.2)
Different tax rates applied to subsidiaries	3.4	(3.0)
Subsidiaries reserve	2.5	1.3
Change in unrecognized deferred tax assets and liabilities	(11.6)	3.3
Change in deferred tax assets at the end of fiscal year due to changes in tax rates	(1.4)	(0.2)
Effects of organizational restructuring	—	(20.9)
Other	(0.6)	2.0
Average actual tax rate	30.1%	14.5%

38. Major Subsidiaries

(1) Structured entities

Major subsidiaries as of March 31, 2021 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
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)
Veran Medical Technologies, Inc.	Missouri, U.S.A.	Sales and manufacturing of 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 and Scientific Solutions 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 and Scientific Solutions Business products	100 (100)
Olympus France S.A.S.	Rungis Cedex, France	Sales of Endoscopic Solutions Business products, Therapeutic Solutions Business products and Scientific Solutions 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)
Quest Photonic Devices B.V.	North Holland, The Netherlands	Development of Endoscopic Solutions Business products	100 (100)
Arc Medical Design Limited	West Yorkshire, U.K.	Manufacturing Therapeutic Solutions Business products	100 (100)
FH ORTHO SAS	Heimsbrunn, France	Sales and manufacturing of orthopedic equipment	100 (100)
Olympus Global Treasury Services Limited	Essex, U.K.	Fund management of the whole group	100

Company name	Location	Main business	Voting rights held by the Company (%) (Note 1)
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 and Scientific Solutions Business products and manufacturing Scientific Solutions 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 and Scientific Solutions 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	100
Olympus Australia Pty Ltd.	Victoria, Australia	Sales of Endoscopic Solutions Business products, Therapeutic Solutions Business products and Scientific Solutions Business products	100 (100)
60 others	—	—	—
(Equity method affiliated companies)			
Sony Olympus Medical Solutions Inc.	Hachioji-shi, Tokyo	Development of Endoscopic Solutions Business products	49
2 others	—	—	—

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, 2020 and 2021, 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, 2020 and 2021.

(2) Remuneration for management executives

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Remuneration and bonuses	¥720	¥1,124	\$10,126
Share-based payments	19	173	1,559
Total	¥739	¥1,297	\$11,685

40. Business Combinations

For the year ended March 31, 2020  
There was no significant business combination.

For the year ended March 31, 2021  
(Acquisition of Arc Medical Design Limited)

(1) Outline of business combination

1) Name and description of acquired business

Name of acquired business	Arc Medical Design Limited (hereinafter “Arc Medical Design”)
Description of business	Development and manufacturing of auxiliary devices for diagnoses and treatment using gastrointestinal endoscopes

2) Primary reason for business combination

To further strengthen the Company's core competencies in early detection and minimally invasive therapies, beyond our proprietary development, by acquiring optimal partners, we are working to expand our lineup of devices to treat digestive disorders and to develop auxiliary devices for the diagnosis and treatment of colorectal cancer.

Through this acquisition, the Company has obtained full rights to Arc Medical Design's innovative medical products. The Company already has exclusive distribution rights in the European market for Arc Medical Design's core product, ENDOCUFF VISION™, and will now be responsible for the design, manufacturing, sales, and business strategy of the entire ENDOCUFF product group. Through the acquisition of this product group, we will further contribute to reducing treatment costs and improving patients' QOL.

3) Percentage of voting equity interest acquired

100%

4) Acquisition date

August 7, 2020

5) How we obtained control of the acquiree

Cash consideration for the acquisition of shares

(2) Acquisition-related expense

The acquisition-related expense of ¥67 million (\$604 thousand) has been recognized 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	Thousands of U.S. dollars
	Amount	Amount
Fair value of consideration paid		
Cash	¥3,472	\$31,279
Contingent consideration	488	4,397
Total	¥3,960	\$35,676
Fair value of assets acquired and liabilities assumed		
Cash and cash equivalents	¥ 79	\$ 712
Property, plant and equipment	0	0
Intangible assets	1,296	11,676
Other assets	5	45
Deferred tax liabilities	(246)	(2,216)
Other liabilities	(74)	(667)
Fair value of assets acquired and liabilities assumed, net	1,060	9,550
Goodwill	2,900	26,126
Total	¥3,960	\$35,676

Based on the fair value of consideration paid on the acquisition date, the Company has conducted an acquisition cost allocation to the assets acquired and liabilities assumed. The allocation of consideration paid has been completed in the fiscal year ended March 31, 2021, and there is no material change in the amount from the initial provisional amount.

