

Consolidated Financial Results for the Fiscal Year Ended March 31, 2021 <under IFRS>



May 7, 2021

Company Name: Olympus Corporation
 Code Number: 7733
 (URL: <https://www.olympus.co.jp/>)
 Stock Exchange Listing: First Section of Tokyo Stock Exchange
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Scheduled date of General Meeting of Shareholders: June 24, 2021
 Scheduled date to submit the Securities Report: June 21, 2021
 Scheduled date to commence dividend payments: June 3, 2021
 Presentation of supplementary material on financial results: Yes
 Holding of financial results presentation meeting: Yes (for analysts and institutional investors)

(Figures are rounded off to the nearest million yen)

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2021 (From April 1, 2020 to March 31, 2021)

(1) Consolidated Results of Operations

(% indicate changes from the previous fiscal year)

	Revenue		Operating profit		Profit before tax		Profit		Profit attributable to owners of parent		Total comprehensive income	
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%
Fiscal year ended												
March 31, 2021	730,544	(3.3)	81,985	(11.1)	76,810	(11.3)	12,989	(74.9)	12,918	(75.0)	36,741	10.4
March 31, 2020	755,231	-	92,200	-	86,617	-	51,655	541.8	51,670	534.2	33,269	316.0

	Basic earnings per share	Diluted earnings per share	Ratio of equity attributable to owners of parent to profit	Ratio of profit before tax to total assets	Ratio of operating profit to revenue
	(¥)	(¥)	%	%	%
Fiscal year ended					
March 31, 2021	10.05	10.04	3.4	7.0	11.2
March 31, 2020	39.37	39.36	12.7	8.9	12.2

Reference: Share of profit (loss) of investments accounted for using equity method:

Fiscal year ended March 31, 2021: ¥595 million

Fiscal year ended March 31, 2020: ¥485 million

Note: The Imaging Business has been classified as a discontinued operation from the second quarter of the fiscal year ended March 31, 2021. Due to this, the amounts presented for revenue, operating profit and profit before tax are the amounts from continuing operations from which the discontinued operation has been excluded. The amounts presented for profit and profit attributable to owners of parent are aggregates of continuing operations and discontinued operations. As the amounts for the previous fiscal year have been similarly reclassified and presented, changes from the previous fiscal year are not presented.

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of parent	Ratio of equity attributable to owners of parent to total assets	Equity attributable to owners of parent per share
	(¥ million)	(¥ million)	(¥ million)	%	(¥)
As of					
March 31, 2021	1,181,017	395,480	394,326	33.4	306.72
March 31, 2020	1,015,663	371,958	370,747	36.5	288.39

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of year
	(¥ million)	(¥ million)	(¥ million)	(¥ million)
Fiscal year ended				
March 31, 2021	124,122	(118,918)	40,800	217,478
March 31, 2020	133,544	(62,430)	(19,462)	162,717

2. Dividends

	Annual dividends per share					Total amount of cash dividends (Annual)	Payout ratio (Consolidated)	Ratio of dividends to equity attributable to owners of parent (Consolidated)
	First quarter	Second quarter	Third quarter	Year-end	Total			
	(¥)	(¥)	(¥)	(¥)	(¥)	(¥ million)	%	%
Fiscal year ended March 31, 2020	–	0.00	–	10.00	10.00	12,856	25.4	3.3
Fiscal year ended March 31, 2021	–	0.00	–	12.00	12.00	15,428	119.4	4.0
Fiscal year ending March 31, 2022 (Forecast)	–	0.00	–	14.00	14.00		–	

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending March 31, 2022 (From April 1, 2021 to March 31, 2022)

(% indicate changes from the previous fiscal year)

	Revenue		Operating profit		Profit before tax		Profit attributable to owners of parent		Basic earnings per share
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥)
Full year	806,000	10.3	126,000	53.7	121,000	57.5	89,000	589.0	69.23

* Notes

(1) Changes in significant subsidiaries during the fiscal year under review (changes in specified subsidiaries resulting in the changes in scope of consolidation): No

(2) Changes in accounting policies and changes in accounting estimates

- 1) Changes in accounting policies required by IFRS: No
- 2) Changes in accounting policies due to other reasons: No
- 3) Changes in accounting estimates: No

(3) Total number of issued shares (common stock)

1) Total number of issued shares at the end of the period (including treasury shares)

As of March 31, 2021	1,370,914,963 shares
As of March 31, 2020	1,370,914,963 shares

2) Total number of treasury shares at the end of the period

As of March 31, 2021	85,279,921 shares
As of March 31, 2020	85,329,780 shares

3) Average number of shares during the period

Fiscal year ended March 31, 2021	1,285,607,153 shares
Fiscal year ended March 31, 2020	1,312,285,087 shares

Reference: Summary of Non-Consolidated Financial Results

Financial Results for the Fiscal Year ended March 31, 2021 (From April 1, 2020 to March 31, 2021)

(1) Non-Consolidated Results of Operations

(% indicate changes from the previous fiscal year)

	Revenue		Operating profit		Ordinary profit		Profit	
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%
Fiscal year ended								
March 31, 2021	344,134	(8.3)	28,575	–	49,000	269.4	8,541	(13.4)
March 31, 2020	375,258	(0.4)	(2,506)	–	13,266	(69.8)	9,861	(67.4)

	Basic earnings per share	Diluted earnings per share
	(¥)	(¥)
Fiscal year ended		
March 31, 2021	6.64	6.64
March 31, 2020	7.51	7.51

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	(¥ million)	(¥ million)	%	(¥)
As of				
March 31, 2021	826,569	349,770	42.3	271.69
March 31, 2020	771,026	376,219	48.7	292.24

Reference: Equity as of March 31, 2021: ¥349,298 million March 31, 2020: ¥375,702 million

- * Financial results reports are exempt from audit conducted by certified public accountants or an audit corporation.
- * Proper use of the forecast of financial results, and other special matters

The forward-looking statements contained in these materials are based on information currently available as of the date of release of these materials and on certain assumptions deemed to be reasonable. Actual business and other results may differ substantially due to various factors.

Attached Material

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1. Overview of Operating Results and Others

(1) Analysis of Business Results

(Review of Operations)

Analysis of the overall operations

(Millions of yen)

	Revenue	Operating profit	Profit before tax	Profit attributable to owners of parent	Basic earnings per share
Fiscal year ended March 31, 2021	730,544	81,985	76,810	12,918	¥10.05
Fiscal year ended March 31, 2020	755,231	92,200	86,617	51,670	¥39.37
Increase (Decrease) ratio (%)	(3.3)	(11.1)	(11.3)	(75.0)	–

Comparison Table of Average Exchange Rate (Yen)

	Current fiscal year	Previous fiscal year
Against the U.S. dollar	106.06	108.74
Against the euro	123.70	120.82
Against the renminbi	15.67	15.60

The global economy faced challenging conditions in the fiscal year under review 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 management strategy, which was announced in November 2019, based on “Transform Olympus.”

The Company has set “selection of and concentration on the 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 transfer 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 transfer 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) below.

(Millions of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021	Increase (Decrease)	Increase (Decrease) ratio (%)
(1) Revenue	755,231	730,544	(24,687)	(3.3)
(2) Cost of sales	272,456	271,014	(1,442)	(0.5)
(3) Selling, general and administrative expenses	381,171	357,032	(24,139)	(6.3)
(4) Share of profit (loss) of investments accounted for using equity method/ Other income/Other expenses	(9,404)	(20,513)	(11,109)	-
(5) Operating profit	92,200	81,985	(10,215)	(11.1)
(6) Finance income (loss)	(5,583)	(5,175)	408	-
(7) Income taxes	26,035	11,140	(14,895)	(57.2)
(8) Profit attributable to owners of parent	51,670	12,918	(38,752)	(75.0)

(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” below.

(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 previous fiscal year, we decided to voluntarily replace products with fixed tip caps with new products with removable tip caps 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 under review, 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 treatment tools. 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 was acquired in 2008 finished in the previous fiscal year.

(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 business 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.

(Research and development, and capital investments)

During the fiscal year under review, the Olympus Group invested ¥84,131 million on research and development, and spent ¥98,935 million on capital investments.

(Impact of COVID-19)

Due to COVID-19, postponement/cancellation of surgery was recommended by each academic society in the various fields of healthcare, 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. Also, in the Scientific Solutions Business, there was diminished appetite for capital investment among customers, in addition to restrictions on sales promotion activities including restrictions on visits to clients and postponement/cancellation of business negotiations. We have recognized an impact on the Company's consolidated results in the fiscal year under review of approximately ¥32,400 million in revenue of continuing operations.

(Impact of foreign exchange rate)

Regarding foreign exchange, the yen appreciated against the U.S. dollar, on the other hand, it depreciated against the euro and the renminbi compared to the previous fiscal year. The average exchange rate during the period was ¥106.06 against the U.S. dollar (¥108.74 in the previous fiscal year), ¥123.70 against the euro (¥120.82 in the previous fiscal year) and ¥15.67 against the renminbi (¥15.60 in the previous fiscal year), which caused revenue and operating profit to down by ¥6,275 million and ¥6,954 million, respectively, year on year. Consolidated revenue and consolidated operating profit decreased 2.4% and 3.5% year on year, respectively, excluding the impact of the foreign exchange rate.

Analysis of the performance by segment

Figures for continuing operations are presented below.

