This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail. The Company assumes no responsibility for this translation or for direct, indirect or any other forms of damages arising from the translation.

To Shareholders

Internet Disclosure for Notice Regarding the Convocation of the General Meeting of Shareholders For FY2021

June 2, 2021

OLYMPUS CORPORATION

Pursuant to applicable laws and regulations, and the provisions of the Articles of Incorporation of Olympus Corporation (the "Company"), the items listed above are deemed to have been provided to shareholders because they have been posted on the Company's website (https://www.olympus.co.jp/ir/stock/meeting.html).

I. Matters Concerning Subscription Rights to Shares, etc.

1. Summary of Subscription Rights to Shares

Date of resolution of issue	Number of subscription rights to shares	Class and number of shares to be issued upon exercise of subscription rights to shares	Paid-in amount for subscription rights to shares	Value of property contributed upon exercise of subscription rights to shares	Exercise period	Grantees
August 8, 2013 (The first subscription rights to shares)	401	Common stock 160,400 shares	¥735 per share	¥1 per share	(Note) 1.	Directors or Corporate Officers
June 26, 2014 (The second subscription rights to shares)	410	Common stock 164,000 shares	¥907 per share	¥1 per share	(Note) 1.	Directors or Corporate Officers
June 26, 2015 (The third subscription rights to shares)	387	Common stock 154,800 shares	¥1,104 per share	¥1 per share	(Note) 1.	Directors or Corporate Officers
June 28, 2016 (The fourth subscription rights to shares)	395	Common stock 158,000 shares	¥896 per share	¥1 per share	(Note) 1.	Directors or Corporate Officers

Notes: 1. (a) A holder of subscription rights to shares may exercise the rights only during a period of 10 years that starts after one year has passed since the day immediately following the day on which the holder loses his/her position of Director, Executive Officer or Corporate Officer of the Company.

(b) Other terms and conditions are stipulated in the Agreement on the Allocation of Subscription Rights to Shares.

2. In accordance with the provisions of the Agreement on the Allocation of Subscription Rights to Shares, the "Number of subscription rights to shares" for the first subscription rights to shares above and that for the second subscription rights to shares above each decreased by 10, that for the third subscription rights to shares above decreased by 3, and that for the fourth subscription rights to shares above decreased by 15 due to the retirement of Corporate Officers.

3. The "number of shares to be issued upon exercise of subscription rights to shares" is adjusted to reflect a four-for-one share split of common stock conducted on April 1, 2019.

2. Subscription Rights to Shares Granted to as Compensation for the Duties Performed and Held by the Company's Directors at the End of the Fiscal Year

Issue number	Category	Number of subscription rights to shares	Class and number of shares to be issued upon exercise of subscription rights to shares	Number of holders
The first subscription rights to shares	Directors (excluding Outside Directors, and including Executive Officers)	54	Common stock 21,600 shares	3
The second subscription rights to shares	Directors (excluding Outside Directors, and including Executive Officers)	54	Common stock 21,600 shares	3
The third subscription rights to shares	Directors (excluding Outside Directors, and including Executive Officers)	56	Common stock 22,400 shares	3
The fourth subscription rights to shares	Directors (excluding Outside Directors, and including Executive Officers)	56	Common stock 22,400 shares	3

Note: The "number of shares to be issued upon exercise of subscription rights to shares" is adjusted to reflect a four-for-one share split of common stock conducted on April 1, 2019.

II. Framework to Ensure Fairness of Operations

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

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

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

(1) In order to ensure a system in which Executive Officers and employees of the Company and Directors and employees of the Olympus Group perform their duties in compliance with applicable laws and regulations as well as the Articles of Incorporation, the Company has established the “Basic Management Policies,” basic policies under which the Board of Directors monitors the performance of duties of Directors and Executive Officers. In addition, the Company shall establish the Olympus Global Code of Conduct and internal corporate regulations, based on the corporate philosophy, and shall instill the policies and facilitate initiatives to raise awareness of compliance in the Olympus Group through continuing education and other measures.

(2) The Company shall also establish a compliance promotion system by appointing an officer in charge of compliance (“Chief Compliance Officer”) and establishing a function in charge of group-wide compliance. The function in charge of group-wide compliance shall be responsible for activities toward the improvement of the compliance system based on the Compliance Management System. Furthermore, it shall continuously conduct education of employees and measures relating to assessment. It shall establish a global contact desk which can be available 24 hours a day in multiple languages so that any employee, when suspecting there is or may be a violation of laws and regulations, etc., may make a report in addition to a hotline contact desk in each region.