Goodwill mainly represents a rational estimate of the expected future excess earning power. Furthermore, the amount of goodwill recognized does not include the amount that is expected to be deductible for tax purposes.

(4) Contingent consideration

The Contingent consideration is the royalties paid over certain future period to former shareholders of Arc Medical Design for sales of Arc Medical Design's products, and its fair value is calculated considering future sales forecasts and the time value of money. Furthermore, there is no limit on the amount of payment of the royalties.

In terms of hierarchical level, the fair value of the Contingent consideration is level 3. The amount of change in fair value of the Contingent consideration includes the recording of the part based on changes in the time value of money as “Finance costs” and the part based on changes other than the time value of money as “Other income” or “Other expenses.”

(5) Impacts on the Olympus Group

The Company omits making a description concerning profit or loss information of the said business combination on and after the acquisition date as well as profit or loss information under the assumption that the said business combination was conducted at the beginning of the fiscal year under review. This is because the amount of impact on consolidated statements of profit or loss due to such information is not material.

The independent auditor has not audited profit or loss information under the assumption that the said business combination was conducted at the beginning of the fiscal year.

(Acquisition of FH ORTHO SAS)

(1) Outline of business combination

1) Name and description of acquired business

Name of acquired business	FH ORTHO SAS (hereinafter, “FH ORTHO”)
Description of business	Development, manufacturing, and sales of orthopedic equipment

2) Primary reason for business combination

The Company has been developing an orthopedic business in Japan that manufactures and sells bone substitutes, high tibial osteotomy (HTO) plates, and other related products through its subsidiary Olympus Terumo Biomaterials Corporation. Furthermore, in order to support more precise and safer fragmentation and excision of bodily tissue (bone), the Company has developed the first ultrasound device indicated for arthroscopic surgery.

Through this acquisition, the Company will enhance its portfolio of products, which are innovative and contribute to enhanced patients' QOL, used in ligament reconstructive surgery, foot arthrodesis, trauma surgery, etc. Furthermore, in addition to developing the Company's orthopedic surgery products through the global sales routes owned by FH ORTHO, by selling some of FH ORTHO's core products in Japan, we will expand the Olympus Group's sales channels and grow our business. By introducing more products and solutions that contribute to minimally invasive therapies and by expanding sales channels for them, the Company will further enhance its position as a global medtech company.

3) Percentage of voting equity interest acquired

100%

4) Acquisition date

November 2, 2020

5) How we obtained control of the acquiree

Cash consideration for the acquisition of shares

(2) Acquisition-related expense

The acquisition-related expense of ¥403 million (\$3,631 thousand) has been recognized 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	Thousands of U.S. dollars
	Amount	Amount
Fair value of consideration paid		
Cash	¥ 5,776	\$ 52,036
Contingent consideration	194	1,748
Total	¥ 5,970	\$ 53,784
Fair value of assets acquired and liabilities assumed		
Cash and cash equivalents	¥ 122	\$ 1,099
Trade and other receivables	618	5,568
Inventories	3,445	31,036
Other current assets	1,099	9,901
Property, plant and equipment	1,271	11,450
Intangible assets	2,232	20,108
Deferred tax assets	617	5,559
Trade and other payables	(727)	(6,550)
Bonds and borrowings (current)	(3,055)	(27,523)
Provisions	(460)	(4,144)
Other current liabilities	(723)	(6,514)
Retirement benefit liability	(206)	(1,856)
Deferred tax liabilities	(847)	(7,631)
Other non-current liabilities	(356)	(3,206)
Fair value of assets acquired and liabilities assumed, net	3,030	27,297
Goodwill	2,940	26,487
Total	¥ 5,970	\$ 53,784

Based on the fair value of consideration paid on the acquisition date, the Company has conducted an acquisition cost allocation to the assets acquired and liabilities assumed. Previously, because the allocation of consideration paid had not been determined, provisional amounts were indicated for the amounts of assets or liabilities on the acquisition date. However, regarding the facts and circumstances that existed as of the acquisition date, because all of the information necessary to calculate the allocation of consideration paid was available in the fiscal year ended March 31, 2021, the allocation of consideration paid has been completed. As a result, adjustments were made to assets and liabilities amounts as of the acquisition date from their initial provisional amounts.