(Millions of yen)

	Revenue			Operating profit (loss)		
	Previous fiscal year	Current fiscal year	Increase (Decrease) ratio (%)	Previous fiscal year	Current fiscal year	Increase (Decrease) ratio (%)
Endoscopic Solutions	425,742	419,466	(1.5)	109,424	104,705	(4.3)
Therapeutic Solutions	216,075	206,040	(4.6)	26,191	24,633	(5.9)
Scientific Solutions	105,189	95,861	(8.9)	9,997	4,949	(50.5)
Others	8,225	9,177	11.6	(2,864)	(682)	–
Subtotal	755,231	730,544	(3.3)	142,748	133,605	(6.4)
Elimination or Unallocation	–	–	–	(50,548)	(51,620)	–
Consolidated total	755,231	730,544	(3.3)	92,200	81,985	(11.1)

Note: Businesses are segmented by adding similarities of sales market to the business established based on line of products.

Endoscopic Solutions Business

(Millions of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021	Increase (Decrease)	Increase (Decrease) ratio (%)
Revenue	425,742	419,466	(6,276)	(1.5)
Operating profit (loss)	109,424	104,705	(4,719)	(4.3)

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 voluntarily replace products with fixed tip caps with new products with removable tip caps 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 previous fiscal year. In addition, in the fiscal year under review, 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

(Millions of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021	Increase (Decrease)	Increase (Decrease) ratio (%)
Revenue	216,075	206,040	(10,035)	(4.6)
Operating profit (loss)	26,191	24,633	(1,558)	(5.9)

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 was acquired in 2008 finished in the previous fiscal year, and raising cost efficiency was promoted, the decline in revenue, recording approximately ¥2,000 million as expense for the voluntary recall of treatment tools 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.

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

(Millions of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021	Increase (Decrease)	Increase (Decrease) ratio (%)
Revenue	105,189	95,861	(9,328)	(8.9)
Operating profit (loss)	9,997	4,949	(5,048)	(50.5)

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

(Millions of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021	Increase (Decrease)	Increase (Decrease) ratio (%)
Revenue	8,225	9,177	952	11.6
Operating profit (loss)	(2,864)	(682)	2,182	–

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 previous fiscal year). 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 CORP., which had been a subsidiary of the Company, to ROHTO Pharmaceutical Co., Ltd. in March 2021. For details on the aforementioned sale of shares, please refer to notes on (Loss of control) (page 48).

(Forecast for the Fiscal Year Ending March 31, 2022)

The forecast for consolidated financial results in the fiscal year ending March 31, 2022 is as follows.

Furthermore, foreign exchange rates for the fiscal year ending March 31, 2022, which are a precondition, are expected to be ¥108 per U.S. dollar, ¥130 per euro and ¥16.5 per renminbi.

(Millions of yen)

	Revenue	Operating profit	Profit before tax	Profit attributable to owners of parent
Fiscal year ending March 31, 2022	806,000	126,000	121,000	89,000

(Revenue) Revenue is expected to increase in all segments based on the assumption that the impact of COVID-19 will continue to diminish as global vaccinations progress. In addition, in the Endoscopic Solutions Business, revenue is expected to grow due to sales expansion centered on the gastrointestinal endoscope system “EVIS X1.” In the Therapeutic Solutions Business, revenue is expected to grow in the focus areas of GI endotherapy, Urology and Respiratory, and revenue contribution from the acquired companies is also expected. In the Scientific Solutions Business, revenue is expected to grow due to sales growth in China in both the life science and industrial fields.

(Operating profit, Profit before tax) Profits are expected to improve due to the increase in revenue and because approximately ¥12,000 million as expenses mainly for special additional payment associated with implementing the career support for external opportunity, and approximately ¥5,200 million in business restructuring expenses related to the establishment and transfer of a new company due to the divestiture of the Imaging Business recorded in the fiscal year under review will disappear in the next fiscal year.

(Profit attributable to owners of parent company) Profits are expected to increase due to the disappearance of the impact the transfer of the Imaging Business that occurred in the fiscal year under review in addition to the improvement of profit before tax.

(2) Analysis of Financial Position and Cash Flows

(Analysis of assets, liabilities and equity)

(Millions of yen)

	As of March 31, 2020	As of March 31, 2021	Increase (Decrease)	Increase (Decrease) ratio (%)
Total assets	1,015,663	1,181,017	165,354	16.3
Total equity	371,958	395,480	23,522	6.3
Equity attributable to owners of parent to total assets	36.5%	33.4%	(3.1)%	—

[Assets]

As of the end of the fiscal year under review, total assets increased by ¥165,354 million from the end of the previous fiscal year 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 US 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 previous fiscal year 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 previous fiscal year 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 end of the previous fiscal year to 33.4%.

(Analysis of cash flows)

(Millions of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021	Increase (Decrease)
Cash flows from operating activities	133,544	124,122	(9,422)
Cash flows from investing activities	(62,430)	(118,918)	(56,488)
Cash flows from financing activities	(19,462)	40,800	60,262
Cash and cash equivalents at end of year	162,717	217,478	54,761

[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 Limited 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 under review reached ¥217,478 million, an increase of ¥54,761 million compared to the end of the previous fiscal year.

(Indicators)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Ratio of equity attributable to owners of parent to total assets (%)	45.2	47.3	36.5	33.4
Market value ratio of equity attributable to owners of parent to total assets (%)	140.9	176.1	197.7	249.4
Interest-bearing debt to cash flows ratio (years)	2.6	2.7	2.1	2.9
Interest coverage ratio (times)	14.9	14.5	36.5	37.0

Notes: Ratio of equity attributable to owners of parent to total assets: Equity attributable to owners of parent/Total assets
Market value ratio of equity attributable to owners of parent to total assets: Total market capitalization/Total assets
Interest-bearing debt to cash flows ratio: Interest-bearing debt/Cash flow
Interest coverage ratio: Cash flow/Interest payment

1. Each index was calculated by financial index of consolidated basis.
2. Total market capitalization is calculated on the basis of the number of issued shares excluding treasury stock.
3. Cash flows from operating activities are used as “Cash flow” for calculation purposes.
4. Interest-bearing debts include all of those debts reported on the consolidated statements of financial position on which interest is paid.

(3) Basic Strategy for Profit Sharing and Dividend for the Current Fiscal Year and Following Fiscal Year

In order to realize sustainable growth of the Olympus Group, the Company will prioritize investment in business growth etc., while actively implementing shareholder returns in consideration of shareholder value, and dividends will be the basic portion of the returns under the basic policy of stable implementation.

In accordance with the above policy and in consideration of comprehensive factors that include the consolidated financial results for the fiscal year ended March 31, 2021, the financial standing and future investment in operations, the Company intends to pay a year-end dividend of ¥12 (annual dividend of ¥12) per share for the fiscal year under review.

The Company intends to pay an annual dividend of ¥14 (year-end dividend of ¥14) per share for the next fiscal year ending March 31, 2022.

(4) Business Risks

The Company applies the regulations in Note (31) listed in Form 2 of the “Cabinet Office Order on Disclosure of Corporate Affairs” following amendment in accordance with the “Cabinet Office Order Partially Amending the Cabinet Office Order on Disclosure of Corporate Affairs” (Cabinet Office Order No. 3 of January 31, 2019).

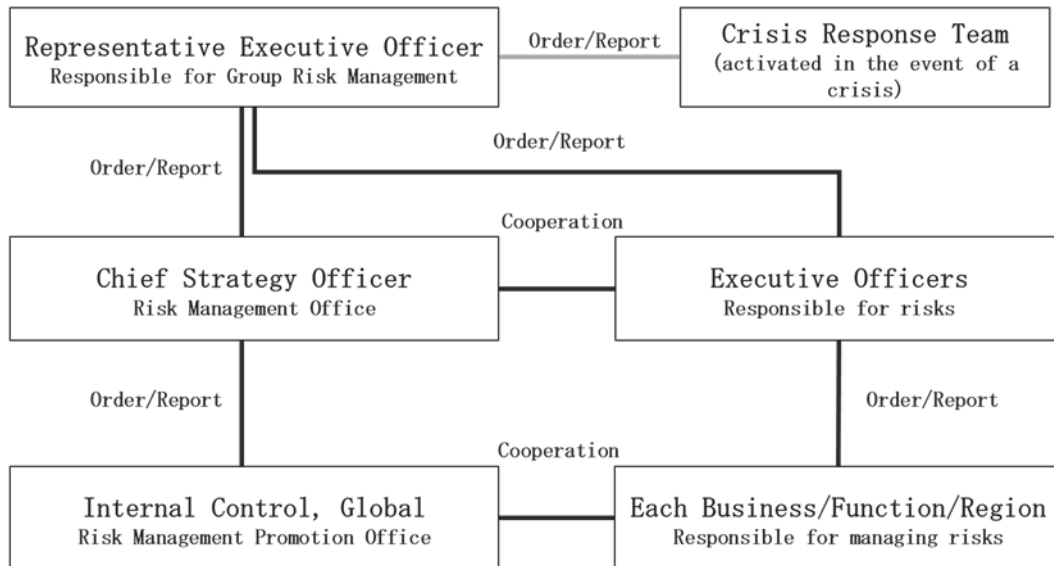
The business performances of the Olympus Group may be materially influenced by various risks (uncertainties) which may occur in the future. Based on the “Policy of Risk Management and Crisis Response” and related rules, the Olympus Group develops global risk management systems, undertaking risk management from the perspective of both “offense” through active and sound risk taking leading to sustainable growth and value creation for the Company and “defense” to prevent illegalities and accidents.

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 permitted scope of their designated area of risk.

In addition, the Olympus Group operates risk management processes with a 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 company-wide evaluation standards, and company-wide risk tracked 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 the “basic management policy” through these risk management initiatives.