(3) The Company shall set the contents and objectives for CSR activities by the Olympus Group and evaluate such activities, with the Chief Executive Officer responsible for CSR. The Company shall develop high ethical standards and promote measures in line with the Olympus Global Code of Conduct.

(4) The Company shall establish an internal audit function that directly reports to the Chief Executive Officer. The internal audit function shall, pursuant to the provisions of the Internal Audit Regulations, conduct internal audits with regard to the effectiveness of processes for risk management, control and governance and other matters. The internal audit function shall report the Olympus Group’s internal audit results to the Chief Executive Officer and the Audit Committee of the Company.

(5) In order to ensure the fairness of operations of subsidiaries, the Company shall dispatch Directors and Audit & Supervisory Board Members to major subsidiaries and request them to obtain the Company’s approval for significant matters of subsidiaries based on the Job Authority Rules and any other related rules.

(6) In order to ensure the appropriateness and reliability of financial reporting of the Olympus Group, the internal audit function shall continue to conduct improvement activities by regularly evaluating its efforts and operations to ensure that control activities relating to financial reporting function effectively under the internal control system.

(7) The Company works with lawyers, the police and other parties to systematically stand firm against anti-social forces and organizations which threaten societal order and safety. The Olympus Group continuously shall conduct measures for excluding anti-social forces and prepare relevant rules and regulations in order to maintain its social responsibility to exclude anti-social forces.

2. Framework regarding the maintenance of records and management of information in relation to performance of duties by Executive Officers of the Company

(1) Pursuant to laws and regulations and the internal rules on document management, the Company shall maintain and manage documents or electronic data.

(2) Directors may access important documents such as the minutes of a meeting of the Board of Directors and documentary approvals at any time based on the internal rules on document management.

3. Regulations and other framework relating to managing risks of loss of the Olympus Group

(1) The Company shall manage its business risks of the Olympus Group based on due deliberations held at meetings of the Board of Directors and the Group Executive Committee, among other meetings, and appropriate operation of the internal approval procedure. The Board of Directors shall determine basic management policy, matters related to internal control system, other important matters and matters related to important business execution, as well as deciding matters to delegate to Executive Officers. Also, for important matters not decided by the Board of Directors, Executive Officers shall make a decision, and make a report to the Board of Directors.

(2) The Company shall manage risks such as those relating to quality, product safety, export control, information security, health and safety, the environment and disasters by designating functions in charge, establishing internal corporate regulations, working for preventive risk management as the Olympus Group, and implementing education and training.

(3) Based on the internal control rules and other related rules, the Company shall prevent serious risks from materializing in the course of the business activities of the Olympus Group. To this end, the Company shall prepare a risk management system, and operate and manage it appropriately to minimize damage in the event that such risks materialize. Moreover, pursuant to the Risk Management Operation Rules, each function in charge in the Olympus Group shall be aware of risks and take preventative measures, and the Company has a framework which enables prompt actions in the event of an emergency. In the occurrence of serious risks, such as a violation of corporate ethics, or an earthquake, fire or accident, the function in charge shall make immediate reports to the Executive Officers and relevant people. The final determination in such circumstance shall be made by the Chief Executive Officer.

4. Framework to ensure the effective performance of duties by Executive Officers of the Company and Directors of its subsidiaries

(1) The Board of Directors shall approve medium- and long-term Corporate Strategic Plans in which the business objectives of the Olympus Group are set forth, and action plans for these, which are called annual business plans. The Board of Directors shall decide on other important matters, and delegate matters on business execution, except for those that should be resolved by the Board of Directors, to Executive Officers in order to enhance efficient and agile decision-making. In addition, the Board of Directors shall receive reports, at least once a quarter, on business performance in order to evaluate the status of the Company's annual business plan, and supervise Executive Officers' performance of duties.
(2) The Board of Directors shall determine the assignment of duties among Executive Officers. In addition, the Board of Directors shall receive reports on their duties as performed at least once a quarter.
(3) Based on the Job Authority Rules, Organization Rules and other related rules, the Board of Directors shall approve the responsibilities and authority of major job ranks, and receive reports from major job ranks on their duties as performed.
(4) With the establishment of Treasury Control Framework, which regulate financial policies as a base for financial operations of the Olympus Group, the Company strengthens the corporate governance of the Olympus Group from a financial aspect, and oversees and manages funding, foreign exchange, and transactions with financial institutions for the Olympus Group including the subsidiaries.