The major adjustments made comprise an increase in inventories of ¥1,251 million (\$11,270 thousand), an increase in intangible assets of ¥1,725 million (\$15,541 thousand), and an increase in deferred tax liabilities of ¥847 million (\$7,631 thousand). As a result, goodwill decreased by ¥2,303 million (\$20,748 thousand). The balance of intangible assets of ¥2,232 million (\$20,108 thousand) is mostly comprised of ¥2,031 million (\$18,297 thousand) in technology-related assets related to products of FH ORTHO, which are measured based on future sales growth rate, diminishing value rate, discount rate and other assumptions. The estimated useful lives of technology-related assets are 10 to 16 years.

Goodwill mainly represents a rational estimate of the expected future excess earning power. Furthermore, the amount of goodwill recognized does not include the amount that is expected to be deductible for tax purposes.

(4) Contingent consideration

The Contingent consideration is set to be paid based on the achievement levels of designated performance metrics for FH ORTHO after the business combination, and the payment limit is €2,550 thousand. Its fair value is calculated considering forecasts of future financial results and the time value of money.

In terms of hierarchical level, the fair value of the Contingent consideration is level 3. The amount of change in fair value of the Contingent consideration includes the recording of the part based on changes in the time value of money as “Finance costs” and the part based on changes other than the time value of money as “Other income” or “Other expenses.”

(5) Impacts on the Olympus Group

The Company omits making a description concerning profit or loss information of the said business combination on and after the acquisition date as well as profit or loss information under the assumption that the said business combination was conducted at the beginning of the fiscal year under review. This is because the amount of impact on consolidated statements of profit or loss due to such information is not material.

The independent auditor has not audited profit or loss information under the assumption that the said business combination was conducted at the beginning of the fiscal year.

(Acquisition of Veran Medical Technologies, Inc.)

(1) Outline of business combination

1) Name and description of acquired business

Name of acquired business	Veran Medical Technologies, Inc. (hereinafter, “VMT”)
Description of business	Manufacturing and sales of pulmonary medical devices

2) Primary reason for business combination

VMT’s electromagnetic navigation system supports the insertion of bronchoscopes and devices into the finely branching bronchial periphery, the identification of the location of lesions in the bronchial periphery, and tissue biopsy in the lesions. By combining VMT’s electromagnetic navigation system with the Company’s existing pulmonary devices such as our bronchoscopes and radial endobronchial ultrasound (EBUS), the Company expects even greater results in smoothly accessing lesions and diagnosing and determining the stage of lung cancer in patients. Through this acquisition, not only will the Company strengthens the product lineup in its Respiratory Business, but will also greatly strengthen its North American sales network with the addition of VMT’s highly experienced sales staff. By enhancing competitiveness in the pulmonary market, the Company will further contribute to early diagnosis and minimally invasive therapies for bronchial disease.

3) Percentage of voting equity interest acquired

100%

4) Acquisition date

December 29, 2020

5) How we obtained control of the acquiree

Cash consideration for the acquisition of shares

(2) Acquisition-related expense

The acquisition-related expense of ¥440 million (\$3,964 thousand) has been recognized 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	Thousands of U.S. dollars
	Amount	Amount
Fair value of consideration paid		
Cash	¥31,050	\$279,730
Contingent consideration	1,461	13,162
Total	¥32,511	\$292,892
Fair value of assets acquired and liabilities assumed		
Cash and cash equivalents	¥ 433	\$ 3,901
Trade and other receivables	506	4,559
Inventories	2,259	20,351
Property, plant and equipment	41	369
Intangible assets	14,647	131,955
Other assets	210	1,891
Deferred tax assets	1,612	14,523
Trade and other payables	(128)	(1,153)
Other liabilities	(587)	(5,288)
Deferred tax liabilities	(2,586)	(23,297)
Fair value of assets acquired and liabilities assumed, net	16,407	147,811
Goodwill	16,104	145,081
Total	¥32,511	\$292,892

Based on the fair value of consideration paid on the acquisition date, the Company has conducted an acquisition cost allocation to the assets acquired and liabilities assumed. However, as this allocation is not yet complete, the above values represent provisional fair values based on the best estimates at present. In the event the Company can receive and evaluate additional information relating to facts and conditions present at the acquisition date, it may adjust the above values within a period of one year from the acquisition date.