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

The future outlooks described below are based on the forecasts of the Olympus Group made as of the end of the fiscal year ended March 31, 2021.

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

Risks
<p>In the medical field, healthcare system reforms are being continuously implemented in Japan and overseas with the aim of curbing medical care costs and improving the quality of life (QOL) of patients by improving the safety and efficacy of healthcare services. As a result, legal and regulatory requirements for medical device applications and registrations in each country, including the US Food and Drug Administration (FDA) and European Medical Device Regulations (EU-MDR), are increasing every year. In addition, the requirements concerning reprocessing (i.e., cleaning, disinfection, and sterilization) are becoming more complex.</p> <p>The Olympus Group’s earnings may be adversely affected if: (i) amendments to healthcare laws and regulations or related administrative policies, or other unexpected environmental changes occur; and (ii)-a Olympus Group fails to launch new products or services in a timely manner or (ii)-b Olympus Group otherwise needs to take certain actions corresponding to such amendments or changes.</p> <p>In March 2018, FDA has issued warning letters to duodenal endoscopy manufacturers including Olympus Group, due to incompliance with the mandatory post-marketing surveillance studies relating to the cleaning and disinfection of such products. Subsequently, we completed the post-marketing surveillance studies while cooperating with the FDA and in February 2020, we submitted the final report for the post-marketing surveillance studies. We are currently implementing the post-marketing surveillance studies concerning successor devices that we started selling in the U.S. in 2020, further regulatory actions may be taken by the FDA depending on the future progress.</p>

Countermeasures
<p>Through product lifecycle management and infection prevention strategies, the Olympus Group is working on the development and selection of safe products, product development that is in compliance with laws and regulations, and the sharing of materials to be submitted to each country. In addition, through such efforts as training human resources and strengthening our capabilities to respond within the Olympus Group, such as sections dealing with quality and laws and regulations, the Company, while continuing periodic audits and verification procedures, is improving the processes for corrective action and preventative action in order to quickly respond to change in market requirements. Furthermore, for matters related to regulations, the Company, while conducting periodic monitoring and providing status updates to the management, is periodically training employees engaged in applicable operations to ensure best practices are shared by all while ensuring a thorough understanding of applicable laws and regulations.</p>

(Risks Associated with Macroeconomic Environment)

Risks
<p>We believe there is a solid need for healthcare as societies progressively age, particularly in developed countries. In addition, the need for healthcare is also rising in emerging countries due to economic growth. On the other hand, there are efforts underway, chiefly in developed countries, to reform healthcare systems in response to rising healthcare expenditures, aiming to optimize healthcare costs and provide effective, high quality healthcare services, and these changes may adversely affect the Olympus Group's earnings.</p> <p>In addition, the Olympus Group's earnings may be adversely affected by change to the economic environment caused by the materialization of geopolitical risks.</p> <p>The Olympus Group provides products and services in the endoscopic solutions business, therapeutic solutions business, scientific solutions business, etc. to customers worldwide. However, the earnings from these businesses are largely affected by the global economy and economic trends in each country.</p> <p>Earnings in the medical field may be adversely affected if the national budgets of countries are curtailed or if there is a change in policy, etc.</p> <p>Earnings in the life science field of the Scientific Solutions Business may be adversely affected if the national budgets of countries are curtailed as the proportion of sales to national and public research institutions is high. However, in the industrial field, there is a high proportion of sales to the automotive industry, aviation industry and oil-related industries and earnings may be adversely affected by capital investment trends.</p> <p>In addition, apart from the impact on selling activities due to restrictions on visits to customers such as medical institutions or postponement/cancellation of business negotiations because of the worldwide spread of COVID-19, the Company has been affected by factors such as the decrease in the volume of products sold due to the decrease in the number of procedures. Please see "(Risks Associated with COVID-19 Infections)" for details.</p>
Countermeasures and opportunities
<p>The Olympus Group is not limited to conducting business operations in specific regions, but instead is working towards providing diverse products and services in various business fields and regions worldwide. In addition, since it is important to increase the number of physicians able to operate endoscopes in emerging countries, the Company is supporting the training of endoscopists.</p> <p>Opportunities may emerge for increased earnings, etc. in the life science field of the Scientific Solutions Business and the medical field, if there is an increase in related national budgets due to policy, etc., or in the industrial field of the Scientific Solutions Business, if there is an increase in demand for capital investment due to change in the business environment for client companies.</p>

(Risks Associated with Market Competition)

Risks
In the business fields where the Olympus Group relates to, there are risks that: (i) severe competitions with our competitors may cause decline in the unit price of our products or in our market shares; and that (ii) the alternative technologies or products may emerge. In such a competitive environment, it is necessary to launch products that are competitive in terms of technology, quality, etc. into markets in a timely manner, but earnings may be adversely affected depending on the results.
Countermeasures and opportunities
The Company monitors the competitive environment, including the emergence of alternative technologies and products in the market, and works towards expediting the selection and development of new technologies that should be adopted in cooperation with marketing, intellectual property and relevant departments. In addition, the Company actively considers not only inhouse development, but also the incorporation of external technologies through alliances, etc. The Company is working towards the development of new high-value added products and technologies that meet the market needs. In cases where it becomes possible to launch competitive products into the market in a timely manner by catching up with the changes in market environment, and with the trends of alternative technologies and products being launched into the market, there could be opportunities for increased earnings, etc. mainly through high unit price and expansion of the Company's share.

(Risks Associated with Selling Activities)

Risks
The Olympus Group and many of its distributors and suppliers engage in business with government-affiliated companies, medical institutions, and officials. In addition, there are wide-range of laws and regulations that cover fraud and misconduct in the healthcare industry; if the interpretation of such laws and regulations or their application guidelines change in the future, that may restrict the Olympus Group's sales or marketing activities.
Countermeasures
The Olympus Group makes its employees adhere thoroughly to the compliance of laws and regulations in their performance of duties as outlined in the Global Code of Conduct and provides training to employees on the importance of preventing corruption and compliance with each country's competition-related laws. In addition, the Olympus Group conducts compliance trainings to local dealers in China.

(Risks Associated with Production/Development Activities)

Risks
For products and parts that depend on certain suppliers, if the procurement is restrained by such suppliers, the Olympus Group's ability to produce and supply products may be adversely affected. In addition, if the Olympus Group is unable to appropriately respond to sudden changes in market conditions, its earnings and supply chain may be adversely affected. The Olympus Group and its manufacturing contractors manufacture products in accordance with strict quality standards. However, if any product deficiency, malfunction, etc. occurs, not only substantial costs including those of a recall would be incurred but also the Olympus Group's reputation from the market would be undermined, which may adversely affect the Olympus Group's earnings. If a rapid technological innovation causes unexpected change in market environment, and the Olympus Group fails to develop new products which properly meets customers' needs in a timely manner, the Olympus Group's earnings may be adversely affected. In addition, if Olympus Group suffers cost increase due to the extension of development period and impairment loss of capitalized R&D assets, the Olympus Group's earnings may be adversely affected.

Countermeasures and opportunities

The Company aims to reduce supply issues through measures such as grasping customer trends and strengthening relations with customers and considering backup plans. In addition, the Company aims to curtail quality issues by implementing quality improvement activities such as separating the product development process into business reviews, technology reviews, etc.

In the medical field, in addition to technology development within the Company, the Company promotes the expansion of the product portfolio and acquisition of new technologies through M&A, etc. There have been heightened expectations in recent years for single-use endoscopes and diagnosis using AI as the requirement has increased with the heightened awareness of infection control, etc., and the Company is also actively working in product development.

In cases where competitive products can be continually launched into the market, it will be possible to translate this into capturing opportunities for growth.

In addition, when undertaking production and development activities, we strategically consider whether to use internal or external resources after ascertainment of our proprietary core technologies. We will aim to further pursue cost cutting and increase the profit ratio through utilization of the best resource in light of such consideration.

(Risks Associated with Foreign Currencies Exchange Rate Fluctuations)

Risks

The Olympus Group provides products and services in various markets all over the world, and the overseas sales ratio on a consolidated basis accounts for approximately 83% in the fiscal year ended March 31, 2021. The Group's performance may be adversely affected by a strong yen, while it may be positively affected by a weak yen. We hedge foreign currency-denominated receivables and payables where possible, however in the event that sudden exchange fluctuations occur or if receivables and payables being hedged differ significantly from expectations, the Olympus Group's business performance may be adversely affected.

Countermeasures

The Olympus Group mainly uses forward exchange contracts to reduce the risk of foreign exchange fluctuations. Furthermore, we are working to reduce foreign currency-denominated receivables and payables through improving the efficiency of the Group's funds by introducing global cash pooling.