5. Framework for reporting to the Company on matters concerning execution of duties by the Directors and employees of the subsidiaries of the Company

(1) After the Company has clearly provided for management standards applied to its subsidiaries pursuant to the internal rules on management of subsidiaries and affiliates and other related rules, the presidents of the regional headquarters shall review management status of respective group companies, and regularly make reports on the results to the President of the Company.
(2) The Company shall ensure receiving reports as appropriate and in a timely manner from the subsidiaries in accordance with the Global Consolidated Accounting Control Framework to ensure that the Company will remain accurately informed of financial position and results of operation of the Olympus Group, and appropriately maintain and manage the consolidated accounting policies.

6. Matters relating to employees that should assist with the Audit Committee's duties of the Company and independence of the relevant employees from Executive Officers of the Company, and matters relating to effectiveness of directions given to such employees by the Audit Committee of the Company to be ensured

The Company shall allocate a dedicated employee who will assist with the Audit Committee's duties. The Company may also allocate non-dedicated, shared employees as necessary. In addition, the Company shall set forth internal corporate regulations to ensure independence from execution as stated below, and ensure effectiveness of directions to employees who will assist with the Audit Committee's duties.

(1) In assisting with the Audit Committee's duties, such employees shall not receive directions or guidance from any Directors (excluding Audit Committee Members), Executive Officers, employees, etc.

(2) Appointment, dismissal, transfers, wages, personnel evaluation, etc. of employees, who should assist with Audit Committee's duties, shall be determined after obtaining the approval of the Audit Committee.

7. Framework regarding reports by Directors (excluding Audit Committee Members), Executive Officers and employees of the Company to the Audit Committee of the Company, and reports by Directors and employees of the subsidiaries of the Company or personnel who have received reports from them to the Audit Committee

(1) Directors (excluding Audit Committee Members), Executive Officers and employees of the Company, and Directors, Audit & Supervisory Board Members and employees of subsidiaries shall make reports to the Audit Committee of the Company any material violation of relevant laws and regulations, or the Articles of Incorporation, acts of wrongdoing, or acts that may cause material damages to the Company, directly or by way of an appropriate function in a timely manner. In addition, when the Audit Committee requests reports from Directors, Executive Officers, employees, etc. of the Olympus Group in accordance with relevant laws and regulations, as well as the Audit Committee Rules, etc., such Directors, Executive Officers, employees, etc. shall immediately make a report to the Audit Committee.

(2) In case any material compliance issue arises in the Olympus Group, the officer in charge of compliance shall make reports on details and other matters to the Board of Directors in accordance with the Compliance Management System Rule. Reports on details of issues reported and results of investigations shall also be made regularly to the Audit Committee.

(3) The internal audit function of the Company shall regularly report the status of internal audit in the Olympus Group to the Audit Committee of the Company. In addition, the officer in charge of compliance shall report periodically the status concerning compliance to the Audit Committee.

8. Framework to ensure that any personnel who have made a report to the Audit Committee of the Company will not be subjected to any unfair treatment due to the report made

The Company shall set forth internal corporate regulations and shall not impose any unfair treatment (including de-facto measures such as restricting the personnel to engage in duties, or assigning the personnel solely to work on chores, in addition to measures of personnel affairs such as dismissal, demotion, pay cut and other disciplinary actions and disadvantageous transfer) to any personnel who have made a report on the grounds of having made a report to the Audit Committee.

9. Matters regarding procedures for advance payment of expenses incurred in connection with execution of duties by Audit Committee Members of the Company and their reimbursement, and treatment of other expenses or liabilities incurred in connection with execution of the duties

The Company shall set forth internal corporate regulations. When an advance payment or reimbursement of expenses is requested for execution of duties of Audit Committee Members, the Company shall promptly process disbursement except for such case that the expense is obviously deemed unnecessary for execution of duties by Audit Committee Members.

10. Other systems to ensure the effectiveness of audit by the Audit Committee of the Company

(1) Directors, Executive Officers and employees of the Company, and Directors and employees of the subsidiaries shall ensure effectiveness of the audit by cooperating with the Audit Committee for investigations by interviews and on-site inspections.

(2) The Company shall ensure that it provides the Audit Committee with opportunities to sufficiently exchange opinions with Directors, Executive Officers, and Accounting Auditor and any other necessary personnel.

(3) The Company shall ensure that the Audit Committee is permitted to have its members attend important meetings, and that they have an opportunity to express their opinions.