Regarding the facts and circumstances that existed as of the acquisition date, because the information necessary to calculate the allocation of consideration paid was available in the fiscal year ended March 31, 2021, the allocation amount of consideration paid has been revised. As a result, adjustments were made to assets and liabilities amounts as of the acquisition date from their initial provisional amounts.

The major adjustments made comprise a decrease in Contingent consideration of ¥1,127 million (\$10,153 thousand), an increase in inventories of ¥828 million (\$7,459 thousand), an increase in intangible assets of ¥14,647 million (\$131,955 thousand), and an increase in deferred tax liabilities of ¥2,586 million (\$23,297 thousand). As a result, goodwill decreased by ¥14,425 million (\$129,955 thousand).

Goodwill mainly represents a rational estimate of the expected future excess earning power. Furthermore, the amount of goodwill recognized does not include the amount that is expected to be deductible for tax purposes.

(4) Contingent consideration

The Contingent consideration is set to be paid based on the achievement levels of designated performance metrics for VMT after the business combination, and the payment limit is US\$40,000 thousand. In terms of hierarchical level, the fair value of the Contingent consideration is level 3.

(5) Impacts on the Olympus Group

The Company omits making a description concerning profit or loss information of the said business combination on and after the acquisition date as well as profit or loss information under the assumption that the said business combination was conducted at the beginning of the fiscal year under review. This is because the amount of impact on consolidated statements of profit or loss due to such information is not material.

The independent auditor has not audited profit or loss information under the assumption that the said business combination was conducted at the beginning of the fiscal year.

(Acquisition of Quest Photonic Devices B.V.)

(1) Outline of business combination

1) Name and description of acquired business

Name of acquired business	Quest Photonic Devices B.V. (hereinafter, "Quest")
Description of business	Development, manufacturing, and sales of medical devices

2) Primary reason for business combination

Quest is a company that develops, manufactures, and commercializes cutting-edge fluorescence imaging systems (FIS) and contributes to innovation in imaging technology in the surgical field. It is strong in the development of imaging technologies using various light wavelengths. It provides a broad range of medical imaging devices, starting with the Spectrum® imaging system used in FIS-guided laparotomy and laparoscopy, devices for photodynamic therapy, and so on.

The Company has already introduced 4K and 3D technologies in the surgical endoscope imaging field. This acquisition will contribute to more precise and safer surgical procedures by strengthening our FIS technology and product lineup.

3) Percentage of voting equity interest acquired

100%

4) Acquisition date

February 9, 2021

5) How we obtained control of the acquiree

Cash consideration for the acquisition of shares

(2) Acquisition-related expense

The acquisition-related expense of ¥69 million (\$622 thousand) has been recognized 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	Thousands of U.S. dollars
	Amount	Amount
Fair value of consideration paid		
Cash	¥ 4,684	\$42,198
Contingent consideration	1,290	11,622
Total	¥ 5,974	\$53,820
Fair value of assets acquired and liabilities assumed		
Cash and cash equivalents	¥ 301	\$ 2,712
Trade and other receivables	53	477
Inventories	197	1,775
Other current assets	24	216
Property, plant and equipment	204	1,838
Intangible assets	569	5,126
Other financial assets (non-current)	45	405
Deferred tax assets	32	288
Trade and other payables	(21)	(189)
Bonds and borrowings (current)	(39)	(351)
Provisions	(1)	(9)
Other current liabilities	(314)	(2,829)
Bonds and borrowings (non-current)	(1,035)	(9,324)
Other non-current liabilities	(22)	(198)
Fair value of assets acquired and liabilities assumed, net	(7)	(63)
Goodwill	5,981	53,883
Total	¥ 5,974	\$53,820

Based on the fair value of consideration paid on the acquisition date, the Company has allocated the assets acquired and liabilities assumed. However, as this allocation is not yet complete, the above values represent provisional fair values based on the best estimates at present. In the event we can receive and evaluate additional information relating to facts and circumstances that existed as of the acquisition date, we may adjust the above values for a period of one year from the acquisition date.