(Risks Associated with Business Collaborations, Corporate Acquisitions and Sale of Business)

Risks
<p>The Olympus Group has built long-term strategic partnerships with leading enterprises in connection with technologies, product development, sales and marketing. If these strategic partners have financial or any other business-related issues, or the Olympus Group and such partners fail to maintain their partnerships due to reasons such as change of strategies, the Olympus Group's business activities may be adversely affected.</p> <p>The Olympus Group may acquire a business enterprise in order to expand its business. If the Olympus Group fails to integrate the acquired business appropriately in line with its corporate strategy or to utilize the existing business or the acquired business in an efficient manner, the Olympus Group's business execution may be adversely affected, or its business performances and financial position may be adversely affected due to impairment of goodwill, loss on sale of business, liquidation loss, or other related expenses.</p> <p>The Olympus Group holds investment securities for business purposes which include facilitating business alliances. As such, our business performance and financial position may be adversely affected under some situations involving considerable volatility with respect to stock prices and valuations of such investments brought about by developments that include market fluctuations and changes in the financial position of entities targeted for investment.</p> <p>In addition, as part of the strategic review of the business portfolio, the Company may sell affiliated companies or businesses positioned as non-core, however, if changes in the laws and regulations of each country, economic conditions, and business conditions of counterparties make it difficult to implement the sale, or if there is a loss on sale or valuation loss occurs, it may have a management or financial impact on the Olympus Group.</p> <p>The Olympus Group has been attempting to transfer of all the equity interests in Olympus (Shenzhen) Industrial Ltd., a consolidated subsidiary in Shenzhen, China and owned by Olympus (China) Co., Ltd., another consolidated subsidiary. Depending on the result of the attempt, the Olympus Group's business performance and financial position may be adversely affected.</p>
Countermeasures and opportunities
<p>When considering M&A and investment, it is necessary to reduce the risk of serious problems being discovered after the conclusion of a contract. Accordingly, before making a decision on whether to proceed with an investment, the Company deliberates the appropriateness of the investment evaluation in accordance with approval processes established by the Company, while undertaking various types of due diligence and also using outside lawyers and financial advisors. In addition, the Company is working towards improving the entire investment process through periodically revising the internal guidelines for adhering to compliance, the valuation model and the matters of due diligence, and monitoring the relevant business after the completion of the transaction.</p> <p>The Company may improve long-term growth and corporate value, expanding the product portfolio and obtaining new technology through business collaborations and corporate acquisitions with appropriate countermeasures.</p>

(Risks Associated with Overall Investment)

Risks
The Olympus Group is investing in various areas related to its business, and the Olympus Group's business performance and financial position may be adversely affected if there is an unforeseen change in circumstances, such as a sudden change in the external environment from when the decision was made in relation to such investment.
Countermeasures
The Company determines whether to invest or not, deliberating the appropriateness of the investment evaluation before investing.

(Risks Associated with Information Security)

Risks
<p>The Company is working towards reducing information security risk such by preparing against cyberattacks that could disrupt business continuity, preventing the leakage of confidential information and the personal information of stakeholders as well as violation of laws and regulations to provide continuous supply of the Company's products and services. Nevertheless, were an unauthorized event such as the following to occur, the Olympus Group may suffer in addition to the damage to its corporate value, reduction in business competitiveness, loss of social credibility, indemnity obligations to affected stakeholders, which may in turn cause adverse effect to its business performance and financial position.</p> <ul style="list-style-type: none"> • An incident that makes it impossible for a customer to continue its business as a result of a patient data leak in a customer's environment through use or maintenance of the Company's products caused by a sophisticated cyberattack, or makes it impossible for a medical institution to carry out tests and treatments as a result of a business interruption or a delay in the provision of maintenance services of the Company. • An incident where technological information or customer information is leaked or lost while stored in the Company due to inadequate information security measures or internal misconduct. • An incident where the Company is issued with a fine or other penalty from a government agency or where a law suit is filed against the Company by a stakeholder as a result of a violation of personal information protection laws of a particular country worldwide (Act on the Protection of Personal Information in Japan, General Data Protection Regulation (GDPR) in the EU, California Consumer Privacy Act (CCPA) in California, U.S., etc.)
Countermeasures
<p>Under the leadership of the Chief Information Security Officer, the Group has built a system that can respond appropriately to risks related to information security, and is working to reduce information security risks. Meanwhile, we are taking the following measures.</p> <ul style="list-style-type: none"> • Introduction of a product security management system to reduce cyber risk in the customer environment through improvements in the product security level and to reduce security risk in business activities and points of contact with customers, responding to vulnerability and preparing an incident response structure based on risk analysis and evaluation. • Introduction of a security management system to reduce the risk of the external outflow of information, including confidential information and personal information, taking measures such as the collection of access logs and quick detection of any abnormalities through analysis. • Establishing a dedicated department for personal information protection, working together with each regional headquarter in Japan, the Americas, Europe, China and Asia·Oceania to prepare a structure to respond to overseas personal information protection laws, formulating countermeasure guidelines and monitoring their implementation.

(Risks Associated with Internal Control System)

Risks
<p>No matter how effective the internal control system is, there is a potential risk that it may not properly operate for reasons such as any actions made by willful misconduct or gross negligence of our employees or other persons. If the Olympus Group fails to properly respond to such a situation, the Olympus Group may breach the laws and regulations in the future, which may result in payment of fines under administrative action, penalties under criminal proceedings, or indemnity civil lawsuits. Moreover, in such case, we may suffer an adverse impact on our business from a loss of our social trust, which in turn may cause an adverse impact on our operating results.</p> <p>There is a potential risk that the said system may not properly work due to reasons such as unexpected changes in the business and social environment which invalidates the system, or mishandlings by internal organizations or functions. If the Olympus Group fails to properly respond to such situations, the Olympus Group's business performance and financial position may be adversely affected.</p>
Countermeasures
<p>The Olympus Group has developed and is maintaining and continuously improving a system to ensure appropriate and reliable financial reporting. In addition, The Olympus Group has developed, and is operating and continuously improving a system to ensure valid and efficient work processes.</p>

(Risks Associated with Laws and Regulations)

Risks
<p>The Olympus Group globally operates its businesses, including the medical business, which is a regulated business. We are subject to various laws, including the healthcare-related laws, antimonopoly laws both in Japan and other jurisdictions, as well as the anti-bribery provisions of the U.S. Foreign Corrupt Practices Act of 1977 (FCPA), the U.K. Anti-Bribery Act and other anti-bribery laws in other jurisdictions. We are also subject to various laws targeting fraud and misconduct in the healthcare industry, including the Act against Unjustifiable Premiums and Misleading Representations in Japan, and the Anti-Kickback Statute and the False Claims Act in the United States.</p> <p>Violations of these laws may be punishable by criminal or civil fines, imprisonment and/or exclusion from participation in certain national healthcare programs. Furthermore, since many of our customers rely on reimbursement from public health insurance and other government programs to subsidize their medical expenditures, if our participation in such programs is restricted as a result of a violation of these laws, that could adversely affect the demand for our products and the number of surgical procedures performed with our devices.</p> <p>The plea agreement, which we executed on December 3, 2018 with the U.S. Department of Justice, requires our subsidiary, Olympus Medical Systems, Corp. (OMSC), to “undertake steps to enhance its regulatory compliance processes and procedures, and to regularly make certain certifications that OMSC is meeting the expectations of the settlement.” Depending on OMSC's performance of the said obligation, it may be subject to additional measures by the U.S. Department of Justice.</p> <p>The Olympus Group strives to fully comply with these laws, however, if the Group violates any of them, regardless such violation is intentionally or not, it may affect the Olympus Group's business, financial position, results of operations, cash flows, and share price.</p>

Countermeasures
<p>The Olympus Group makes its employees adhere thoroughly to the compliance of laws and regulations in their performance of duties as outlined in the Global Code of Conduct. Departments performing control functions, such as Legal Affairs, Compliance and Internal Audit, monitor the business activities from the perspective of whether such activities are complying with the laws, regulations and internal guidelines that are applicable to the Group. In addition, necessary and appropriate training and education is provided to employees. The Olympus Group is constructing a structure to collect information and monitor regulations related to the Company's business in all markets where business is being developed. In addition, if there are amendments or changes to applicable laws or regulations, the Olympus Group ensures there is a thorough knowledge of such changes by employees while swiftly developing and supplying products corresponding to such amendments or changes.</p>

(Risks Associated with Litigation)

Risks
<p>The Olympus Group may be subject to lawsuits, disputes and other legal proceedings in connection with its domestic and international businesses. If a material lawsuit such as indemnity claim or injunction is filed by a third party, the Olympus Group's business performance and financial position may be adversely affected.</p> <p>The Olympus Group uses various intellectual property rights in the course of its R&D and production activities, and although it believes that the Olympus Group lawfully owns or are licensed to use such rights, if any third party asserts that the Olympus Group has unknowingly infringed any of these intellectual property rights and files litigation, the Olympus Group's earnings may be adversely affected.</p> <p>Olympus (Shenzhen) Industrial Ltd., a consolidated subsidiary in Shenzhen, China and owned by Olympus (China) Co., Ltd., another consolidated subsidiary, had been sued by Shenzhen Anping Tai Investment and Development Co., Ltd. ("Anpingtai") on December 23, 2016, and its judgement was handled down on July 30, 2018. We objected to this judgement and filed an appeal on August 17, 2018. On July 1, 2020, the Guangdong Higher People's Court vacated the first judgement and remanded the case back to the first instance court for reconsideration because the basic facts of the case, such as the validity of the memorandum based on which Anpingtai made its claims, are unclear but the Olympus Group's business performance and financial position may be adversely affected depending on future developments.</p>
Countermeasures
<p>The Company has established a structure and process that enables timely consultation with external experts such as lawyers if a lawsuit or other legal proceeding arises and is strengthening the skills and expert knowledge in applicable departments in each regional headquarter in Japan, the Americas, Europe, China and Asia·Oceania. In addition, Olympus maintains insurance to prepare for certain types of unexpected losses due to lawsuits in order to minimize financial risk.</p>

(Risks Associated with Financing)