(4) The Audit Committee and the internal audit function shall work closely, and the Audit Committee is allowed to exercise authority to give instructions and make commands to the internal audit function as necessary.

(5) The Company shall ensure that it provides the Audit Committee with, upon their request, opportunities of collaboration with Audit & Supervisory Board Members of the subsidiaries and collecting information from employees of the subsidiaries.

(Note) By resolution of the Board of Directors meeting held on June 24, 2020, this description has been partially revised as of July 30, 2020, to conform to the current organizational structure. The above details are those after revision.

III. Overview of Status of Management of Framework to Ensure Fairness of Operations

1. **Framework to ensure the compliance by Executive Officers and employees of the Company, and Directors and employees of its subsidiaries, in performance of duties, to applicable laws and regulations as well as the Articles of Incorporation**
    - The Company has established the "Basic Management Policies," basic policies under which the Board of Directors monitors the performance of duties of Directors and Executive Officers. Moreover, the Company has established the Olympus Global Code of Conduct and in addition established and revised internal corporate regulations.
    - The Company held meetings of the Global Compliance Leadership Team to identify key global measures under the direction of the Chief Compliance Officer. In addition, the Company also conducted compliance training for employees.
    - The Company has, along with the Global Whistleblowing Desk, which receives reports 24 hours a day and in multiple languages, established internal whistleblowing desks in every region. It has also focused on communicating the existence of the whistleblowing system and raising awareness among employees.
    - The Company has strengthened and promoted ESG initiatives under the business transformation plan "Transform Olympus." In addition, in order to strengthen the promotion of ESG, ratings by an ESG evaluation organization as strategic goals were linked to part of the long-term incentive compensation in the evaluation index for performance-linked compensation for officers.
    - The internal audit function of the Company included the Board of Directors and the Audit Committee holding discussion on the audit plan in accordance with on the Internal Audit Regulations, and reports were made to the Chief Executive Officer and the Audit Committee, in addition to the Group Executive Committee, regarding the audit implementation status and others. In addition, the Company also reported on the status of preparation for internal control of financial report and its operation to the Board of Directors in accordance with the internal control evaluation implementation policy of financial reports.
    - The Company dispatched Directors and Audit & Supervisory Board Members to major subsidiaries, and deliberated important matters of subsidiaries in accordance with the Job Authority Rules which are Olympus global rules, and Regional Control Framework of respective locations.
    - The Company performed investigation on transactions of the Company and its subsidiaries in accordance with the rules for eliminating of antisocial forces.

2. **Framework regarding the maintenance of records and management of information in relation to performance of duties by Executive Officers of the Company**
    - The Company prepared and saved minutes of the Board of Directors' meetings, Annual Securities Report and other regulations, etc. in accordance with internal rules on document management.
    - Directors may access important documents at any time whenever necessary.

3. **Regulations and other framework relating to managing risks of loss of the Olympus Group**
    - The Company shall make a proposal to the Board of Directors for resolution of significant matters of the Olympus Group, such as corporate strategies and business plans, following sufficient deliberations at meetings of the Group Executive Committee. Executive Officers make decisions on matters delegated by

the Board of Directors in accordance with the Job Authority Rules and report to the Board of Directors. In addition, although it became difficult to hold in-person meetings due to the impact of COVID-19, the Company regularly and systematically held the meetings of the Group Executive Committee and the Board of Directors using online methods. The Company also performed business risk management of the Group by due operations of approval procedures using the electric approval system.

- The Company held global committee meetings concerning information security seven times throughout the year to strengthen its information security controls.
- In response to the global COVID-19 pandemic, the Company established the Covid-19 Global Task Force and the Central Task Force in Japan to implement cross-organizational and integrated responses.
- The Company worked to manage risks for the entire Olympus Group by providing necessary educational training programs and holding meeting bodies. In addition, the internal control rules were reviewed for the purpose of strengthening the risk management system, and the Risk Management Operation Rules were revised to clarify the process.
- Each Business unit and Functional division conducted risk assessments and provided drills to ensure quick response in case of a disaster.

4. Framework to ensure the effective performance of duties by Executive Officers of the Company and Directors of its subsidiaries

- The Company made reports on the status of execution of Executive Officers' duties to the Board of Directors. The Company also formulated business plans for the next fiscal year. During the fiscal year under review the Company held 18 meetings of the Board of Directors by utilizing an online platform, etc.
- Based on the Treasury Control Framework, the Company regularly acquires and oversees management on the status of funding, foreign exchange, and transactions with financial institutions for each subsidiary and oversees their management. In addition, in accordance with the Group Finance Control Rules, the Company acquired financial statuses from subsidiaries and managed financial results, etc. Furthermore, the Company regularly provided financial information necessary for meetings of the Board of Directors and the Group Executive Committee.