Goodwill mainly represents a rational estimate of the expected future excess earning power. Furthermore, the amount of goodwill recognized does not include the amount that is expected to be deductible for tax purposes.

(4) Contingent consideration

The Contingent consideration is a payment to the previous shareholders of Quest as a milestone payment subject to the obtaining of approval for development made mainly by Quest, and the payment is calculated by taking into consideration the possibility of obtaining the approval for the development and time value of money. The payment limit is €14,000 thousand.

In terms of hierarchical level, the fair value of the Contingent consideration is level 3. The amount of change in fair value of the Contingent consideration includes the recording of the part based on changes in the time value of money as "Finance costs" and the part based on changes other than the time value of money as "Other income" or "Other expenses."

(5) Impacts on the Olympus Group

The Company omits making a description concerning profit or loss information of the said business combination on and after the acquisition date as well as profit or loss information under the assumption that the said business combination was conducted at the beginning of the fiscal year under review. This is because the amount of impact on consolidated statements of profit or loss due to such information is not material.

The independent auditor has not audited profit or loss information under the assumption that the said business combination was conducted at the beginning of the fiscal year.

41. Discontinued Operations

(1) Outline of discontinued operations

The Company concluded a share transfer agreement on September 30, 2020, concerning the divestiture of the Imaging Business of the Company with OJ Holdings, Ltd., a special purpose company established by Japan Industrial Partners, Inc. Accordingly, the profit (loss) of the Imaging Business is presented in discontinued operations for the fiscal year ended March 31, 2021 and restated for the fiscal year ended March 31, 2020. Furthermore, the transfer of the Imaging Business was completed on January 1, 2021. For details, please see "Loss of control" in Note "34. Cash Flow Information."

(2) Profit (loss) of discontinued operations

Profit (loss) of discontinued operations is as follows.

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Revenue	¥42,180	¥ 21,062	\$ 189,748
Cost of sales	25,388	14,715	132,568
Gross profit	16,792	6,347	57,180
Selling, general and administrative expenses	23,852	13,633	122,820
Share of profit (loss) of investments accounted for using equity method	—	—	—
Other income	46	75	676
Other expenses (Note)	1,717	44,898	404,486
Operating loss	(8,731)	(52,109)	(469,450)
Finance income	177	0	0
Finance costs	265	367	3,307
Loss before tax	(8,819)	(52,476)	(472,757)
Income taxes	108	205	1,847
Loss from discontinued operations	¥ (8,927)	¥(52,681)	\$(474,604)

Note: Regarding business assets in the Imaging Business, other expenses in the fiscal year ended March 31, 2020, include ¥1,518 million of impairment losses from writing down the relevant business assets to their recoverable value as the revenue projected at the time the assets were acquired is now not expected due to changes in the market environment, etc. For details on impairment losses, please see Note 16 "Impairment of Non-financial Assets."

Other expenses in the fiscal year ended March 31, 2021 include a loss on sale of the Imaging Business of ¥44,794 million (\$403,550 thousand) (expenses borne in accordance with the transfer agreement of ¥28,618 million (\$257,820 thousand), loss on sale of inventories of ¥14,910 million (\$134,324 thousand) and loss on sale of fixed asset, etc. of ¥1,266 million (\$11,405 thousand)).

(3) Cash flows of discontinued operations

Cash flows of discontinued operations are as follows.

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Cash flows of discontinued operations			
Net cash used in operating activities	¥(5,460)	¥ (2,999)	\$ (27,018)
Net cash used in investing activities	(2,430)	(28,686)	(258,432)
Net cash used in financing activities	(44)	(68)	(613)

42. Contingent Liabilities

Liabilities for guarantees

The Olympus Group has the following guarantees:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Employees (mortgages)	¥5	¥3	\$27
Total	¥5	¥3	\$27

(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.