Risks
<p>The Olympus Group finances itself by, amongst others, loans from financial institutions as well as issuance of bonds. Changes in the financial markets may have an adverse impact on our financing capacities.</p> <p>Furthermore, if the financing cost rises due to the deterioration of the Group's business performance, etc., the financing of the Group may be adversely affected, while if the financing cost decreases due to the improvement of the business performance, etc., it may be positively affected.</p>
Countermeasures
<p>The Olympus Group is reducing funding costs through the diversification of funding methods such as the issuance of commercial paper and public bonds. The Olympus Group basically adopts a fixed interest rate policy for long-term interest-bearing debt to limit the impact of rising interest rates. In addition, we are working to improve the efficiency of the Group's funds and strengthen financial management by introducing global cash pooling.</p>

(Risks Associated with Business Structure Reform)

Risks
<p>The Olympus Group announced its business transformation plan "Transform Olympus" in January 2019 and announced its corporate strategy in November 2019. The Group is also promoting company-wide efficiency improvement programs expecting large-scale efficiency improvements in the areas of products (cost of sales and R&D), commercials (sales and marketing, maintenance service), and corporate (indirect expenses for corporate functions) to be a truly global medtech company achieving sustainable growth and profitability.</p> <p>If these programs do not progress as scheduled, the Olympus Group's business performance and financial position may be adversely affected.</p>
Countermeasures
<p>The Company sets gate processes and milestones for each measure and monitors the progress of each measure of the business transformation plan "Transform Olympus" on a monthly basis by assigning an officer in charge (Chief Transformation Officer) as well as project leaders for each project. If there is a significant delay, the project leader reports it to the Chief Transformation Officer, and a company-wide process is in place to resolve the issue.</p>

(Other risks)

Risks
<p>Through its domestic and overseas subsidiaries and affiliates, the Company operates its businesses globally. These businesses may be subject to investigations by domestic and overseas authorities; or the Company may have consultations with or report to authorities pursuant to laws and regulations (such as responding to the examinations under the antimonopoly acts or those related to pharmaceutical and medical device related laws, or voluntary disclosure to the U.S. Department of Justice under the FCPA). Our earnings may be adversely affected depending on the results of such investigations and consultations.</p> <p>In addition, our tax burden may be increased due to changes in applicable tax laws or changes in their interpretations and application guidelines in each jurisdiction. The valuation allowance for deferred tax assets may need to be increased as a result of recoverability reassessment due to changes in business conditions or the implementation of organizational restructuring. If such situations occur, it may adversely affect the Olympus Group's business performance and financial position.</p> <p>Moreover, occurrence of natural disaster, disease, war, civil war, riot, terrorist attack or cyberattack may adversely affect the Olympus Group's earnings.</p>
Countermeasures
<p>The Olympus Group makes its employees adhere thoroughly to the compliance of laws and regulations in their performance of duties as outlined in the Global Code of Conduct.</p> <p>In regard to changes in applicable tax laws in each jurisdiction, or changes in their interpretations and application guidelines, the Group is monitoring the amendments to laws and changes in regulations and making changes as appropriate to rules for transactions within the Group. In regard to deferred tax assets, the Group is monitoring the profitability of each group company and controlling the financial results so that the respective companies can appropriately secure profitability while also paying close attention in cases of business combinations for changes in profitability following such restructuring in order to minimize risks.</p> <p>In addition, as part of risk management, the Olympus Group applies uniform process and standard to identify and evaluate risk factors that may prevent it from achieving the strategy and fiscal year targets, and formulates efficient and effective measures based on the degree of importance of each risk factor, while monitoring the implementation status of measures throughout the year.</p> <p>When there is a serious crisis, a Crisis Response Team is established in accordance with crisis response rules that are applicable to the Group as a whole, striving to manage the crisis to minimize the negative impact on corporate value. Moreover, the Group strengthens the response to business interruption risk through the formulation and periodic revision of a business continuity plan (BCP) and education and training to increase the effectiveness of the BCP.</p>

(Risks Associated with COVID-19 Infections)

Risks
<p>While economic activities are gradually reopening after shutdowns due to the global spread of COVID-19, the global economy continued to face extremely challenging conditions overall including a second (or more) wave of infection.</p> <p>Apart from the impact on selling activities due to restrictions on visits to customers such as medical institutions or postponement/cancellation of business negotiations, the Olympus Group's business activities have been affected by factors such as the decrease in the volume of products sold due to the decrease in the number of procedures. If medical institutions will be compelled to prioritize the responsive measures to COVID-19, the number of medical treatments related to our business may decrease, in which case, the Olympus Group's sales activities may be further adversely affected. In addition, if the procurement of specific products and parts is restricted, the production and supply capacity of the Olympus Group may be affected, which may cause adverse effect to the earnings and financial position.</p>
Countermeasures
<p>The Olympus Group strives for thorough infection prevention measures and has set measures such as maintaining physical distance and wearing masks in the workplace, ventilation of facilities and self-restraint on business trips and events. In addition, a global task force will be established if necessary, to ensure certain business continuity.</p> <p>Amid the ongoing global spread of COVID-19, the Olympus Group has continued to implement training, demonstration and seminars online, and strives to provide solutions responding to the new environment.</p>

2. Basic Rationale for Selecting the Accounting Standards

The Olympus Group has voluntarily applied the International Financial Reporting Standards (IFRS) from the first quarter of the fiscal year ended March 31, 2018, with the aim of improving the international comparability of financial information in the capital market, improving the effectiveness of corporate management by applying one unified accounting rule in the Group, and reinforcing governance.

3. Consolidated Financial Statements and Significant Notes Thereto**(1) Consolidated Statements of Financial Position**

	(Millions of yen)	
	As of March 31, 2020	As of March 31, 2021
ASSETS		
Current assets		
Cash and cash equivalents	162,494	217,478
Trade and other receivables	143,062	157,920
Other financial assets	3,424	10,268
Inventories	167,596	158,984
Income taxes receivable	3,521	10,425
Other current assets	20,336	24,970
Subtotal	500,433	580,045
Assets held for sale	6,274	117
Total current assets	506,707	580,162
Non-current assets		
Property, plant and equipment	202,134	238,952
Goodwill	98,328	130,813
Intangible assets	74,792	100,435
Retirement benefit asset	31,111	22,677
Investments accounted for using equity method	2,267	3,128
Trade and other receivables	19,685	24,577
Other financial assets	27,266	23,350
Deferred tax assets	51,156	55,507
Other non-current assets	2,217	1,416
Total non-current assets	508,956	600,855
Total assets	1,015,663	1,181,017

(Millions of yen)

	As of March 31, 2020	As of March 31, 2021
LIABILITIES AND EQUITY		
Liabilities		
Current liabilities		
Trade and other payables	59,557	69,891
Bonds and borrowings	81,018	31,529
Other financial liabilities	20,188	21,873
Income taxes payable	11,276	10,736
Provisions	20,598	33,412
Other current liabilities	136,912	160,953
Subtotal	329,549	328,394
Liabilities directly associated with assets held for sale	4,221	–
Total current liabilities	333,770	328,394
Non-current liabilities		
Bonds and borrowings	199,897	323,735
Other financial liabilities	30,733	60,197
Retirement benefit liability	49,607	42,446
Provisions	7,281	5,676
Deferred tax liabilities	13,147	10,852
Other non-current liabilities	9,270	14,237
Total non-current liabilities	309,935	457,143
Total liabilities	643,705	785,537
Equity		
Share capital	124,643	124,643
Capital surplus	91,157	90,835
Treasury shares	(98,135)	(98,048)
Other components of equity	(22,751)	(1,347)
Retained earnings	275,833	278,243
Total equity attributable to owners of parent	370,747	394,326
Non-controlling interests	1,211	1,154
Total equity	371,958	395,480
Total liabilities and equity	1,015,663	1,181,017

(2) Consolidated Statements of Profit or Loss

	(Millions of yen)	
	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Continuing operations		
Revenue	755,231	730,544
Cost of sales	272,456	271,014
Gross profit	482,775	459,530
Selling, general and administrative expenses	381,171	357,032
Share of profit (loss) of investments accounted for using equity method	485	595
Other income	2,930	8,479
Other expenses	12,819	29,587
Operating profit	92,200	81,985
Finance income	1,765	1,193
Finance costs	7,348	6,368
Profit before tax	86,617	76,810
Income taxes	26,035	11,140
Profit from continuing operations	60,582	65,670
Discontinued operations		
Loss from discontinued operations	(8,927)	(52,681)
Profit	51,655	12,989
Profit attributable to:		
Owners of parent	51,670	12,918
Non-controlling interests	(15)	71
Profit	51,655	12,989
Earnings per share		
Basic earnings (loss) per share		
Continuing operations	¥46.17	¥51.03
Discontinued operations	¥(6.80)	¥(40.98)
Basic earnings per share	¥39.37	¥10.05
Diluted earnings (loss) per share		
Continuing operations	¥46.16	¥51.00
Discontinued operations	¥(6.80)	¥(40.96)
Diluted earnings per share	¥39.36	¥10.04

(3) Consolidated Statements of Comprehensive Income

	(Millions of yen)	
	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Profit	51,655	12,989
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	(1,126)	2,626
Remeasurements of defined benefit plans	(4,227)	(926)
Total of items that will not be reclassified to profit or loss	(5,353)	1,700
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	(13,273)	21,938
Cash flow hedges	337	169
Share of other comprehensive income of associates accounted for using equity method	(97)	(55)
Total of items that may be reclassified to profit or loss	(13,033)	22,052
Total other comprehensive income	(18,386)	23,752
Comprehensive income	33,269	36,741
Comprehensive income attributable to:		
Owners of parent	33,284	36,670
Non-controlling interests	(15)	71
Comprehensive income	33,269	36,741