5. Framework for reporting to the Company on matters concerning execution of duties by the Directors and employees of the subsidiaries of the Company

- The Company conducted quarterly and annual reviews based on reports from subsidiaries, and made reports to the Group Executive Committee and the Audit Committee. In addition, the Company has dispatched Directors and Audit & Supervisory Board Members to major subsidiaries.
- The Company acquired necessary information from subsidiaries as appropriate and in a timely manner and confirmed and approved the contents in accordance with the Global Consolidated Accounting Control Framework.

6. **Matters relating to employees that should assist with the Audit Committee's duties of the Company and independence of the relevant employees from Executive Officers of the Company, and matters relating to effectiveness of directions given to such employees by the Audit Committee of the Company to be ensured**
   - The Company has established the office of Audit Committee and has allocated three dedicated employees and one non-dedicated employee as of March 31, 2021. In addition, the Company shall ensure independence of these employees from execution according to provisions of the regulations, etc. and ensure effectiveness of directions from the Audit Committee to such employees.

7. **Framework regarding reports by Directors (excluding Audit Committee Members), Executive Officers and employees of the Company to the Audit Committee of the Company, and reports by Directors and employees of the subsidiaries of the Company or personnel who have received reports from them to the Audit Committee**
   - The Company shall promptly report to the Audit Committee when Directors, Executive Officers, Corporate Officers, and employees of the Company and its subsidiaries become aware of facts such as the breach of laws and regulations. In addition, it is prohibited to impose any unfair treatment on personnel involved in reporting these situations.
   - The officer in charge of compliance at the Company made reports on the status relating to compliance to the Board of Directors and the Audit Committee. In addition, it further made reports on internal reporting and results of investigation to the Audit Committee.
   - The officer in charge of internal audits of the Company reported to the Audit Committee on internal audit plans and audit status on a regular basis and as necessary.

8. **Framework to ensure that any personnel who have made a report to the Audit Committee of the Company will not be subjected to any unfair treatment due to the report made**
   - The Company has established rules concerning the framework supporting duties of Audit Committee Members and the Audit Committee. The Company has been strictly prohibited from unfairly treating anyone who made a report to the Audit Committee for the reason of making such report, and the rules have been complied with.

9. **Matters regarding procedures for advance payment of expenses incurred in connection with execution of duties by Audit Committee Members of the Company and their reimbursement, and treatment of other expenses or liabilities incurred in connection with execution of the duties**
   - The Company reimbursed required expenses as appropriate upon request from Audit Committee Members.

10. **Other systems to ensure the effectiveness of audit by the Audit Committee of the Company**
    - Directors, Executive Officers, Corporate Officers and employees of the Company ensured the effectiveness of audits by the Audit Committee by cooperating with the Audit Committee for investigations by interviews and on-site inspections.
    - The Audit Committee of the Company and the Directors, Executive Officers, Corporate Officers and accounting auditors exchanged opinions on a regular basis and as necessary.

- The Company ensured that the Audit Committee Members were permitted to attend important meetings such as meetings of the Group Executive Committee.
- The internal audit function of the Company reported to the Audit Committee on a regular basis and as necessary. In addition, the Company allowed the Audit Committee to give instructions and make commands to the internal audit function as necessary.
- The Company held liaison meetings with Standing Audit & Supervisory Board Members of subsidiaries and affiliates upon the request of the Audit Committee, and provided opportunities to exchange opinions with the Audit & Supervisory Board Members of the subsidiaries. In addition, the Audit Committee received reports from officers in charge of major subsidiaries both in Japan and overseas.

IV. Basic Policy on Control of Company

The Company believes that the persons who control decisions on the Company's financial and business policies need to be persons who fully understand the details of the Company's financial and business affairs and the source of the Company's corporate value and who will make it possible to continually and persistently ensure and enhance the Company's corporate value and, in turn, the common interests of its shareholders.

The Company will not indiscriminately reject a large-scale acquisition of the Company's shares if it will contribute to the corporate value of the Company and, in turn, the common interests of its shareholders. The Company also believes that ultimately its shareholders as a whole must make the decision on any proposed acquisition that would involve a transfer of corporate control of a joint stock company.