43. Significant Subsequent Events

(Business combination through acquisition)

(1) Overview of business combination

1) Name and description of acquired business

Name of acquired business: Medi-Tate Ltd. (hereinafter “Medi-Tate”)  
Description of business: Research and development, and manufacturing of products for the Therapeutic Solutions Business

2) Primary reason for business combination

Medi-Tate is a medical equipment manufacturer engaged in research and development, and manufacturing of minimally invasive therapy devices for benign prostatic hyperplasia (hereinafter “BPH”). The Company will contribute to making minimally invasive therapies for diversified prostatic diseases more widespread and improving patients’ QOL, and further strengthen business competitiveness in the field of urinary organs by adding minimally invasive therapy devices for BPH possessed by Medi-Tate to its product portfolio.

3) Percentage of voting equity interest acquired

100%

4) Acquisition date

May 27, 2021

5) How we obtained control of the acquire and percentage of voting equity interests acquired

The Company owned 18.46% of voting shares of Medi-Tate through Olympus Winter & Ibe GmbH, a consolidated subsidiary of the Company, immediately before the acquisition date. However, on the acquisition date, the Company additionally acquired 81.54% of shares of the said company through Olympus Winter & Ibe GmbH in exchange for cash, making the said company a wholly-owned subsidiary.

(2) Contingent consideration

US\$240 million

The Contingent consideration is included in the consideration for the acquisition, and the maximum possible value for the Contingent consideration calculated based on the agreement is listed.

Because the initial accounting of the business combination has not been completed as of the approval date of the Consolidated Financial Statements, the fair value of assets acquired and liabilities assumed as of the date of the business combination and major breakdowns thereof, goodwill, acquisition-related expenses, detailed information related to impacts on the Olympus Group have not been disclosed.

Because Medi-Tate was an associate of the Olympus Group immediately before the acquisition date, investment in Medi-Tate was previously accounted for under the equity method. Therefore, this is a business combination achieved in stages, and gains or losses on fair value measurement of the previously held investment in Medi-Tate (gains or losses on acquisition in stages) will arise in the fiscal year ending March 31, 2022. However, since the initial accounting for the business combination has not been completed, this information has not been disclosed.

(Cancellation of treasury shares)

At the meeting of the Board of Directors held on May 7, 2021, the Company resolved the cancellation of treasury shares as provided for under Article 178 of the Companies Act, and the cancellation of treasury shares was completed on June 4, 2021. The details are as follows:

- (1) Type of shares cancelled: Common shares of the Company
- (2) Number of shares cancelled: 71,620,630 shares (5.2% of total number of issued shares before the cancellation)
- (3) Date of cancellation: June 4, 2021
  - Total number of issued shares after cancellation: 1,299,294,333 shares
  - Number of treasury shares after cancellation: 13,659,291 shares

(Conclusion of a subsidiary share transfer agreement)

The Company concluded an agreement to transfer all shares of Olympus Systems Corporation, a consolidated subsidiary of the Company, to Accenture Japan Ltd. as of May 28, 2021.

The transfer of shares based on the share transfer agreement will be completed by the end of August 2021.



Independent Auditor’s Report



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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, 2021, 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, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the 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.