(4) Consolidated Statements of Changes in Equity

Fiscal year ended March 31, 2020

(Millions of yen)

	Equity attributable to owners of parent						Non-controlling interests	Total equity
	Share capital	Capital surplus	Treasury shares	Other components of equity	Retained earnings	Total		
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			(93,381)			(93,381)		(93,381)
Disposal of treasury shares		(10)	10			0		0
Dividends from surplus					(10,243)	(10,243)	(126)	(10,369)
Transfer from other components of equity to retained earnings				3,869	(3,869)	–		–
Share-based payment transactions	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

Fiscal year ended March 31, 2021

(Millions of yen)

	Equity attributable to owners of parent						Non-controlling interests	Total equity
	Share capital	Capital surplus	Treasury shares	Other components of equity	Retained earnings	Total		
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			(2)			(2)		(2)
Disposal of treasury shares		(58)	58			0		0
Dividends from surplus					(12,856)	(12,856)	(170)	(13,026)
Transfer from other components of equity to retained earnings				(2,348)	2,348	–		–
Share-based payment transactions		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

(5) Consolidated Statements of Cash Flows

	(Millions of yen)	
	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Cash flows from operating activities		
Profit before tax	86,617	76,810
Loss before tax from discontinued operations	(8,819)	(52,476)
Depreciation and amortization	68,309	59,937
Impairment losses (reversal of impairment losses)	5,501	842
Interest and dividend income	(1,911)	(1,169)
Interest expenses	3,810	3,992
Loss on sale of Imaging Business	–	44,794
Share of loss (profit) of investments accounted for using equity method	(485)	(595)
Decrease (increase) in trade and other receivables	1,276	(9,718)
Decrease (increase) in inventories	(16,401)	4,024
Increase (decrease) in trade and other payables	731	7,361
Increase (decrease) in retirement benefit liability	(2,303)	(987)
Decrease (increase) in retirement benefit asset	2,136	(718)
Increase (decrease) in provisions	9,637	6,826
Other	6,752	13,847
Subtotal	154,850	152,770
Interest received	1,456	817
Dividends received	455	352
Interest paid	(3,689)	(3,355)
Income taxes paid	(19,528)	(26,462)
Net cash provided by operating activities	133,544	124,122

(Millions of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Cash flows from investing activities		
Payments into time deposits	(1)	(40,002)
Proceeds from withdrawal of time deposits	95	40,015
Purchase of property, plant and equipment	(37,774)	(38,660)
Proceeds from sale of property, plant and equipment	198	1,621
Purchase of intangible assets	(28,155)	(20,567)
Payments for loans receivable	(872)	(466)
Collection of loans receivable	1,755	1,167
Proceeds from sales of investments	3,031	7,870
Payments for acquisition of business	(571)	–
Payments for sale of businesses	–	(27,830)
Proceeds from sale of businesses	–	2,121
Payments for acquisition of subsidiaries	(49)	(44,541)
Proceeds from sale of subsidiaries	–	1,328
Purchase of investments in associates	–	(1,069)
Other	(87)	95
Net cash used in investing activities	(62,430)	(118,918)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings and commercial papers	69,534	(67,721)
Repayments of lease liabilities	(15,604)	(16,188)
Proceeds from long-term borrowings	39,780	99,230
Repayments of long-term borrowings	(58,874)	(10,606)
Dividends paid	(10,243)	(12,856)
Dividends paid to non-controlling interests	(126)	(170)
Proceeds from issuance of bonds	49,793	49,757
Payments for purchase of treasury shares	(93,381)	(2)
Payments for acquisition of interests in subsidiaries from non-controlling interests	–	(462)
Others	(341)	(182)
Net cash provided by (used in) financing activities	(19,462)	40,800
Effect of exchange rate changes on cash and cash equivalents	(3,498)	8,757
Net increase (decrease) in cash and cash equivalents	48,154	54,761
Cash and cash equivalents at beginning of period	114,563	162,717
Cash and cash equivalents at end of period	162,717	217,478

(6) Notes to Consolidated Financial Statements

(Notes on premise of going concern)

No items to report

(Reporting entity)

Olympus Corporation (hereinafter, the “Company”) is a joint stock company located in Japan. The address of its registered head office is Hachioji-shi, Tokyo. The Company’s consolidated financial statements comprise the Company and its subsidiaries (hereinafter, the “Olympus Group”) and interests in the Company’s associates.

The Olympus Group is principally engaged in the manufacturing and sales of endoscopic, therapeutic and 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, we have changed our reportable segments. Details are as described in Note “(Segment information).”

(Basis of preparation)

(1) Statement of the consolidated financial statements’ compliance with IFRS

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

(2) Basis of measurement

The Olympus Group’s consolidated financial statements have been prepared on an acquisition cost basis, except for specific financial instruments.

(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.

(4) Changes in presentation methods

(Changes caused by 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 this conclusion of agreement, from the six months ended September 30, 2020, we have classified the Imaging Business as discontinued operations. As a result, in line with our presentation format for the current fiscal year, we have partially reclassified 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 previous fiscal year.

(Significant accounting policies)

The significant accounting policies adopted for the consolidated financial statements of the Olympus Group for the fiscal year ended March 31, 2021 are the same as those applied for the fiscal year ended March 31, 2020, except for the following discontinued operations..

(Discontinued operations)

When businesses that are considered as units on which management decision is 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.

(Significant accounting estimates and associated judgments)

In preparing IFRS-based consolidated financial statements, the management is required to make judgment, 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.

Significant accounting estimates and associated judgments in the consolidated financial statements are consistent with the consolidated financial statements for the previous fiscal year.

Although the impact of the spread of COVID-19 differ by region, the impact 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 such assumptions, the Company makes accounting estimates related to impairment tests for fixed assets, including goodwill, assessment of recoverability of deferred tax assets, etc.

(Consolidated Statements of Profit or Loss)

(1) Selling, general and administrative expenses

Major items of selling, general and administrative expenses are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2020 (April 1, 2019 - March 31, 2020)	Fiscal year ended March 31, 2021 (April 1, 2020 - March 31, 2021)
Personnel expenses	213,887	213,793
Depreciation	38,212	31,543
Advertising and promotion expenses	17,914	11,746

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

(2) 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)

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 in “Other income.” The government subsidies are the grants from the government, municipality, and the like due to the spread of COVID-19 infections.

(Reversal of allowance for doubtful accounts)

The Company recorded reversal of allowance for doubtful accounts of ¥1,359 million in “Other income.”

(Subsidiary share transfer)

The Company transferred all shares of OLYMPUS-RMS CORP., a consolidated subsidiary of the Company, and recorded ¥1,770 million of the capital gains 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 related to a portion of products in the Endoscopic Solutions Business that are no longer expected to be used in the future, values have been written down to the collectable amount, and impairment losses of ¥1,522 million have been recognized as “Other expenses.”

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

(Business restructuring expenses)

The Company recorded ¥6,614 million for the cost related to promotion of the business transformation plan “Transform Olympus” in “Other expenses.”

The Company recorded ¥5,156 million 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 corporate portfolio of the Company.

(Implementation of career support for external opportunity)

The Company recorded ¥11,866 million 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.

(Segment information)

(1) Overview of reportable segments

The reportable segments of the Olympus Group are the units for which separate financial information is available and according to which reporting is periodically conducted to decide how to allocate management resources and assess business 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, we have changed to 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 “(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, endoscopy systems, repair service
Therapeutic Solutions Business	Endo-therapy devices, energy devices, urology, gynecology and ENT products
Scientific Solutions Business	Biological microscopes, industrial microscopes, industrial endoscopes, non-destructive testing equipment
Others	Biomedical materials, orthopedic equipment

(2) Revenue, business results and other items of reportable segments

Revenue, business results and other items of reportable segments are as follows. The accounting method used for reportable segments is the same as the accounting policies that are described in Note “(Significant accounting policies).”

Fiscal year ended March 31, 2020

	Reportable Segment					Adjustment (Note 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
Revenue among segments (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. Revenue among segments is based on actual market prices.
2. Adjustment for operating profit (loss) is corporate expenses that mainly consist of elimination of transactions among segments, as well as general and administrative expenses and fundamental research expenses that are not attributable to reportable segments.
3. Adjustment for segment assets is corporate expenses that are not attributable to reportable segments and assets of discontinued operations.
4. Adjustment for depreciation and amortization is the amount of depreciation and amortization related to corporate assets that are not attributable to reportable segments.
5. Adjustment for capital expenditures is the amount of increase in fixed assets related to corporate assets that are not attributable to reportable segments.

Fiscal year ended March 31, 2021

	Reportable Segment					(Millions of yen)	
	Endoscopic Solutions	Therapeutic Solutions	Scientific Solutions	Others	Total	Adjustment (Note 2, 3, 4, 5)	Amount on consolidated financial statements
Revenue							
Revenue from outside customers	419,466	206,040	95,861	9,177	730,544	–	730,544
Revenue among segments (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. Revenue among segments is based on actual market prices.
2. Adjustment for operating profit (loss) is corporate expenses that mainly consist of elimination of transactions among segments, as well as general and administrative expenses and fundamental research expenses that are not attributable to reportable segments.
3. Adjustment for segment assets is corporate expenses that are not attributable to reportable segments.
4. Adjustment for depreciation and amortization is the amount of depreciation and amortization related to corporate assets that are not attributable to reportable segments.
5. Adjustment for capital expenditures is the amount of increase in fixed assets related to corporate assets that are not attributable to reportable segments.

(3) Information by region

Information by region of revenue of the Group is as follows.

	(Millions of yen)	
	Fiscal year ended March 31, 2020 (April 1, 2019 - March 31, 2020)	Fiscal year ended March 31, 2021 (April 1, 2020 - March 31, 2021)
Japan	132,511	123,454
North America	259,754	236,979
Europe	175,316	181,227
China	101,826	110,354
Asia and Oceania	66,831	63,563
Others	18,993	14,967
Total	755,231	730,544

Notes: 1. Revenue is based on the location of the customer, and is classified by country or region.

2. Major countries and regions other than Japan are as follows:

- | | |
|----------------------|--|
| (1) North America | USA, Canada |
| (2) Europe | Germany, UK, France, etc. |
| (3) Asia and Oceania | Singapore, Hong Kong, Korea, Australia, etc. |
| (4) Others | Central and South America, Africa, etc. |

Revenues from external customers in the USA during the fiscal years ended March 31, 2020, and March 31, 2021, were ¥245,010 million and ¥222,057 million, respectively. There is no single country or region, except for Japan, the USA, and China, whose revenue from the external customers was material in the fiscal years ended March 31, 2020, and March 31, 2021.

(Cash and cash equivalents)

Breakdown of cash and cash equivalents in the Consolidated Statements of Financial Position and Consolidated Statements of Cash Flows is as follows.

	(Millions of yen)	
	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Cash and cash equivalents in the consolidated statements of financial position	162,494	217,478
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

(Assets held for sale and liabilities directly associated with assets held for sale)

Breakdown of assets held for sale and liabilities directly associated with assets held for sale is as follows.

	(Millions of yen)	
	As of March 31, 2020	As of March 31, 2021
Assets		
Cash and cash equivalents	223	–
Land	27	45
Buildings and structures	274	72
Machinery and vehicles	543	0
Construction in progress	308	–
Other property, plant and equipment	19	–
Goodwill	310	–
Other financial assets	4,482	–
Other current assets	88	–
Total	6,274	117
Liabilities		
Provisions	4,196	–
Other current liabilities	25	–
Total	4,221	–

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

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

The Company concluded an agreement with Shenzhen YL Technology Co., Ltd. (hereinafter “YL”) to transfer all of the equity interests in Olympus (Shenzhen) Industrial Ltd. (hereinafter “OSZ”), a consolidated subsidiary in Shenzhen, China and owned by Olympus (China) Co., Ltd., another consolidated subsidiary, to YL (hereinafter the “Equity Interest Transfer”), and the Company had been proceeding with preparations for the Equity Interest Transfer. However, due to nonfulfillment of the final closing clause, the Equity Interest Transfer Agreement with YL was canceled and the Equity Interest Transfer was stopped.

However, the policy to transfer the equity interests in OSZ remains unchanged, and the Company is continuing activities aimed at conducting the transfer. Accordingly, the assets and liabilities of OSZ continue to be classified and presented as part of disposal group held for sale and the transfer is planned to be carried out within one year following the fiscal year closing date.

(Transfer of the Norwalk facility)

Assets classified as assets held for sale at the end of the previous fiscal year are the Therapeutic Solutions Business related assets owned by subsidiaries for which the sale was determined and scheduled for sale within a year from the fiscal year closing date.

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

(Transfer 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, we have 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, we have transferred “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.

(Provisions)

As a result of conducting voluntary post-market surveillance, we decided to voluntarily recall a Bronchovideoscope model and a Choledochofiberscope model that were subject to that surveillance in light of our quality standards, placing top priority on patient safety. For the fiscal year ended March 31, 2021, Olympus Medical Systems Corp., the manufacturing subsidiary of the Company legally responsible for manufacturing said products recorded a provision of ¥5,653 million in the cost of sales of its Endoscopic Solutions Business to cover the costs associated with this market response.

(Per-share data)**(1) Basic earnings per share and diluted earnings per share**

	Fiscal year ended March 31, 2020 (April 1, 2019 - March 31, 2020)	Fiscal year ended March 31, 2021 (April 1, 2020 - March 31, 2021)
Basic earnings per share		
Continuing operations	¥46.17	¥51.03
Discontinued operations	¥(6.80)	¥(40.98)
Basic earnings per share	¥39.37	¥10.05
Diluted earnings per share		
Continuing operations	¥46.16	¥51.00
Discontinued operations	¥(6.80)	¥(40.96)
Diluted earnings per share	¥39.36	¥10.04

(2) The basis for calculating basic earnings per share and diluted earnings per share

	(Millions of yen)	
	Fiscal year ended March 31, 2020 (April 1, 2019 - March 31, 2020)	Fiscal year ended March 31, 2021 (April 1, 2020 - March 31, 2021)
Profit used to calculate basic earnings per share and diluted earnings per share		
Profit attributable to owners of parent	51,670	12,918
Profit not attributable to common shareholders of parent	-	-
Profit used to calculate basic earnings per share	51,670	12,918
Continuing operations	60,597	65,599
Discontinued operations	(8,927)	(52,681)
Adjustment to profit	-	-
Profit used to calculate diluted earnings per share	51,670	12,918
Continuing operations	60,597	65,599
Discontinued operations	(8,927)	(52,681)

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

The weighted average number of shares of common stock	1,312,285 thousand shares	1,285,607 thousand shares
Increase in number of shares of common stock		
Subscription rights to shares relating to stock options	570 thousand shares	536 thousand shares
Common stock relating to performance-linked share-based remuneration	8 thousand shares	-
Common stock relating to subsequent grant-type restricted share-based remuneration	-	71 thousand shares
Average number of shares of diluted common stock during the period	1,312,863 thousand shares	1,286,214 thousand shares

(Business combinations)

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

No significant business combinations.

Fiscal year ended March 31, 2021 (April 1, 2020 - 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) Acquired ratio of holding capital with voting rights

100%

4) Acquisition date

August 7, 2020

5) Acquisition method to govern the acquired company

Cash consideration for the acquisition of shares

(2) Acquisition-related expense

The acquisition-related expense of ¥67 million has been booked in “Sales, general and administrative expenses.”

(3) Fair value of consideration paid, assets acquired, and liabilities undertaken as of the acquisition date

	(Millions of yen)
	Amount
Fair value of consideration paid	
Cash	3,472
Consideration with conditions	488
Total	3,960
Fair value of assets acquired and liabilities undertaken	
Cash and cash equivalents	79
Property, plant and equipment	0
Intangible assets	1,296
Other assets	5
Deferred tax liabilities	(246)
Other liabilities	(74)
Fair value of assets acquired and liabilities undertaken, net	1,060
Goodwill	2,900
Total	3,960

Based on the fair value of consideration paid on the acquisition date, we have allocated the assets acquired and liabilities undertaken. 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.

The details of goodwill were created mainly from 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) Consideration with conditions

The consideration with conditions 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 consideration with conditions is level three. The amount of change in fair value of the consideration with conditions includes the recording of the part based on changes in the time value of money as "Financial 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 and loss information of the said business combination on and after the acquisition date as well as profit and 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.

(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) Acquired ratio of holding capital with voting rights

100%

4) Acquisition date

November 2, 2020

5) Acquisition method to govern the acquired company

Cash consideration for the acquisition of shares

(2) Acquisition-related expense

The acquisition-related expense of ¥403 million has been booked in “Sales, general and administrative expenses.”

(3) Fair value of consideration paid, assets acquired, and liabilities undertaken as of the acquisition date

	(Millions of yen)
	Amount
Fair value of consideration paid	
Cash	5,776
Consideration with conditions	194
Total	5,970
Fair value of assets acquired and liabilities undertaken	
Cash and cash equivalents	122
Trade and other receivables	618
Inventories	3,445
Other current assets	1,099
Property, plant and equipment	1,271
Intangible assets	2,232
Deferred tax assets	617
Trade and other payables	(727)
Bonds and borrowings (current)	(3,055)
Provisions	(460)
Other current liabilities	(723)
Retirement benefit liability	(206)
Deferred tax liabilities	(847)
Other non-current liabilities	(356)
Fair value of assets acquired and liabilities undertaken, net	3,030
Goodwill	2,940
Total	5,970

Based on the fair value of consideration paid on the acquisition date, we have allocated the assets acquired and liabilities undertaken. 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 in the fiscal year ended March 31, 2021, because all of the information necessary to calculate the allocation of consideration paid was available, 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, an increase in intangible assets of ¥1,725 million, and an increase in deferred tax liabilities of ¥847 million. As a result, goodwill decreased by ¥2,303 million. The balance of intangible assets of ¥2,232 million is mostly comprised of ¥2,031 million 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.

The details of goodwill were created mainly from 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) Consideration with conditions

The consideration with conditions 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 consideration with conditions is level three. The amount of change in fair value of the consideration with conditions includes the recording of the part based on changes in the time value of money as “Financial 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 and loss information of the said business combination on and after the acquisition date as well as profit and 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.

(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), we expect even greater results in smoothly accessing lesions and diagnosing and determining the stage of a patient’s lung cancer. Through this acquisition, not only will we strengthen the product lineup in our Respiratory Business, but we will also greatly strengthen our North American sales network with the addition of VMT’s highly experienced sales staff. By enhancing our competitiveness in the pulmonary market, we will further contribute to early diagnosis and minimally invasive therapies for bronchial disease.

3) Acquired ratio of holding capital with voting rights

100%

4) Acquisition date

December 29, 2020

5) Acquisition method to govern the acquired company

Cash consideration for the acquisition of shares

(2) Acquisition-related expense

The acquisition-related expense of ¥440 million has been booked in “Sales, general and administrative expenses.”