Accounting treatment for divestiture of the imaging business	
Description of Key Audit Matter	Auditor’s Response
<p>As described in Note 34(5) and 41 of the Consolidated Financial Statements, based on the share transfer agreement concluded with OJ Holdings, Ltd., a special purpose company established by Japan Industrial Partners, Inc. on September 30, 2020, the Company completed the transfer of 95% of its shares held in OM Digital Solutions Corporation (95% of total issued shares) on January 1, 2021.</p> <p>As a result of this transfer, the Company recorded a loss on sale of the Imaging Business of ¥44,794 million (expenses borne in accordance with the transfer agreement of ¥28,618 million, loss on sale of inventories of ¥14,910 million and loss on sale of fixed asset, etc. of ¥1,266 million) as Other expenses of profit (loss) of discontinued operations.</p> <p>Since the amount of the loss was significant, the assets and liabilities that were subject to sale were held by Japan and foreign subsidiaries such as Germany, Vietnam, and Hong Kong together with assets and liabilities other than the imaging business, and a carve out process included the classification and accumulation of the assets and liabilities that were subject to be sold and calculation of transfer cost, we determined this matter to be a key audit matter.</p>	<p>In consideration of the accounting treatment for the sale of the imaging business, we and component auditors performed the following audit procedures, among others:</p> <ul style="list-style-type: none"><li>● To understand the economic rationality and the business strategy that the Company considered at the divestiture, we reviewed the minutes and the materials of the meeting of the Board of directors.</li><li>● We reviewed the share transfer agreement signed between the Company and OJ Holdings, Ltd.</li><li>● To understand the details and background of the divestiture, we inquired of the management.</li><li>● To understand the process of the classification and accumulation of the assets and liabilities to be sold, we reviewed the related materials prepared by the Company.</li><li>● To evaluate that the amount of assets and liabilities sold was calculated accurately and without omission, we compared assets and liabilities classified and accumulated as those that were subject to be sold with the contents of share transfer agreement.</li><li>● We compared the estimated amount of losses recorded at the time of signing of the share transfer agreement in accordance with the provisions of onerous contract under IAS 37 with the fixed amount at the time of completion of the transfer.</li></ul>



Evaluation of the goodwill of the Therapeutic solutions segment	
Description of Key Audit Matter	Auditor's Response
<p>As described in Note 16(2) of the Consolidated Financial Statements, the Company performed an impairment test for the goodwill related to the Therapeutic solutions segment (cash generating unit). As of March 31, 2021, the amount of goodwill for the Therapeutic solutions segment was ¥101,981 million (8.6% of total consolidated assets).</p> <p>This includes the preliminary assessed goodwill of¥16,104 million (Consideration for acquisition is ¥32,511 million) from the acquisition of Veran Medical Technologies, Inc. (hereinafter referred to as VMT) disclosed in Note 40 of the Consolidated Financial Statements.</p> <p>In performing the impairment test for Therapeutic solutions segment, the Company measures the recoverable amount based on value in use. Value in use is measured by discounting estimated future cash flows which is based on the business plan approved by management up to the five years limit and considering a growth rate for the period after the term of the business plan to present value. The main assumptions in the calculation of the value in use are as follows.</p> <ul style="list-style-type: none"><li>• Growth rate and operating profit ratio in the business plan</li><li>• Growth rate for the period after the term of the business plan</li><li>• Discount rate</li></ul>	<p>In consideration of the evaluation of the goodwill of the Therapeutic solutions segment, we performed the following audit procedures, among others:</p> <ul style="list-style-type: none"><li>● We involved our valuation specialist to evaluate the method of measurement of value in use.</li><li>● To understand the premise of the growth rate and operating profit margin in the business plan up to the five years limit, we inquired of management. We compared these assumptions with the prior year actual results, market forecasts and available external data.</li><li>● We compared the growth rate for the period after the term of the business plan with market forecasts and the available external data.</li><li>● Regarding the discount rate, we involved our valuation specialist to evaluate the reasonableness of the calculation method and the reliability of external data used as the basis of calculation.</li><li>● To understand the economic rationality of the consideration for acquisition of VMT and evaluate the reasonableness of the goodwill determined on the acquisition that was allocated to the Therapeutic solutions segment, we performed the following procedures, among others.<ul style="list-style-type: none"><li>• To understand the economic rationality of acquisition and the Company's business strategy, we reviewed the minutes and the materials of the meeting of the Board of directors.</li></ul></li></ul>



<p>These main assumptions include uncertainties associated with management's estimates and have a significant impact on the calculation of value in use. In particular, the growth rate and the operating profit ratio in the business plan are based on growth by spread of procedures and expansion of the portfolio of the treatment tools and devices. However, these are affected by external environment, such as regulations on medical devices in the countries and regions where the Company operates the therapeutic device business, and competition with other companies' products. In addition, since the amount of goodwill in the Therapeutic solutions segment increased due to the acquisition of VMT in the current consolidated fiscal year, we determined this matter to be a key audit matter.</p>	<ul style="list-style-type: none"><li>• To understand the Company's evaluation process of the business value of VMT at acquisition, we involved our valuation specialist and they evaluated the Company's method and discount rate and reviewed the materials of future scenarios for determining growth rate.</li><li>• We reviewed materials of management meetings of the Therapeutic solutions segment including VMT's business.</li></ul>
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**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.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.



- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with IFRSs.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide the Audit Committee with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan**

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.




**Convenience Translation**

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2021 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

June 21, 2021

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



Corporate Information/Stock Information (As of March 31, 2021)

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	104 (Head Office, 100 Subsidiaries, and 3 Affiliates)
Consolidated Headcount	31,653 (Excludes temporary employees, average of 1,135)
Non-Consolidated Headcount	4,775
Website	<a href="https://www.olympus-global.com">https://www.olympus-global.com</a>
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	33,340
Transfer Agent for Common Stock	Sumitomo Mitsui Trust Bank, Limited 4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8233, Japan

Depository and Transfer Agent for American Depositary Receipts:

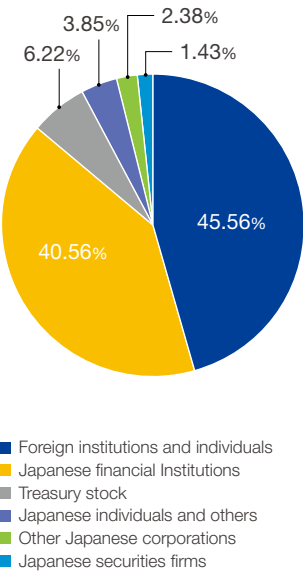
The Bank of New York Mellon  
240 Greenwich Street, New York,  
NY 10286, U.S.A.  
International: +1-201-680-6825  
U.S. toll free: 888-269-2377  
(888-BNY-ADRS)  
<https://www.adrbnymellon.com>  
Ratio (ADR:ORD): 1:1  
Exchange: OTC (Over-the-Counter)  
Symbol: OCPNY  
CUSIP: 68163W109

Principal Shareholders

Shareholder name	Number of shares held	Percentage of shares outstanding
The Master Trust Bank of Japan, Ltd. (trust accounts)	169,323,100	13.17%
JP Morgan Chase Bank 385632	92,419,874	7.19%
Custody Bank of Japan, Ltd. (trust accounts)	73,115,000	5.69%
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%
State Street Bank and Trust Company 505010	42,787,084	3.33%
SSBTC CLIENT OMNIBUS ACCOUNT	33,854,835	2.63%
MSCO CUSTOMER SECURITIES	23,495,015	1.83%
State Street Bank West Client-Treaty 505234	18,376,712	1.43%

Note: The percentage of shares outstanding is calculated after deducting treasury stock (85,279,921 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>

Sustainability

Presents the Olympus Group's detailed ESG data



<https://www.olympus-global.com/csr/>

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 June 2021)

Inclusion in ESG Indexes

Member of  
**Dow Jones Sustainability Indices**  
Powered by the S&P Global CSA

  
FTSE4Good  
FTSE Blossom Japan

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)


ESG

  
CDP  
DISCLOSURE INSIGHT ACTION


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.

  
2021  
健康経営優良法人  
ホワイト500


Listed in White 500, the Certified Health & Productivity Management Organization Recognition Program (five consecutive years since 2017 for Olympus, and 2021 for Olympus Medical Science Sales).

  
2021  
健康経営優良法人  
Health and productivity

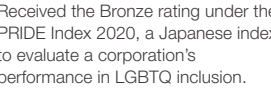
Listed in the Certified Health and Productivity Management Organization Recognition Program (2021 for Aizu Olympus).

  
2021  
Kurumin  
認定優良企業


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, 2018 for Olympus Terumo Biomaterials, and 2020 for Olympus Medical Science Sales).

  
2021  
Eruboshi  
女性活躍推進


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).

  
2020  
PRIDE Index  
PRIDE Index 2020

Received the Bronze rating under the PRIDE Index 2020, a Japanese index to evaluate a corporation's performance in LGBTQ inclusion.

  
TCFD  
TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Support for the Recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD).

  
WE SUPPORT  
UN GLOBAL COMPACT

Participates in the United Nations Global Compact.