(3) Fair value of consideration paid, assets acquired, and liabilities undertaken as of the acquisition date

	(Millions of yen)
	Amount
Fair value of consideration paid	
Cash	31,050
Consideration with conditions	1,461
Total	32,511
Fair value of assets acquired and liabilities undertaken	
Cash and cash equivalents	433
Trade and other receivables	506
Inventories	2,259
Property, plant and equipment	41
Intangible assets	14,647
Other assets	210
Deferred tax assets	1,612
Trade and other payables	(128)
Other liabilities	(587)
Deferred tax liabilities	(2,586)
Fair value of assets acquired and liabilities undertaken, net	16,407
Goodwill	16,104
Total	32,511

Based on the fair value of consideration paid on the acquisition date, we have allocated the assets acquired and liabilities undertaken. 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 conditions present at the point of acquisition, we may adjust the above values for a period of one year from the acquisition date.

Regarding the facts and circumstances that existed as of the acquisition date in the fiscal year ended March 31, 2021, because the information necessary to calculate the allocation of consideration paid was available, 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 consideration with conditions of ¥1,127 million, an increase in inventories of ¥828 million, an increase in intangible assets of ¥14,647 million, and an increase in deferred tax liabilities of ¥2,586 million. As a result, goodwill decreased by ¥14,425 million.

The details of goodwill were created mainly from 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) Consideration with conditions

The consideration with conditions 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 consideration with conditions is level three.

(5) Impacts on the Olympus Group

The Company omits making a description concerning profit and loss information of the said business combination on and after the acquisition date as well as profit and 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.

(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) Acquired ratio of holding capital with voting rights

100%

4) Acquisition date

February 9, 2021

5) Acquisition method to govern the acquired company

Cash consideration for the acquisition of shares

(2) Acquisition-related expense

The acquisition-related expense of ¥69 million has been booked in “Sales, general and administrative expenses.”

(3) Fair value of consideration paid, assets acquired, and liabilities undertaken as of the acquisition date

	(Millions of yen)
	Amount
Fair value of consideration paid	
Cash	4,684
Consideration with conditions	1,290
Total	5,974
Fair value of assets acquired and liabilities undertaken	
Cash and cash equivalents	301
Trade and other receivables	53
Inventories	197
Other current assets	24
Property, plant and equipment	204
Intangible assets	569
Other financial assets (non-current)	45
Deferred tax assets	32
Trade and other payables	(21)
Bonds and borrowings (current)	(39)
Provisions	(1)
Other current liabilities	(314)
Bonds and borrowings (non-current)	(1,035)
Other non-current liabilities	(22)
Fair value of assets acquired and liabilities undertaken, net	(7)
Goodwill	5,981
Total	5,974

Based on the fair value of consideration paid on the acquisition date, we have allocated the assets acquired and liabilities undertaken. 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.

The details of goodwill were created mainly from 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) Consideration with conditions

The consideration with conditions 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 consideration with conditions is level three. The amount of change in fair value of the consideration with conditions includes the recording of the part based on changes in the time value of money as “Financial 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 and loss information of the said business combination on and after the acquisition date as well as profit and 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.

(Loss of control)

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

No items to report

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

(Divestiture of Imaging Business)

(1) Overview of transaction

Based on the share transfer agreement concluded with 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.

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

	(Millions of yen)
	Amount
Cash and cash equivalents	24,266
Other current assets	282
Non-current assets	479
Total assets	25,027
Current liabilities	24,783
Non-current liabilities	244
Total liabilities	25,027

(3) Cash flows associated with the loss of control

	(Millions of yen)
	Amount
Cash and cash equivalents received as consideration of the loss of control	0
Expenses related to sale of businesses	(3,564)
Cash and cash equivalents of subsidiaries with the loss of control	(24,266)
Payments for sale of businesses (Note)	(27,830)

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

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

The Company recorded a loss of ¥44,794 million associated with the loss of control under "Loss from discontinued operations" in the Consolidated Statements of Profit or Loss. Details on loss on sale of business are as described in Note "(Discontinued operations)."

(Divestiture of significant operations)

(1) Overview of transaction

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, 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.

(2) Assets associated with the loss of control

	(Millions of yen)
	Amount
Current assets	860
Non-current assets	1,488
Total assets	2,348

(3) Cash flows associated with the loss of control

	(Millions of yen)
	Amount
Cash and cash equivalents received as consideration of the loss of control	2,121
Cash and cash equivalents of businesses with the loss of control	–
Proceeds from sale of businesses (Note)	2,121

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.

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

Capital gains recognized due to loss of control of this plant amounts to ¥486 million, and is included in “Other income” in the Consolidated Statements of Profit or Loss.

(Transfer of OLYMPUS-RMS CORP.)

(1) 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 of this, the Company lost its control of OLYMPUS-RMS CORP. on the same day.

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

	(Millions of yen)
	Amount
Current assets	418
Non-current assets	6
Total assets	424
Current liabilities	572
Non-current liabilities	–
Total liabilities	572

(3) Cash flows associated with the loss of control

	(Millions of yen)
	Amount
Cash and cash equivalents received as consideration of the loss of control	1,622
Cash and cash equivalents of subsidiaries with the loss of control	(294)
Proceeds from sale of shares of subsidiaries (Note)	1,328

Note: Proceeds from sale of shares of subsidiaries are included in “Cash flows from investing activities” in the Consolidated Statements of Cash Flows.

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

The Company recorded a gain of ¥1,770 million associated with the loss of control of OLYMPUS-RMS CORP. under “Other income” in the Consolidated Statements of Profit or Loss.

(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 Note “(Loss of control).”

(2) Profit (loss) of discontinued operations

Profit (loss) of discontinued operations is as follows.

	(Millions of yen)	
	Fiscal year ended March 31, 2020 (April 1, 2019 - March 31, 2020)	Fiscal year ended March 31, 2021 (April 1, 2020 - March 31, 2021)
Revenue	42,180	21,062
Cost of sales	25,388	14,715
Gross profit	16,792	6,347
Selling, general and administrative expenses	23,852	13,633
Share of profit (loss) of investments accounted for using equity method	-	-
Other income	46	75
Other expenses (Note)	1,717	44,898
Operating loss	(8,731)	(52,109)
Finance income	177	0
Finance costs	265	367
Loss before tax	(8,819)	(52,476)
Income taxes	108	205
Loss from discontinued operations	(8,927)	(52,681)

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.
Other expenses in the fiscal year ended March 31, 2021 include loss on sale of 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).

(3) Cash flows of discontinued operations

Cash flows of discontinued operations are as follows.

	(Millions of yen)	
	Fiscal year ended March 31, 2020 (April 1, 2019 - March 31, 2020)	Fiscal year ended March 31, 2021 (April 1, 2020 - March 31, 2021)
Cash flows of discontinued operations		
Net cash used in operating activities	(5,460)	(2,999)
Net cash used in investing activities	(2,430)	(28,686)
Net cash used in financing activities	(44)	(68)

(Additional information)

(Lawsuit for damages against former directors in connection with the issue of past activities regarding deferral in posting losses)

As to the lawsuit for damages against former five directors of the Company in connection with the issue of past activities of the Company regarding deferral in posting losses, on May 16, 2019, the Tokyo High Court rendered a judgement to accept the claims of the Company against three of the former directors. However, the Company filed a final appeal and a petition for acceptance of a final appeal with the Supreme Court against part of the judgment which dismissed the claims of the Company against two former directors. (However, the Company withdrew the final appeal at the same time as the Company submitted the statement of reason for the petition for acceptance of the final appeal.) Furthermore, the two former directors whose claims were accepted filed a final appeal and a petition for acceptance of a final appeal with the Supreme Court against part of the judgment.

Regarding this matter, on October 22, 2020, the Supreme Court dismissed the petition for acceptance of the final appeal by the Company and also dismissed the final appeal and the petition for acceptance of the final appeal by the two former directors.

With the above, this lawsuit for damages against former directors of the Company in connection with the issue of past activities regarding deferral in posting losses has totally ended.

(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, we implemented the career support for external opportunity.

(2) Overview of the implementation of the career support for external opportunity

- 1) Target companies: Olympus Corporation and its Group companies in Japan
- 2) 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
- 3) Number of applicants: Approximately 950 individuals
- 4) Application period: February 1, 2021 to February 19, 2021
- 5) Retirement date: March 31, 2021
 - (Under special circumstances the date may be adjusted up to September 30, 2021)
- 6) 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 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.

(Important subsequent events)

(Conclusion of important agreement concerning share acquisition)

The Company has decided to exercise call options to acquire all of the issued shares (excluding shares held by the Company) of Medi-Tate Ltd. (“Medi-Tate”), a medical device manufacturer registered in Israel, and concluded an agreement to acquire 100% of the shares of Medi-Tate via Olympus Winter & Ibe GmbH, a consolidated subsidiary of the Company, as of April 30, 2021. The subsequent schedule is as follows:

- | | |
|----------------------------|--------------------------|
| (1) Execution of agreement | April 30, 2021 |
| (2) Acquisition of shares | May 31, 2021 (scheduled) |

(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. The details are as follows:

- | | |
|---|---|
| (1) Type of shares to be cancelled: | Common shares of the Company |
| (2) Number of shares to be cancelled: | 71,620,630 shares (5.2% of total number of issued shares before the cancellation) |
| (3) Date of cancellation: | June 4, 2021 (scheduled) |
| Total number of issued shares after cancellation: | 1,299,294,333 shares |
| Number of treasury shares after cancellation: | 13,659,291 shares |