Nonetheless, there are some forms of a large-scale acquisition that benefits neither the corporate value of the target company nor, in turn, the common interests of its shareholders. Unless a person who would make a large-scale acquisition of the Company's shares understands the source of the Company's corporate value and would ensure and enhance these elements over the medium- to-long term, the corporate value of the Company and, in turn, the common interests of its shareholders would be harmed. The Company believes that persons who would make a large-scale acquisition of the Company's shares in a manner that does not contribute to the corporate value of the Company and, in turn, the common interests of its shareholders would be inappropriate to become persons who would control decisions on the Company's financial and business policies. Against a large-scale acquisition of the Company's shares by such persons, in order to ensure the corporate value of the Company and, in turn, the common interests of its shareholders, the Company will require the acquirer, etc. to provide necessary and sufficient information, disclose relevant information appropriately in a timely manner, and ensure that shareholders will have sufficient information and time needed to make proper decisions whether or not the large-scale acquisition is acceptable. The Company will also take other appropriate measures within the scope permitted by the Financial Instruments and Exchange Act, the Companies Act, other laws and ordinances, and the Articles of Incorporation.

V. Consolidated Statement of Changes in Equity (April 1, 2020 to March 31, 2021)

(Millions of yen)

Items	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

VI. Notes to Consolidated Financial Statements

Notes to Important Items That Form the Basis for Preparing the Consolidated Financial Statements

1. Standards for preparation of consolidated financial statements
   The consolidated financial statements of the Company and its subsidiaries (hereinafter, "the Olympus Group") have been prepared in accordance with the International Financial Reporting Standards (hereinafter the "IFRS") as stipulated by the provisions of Paragraph 1, Article 120 of the Regulation on Corporate Accounting. Some of the descriptions and notes required by the IFRS are omitted as stipulated by the provisions stated in the latter part of the above same paragraph.

2. Scope of consolidation
   Status of consolidated subsidiaries
   Number of consolidated subsidiaries: 100
   Names of principal consolidated subsidiaries:
   Olympus Corporation of the Americas, Olympus Europa Holding SE, Olympus Corporation of Asia Pacific Limited, Olympus (China) Co., Ltd.
   Change in scope of consolidation
   Newly added consolidated subsidiaries: 17
   The names of the companies that have newly become consolidated subsidiaries and the reasons for their new consolidation are mainly as follows.

Arc Medical Design Limited	Due to acquisition of shares
FH ORTHO SAS	Due to acquisition of shares
Veran Medical Technologies, Inc.	Due to acquisition of shares
Quest Photonic Devices B.V.	Due to acquisition of shares

   Excluded companies: 7
   The names of the companies excluded from the scope of consolidation and the reasons for their exclusion are mainly as follows.

OLYMPUS-RMS CORP	Due to sales of shares

   Companies newly established or sold in the fiscal year under review related to the transfer of the Imaging Business are not included in the above number of companies.

3. Application of the equity method
   Status of affiliated companies accounted for under the equity method
   Number of affiliated companies accounted for under the equity method: 3
   Names of principal affiliated companies:
   Sony Olympus Medical Solutions Inc.

4. Changes in presentation methods

In the current fiscal year, 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 current fiscal year, we have classified the Imaging Business as discontinued operations.

Profit or loss related to the Imaging Business, which has been classified as discontinued operations, is shown separately in the consolidated statements of profit or loss following profit from continuing operations, in the amount after the deduction of income taxes.

5. Items concerning accounting policies

(1) Financial assets

(i) Initial recognition and measurement

The Olympus Group initially recognizes trade and other receivables on the day when they are incurred, and other financial assets at the transaction date when the Olympus Group becomes a party to the contract for the financial assets. At the initial recognition, financial assets are measured at fair value plus transaction expenses, except for those measured at fair value through profit or loss.

(ii) Classification and subsequent measurement

The Olympus Group classifies the financial assets at initial recognition as financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income or financial assets measured at fair value through profit or loss.

(Financial assets measured at amortized cost)

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

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

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

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

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

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

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

(Financial assets measured at fair value through profit or loss)

Financial assets other than above are classified as financial assets measured at fair value through profit or loss.

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

(iii) Impairment of financial assets

For financial assets measured at amortized cost, the Olympus Group recognized allowance for doubtful accounts for expected credit losses.

The Olympus Group evaluates at the end of each reporting period whether there is a significant increase in credit risk of financial assets since initial recognition. When there is no significant increase in the credit risk since initial recognition, the amount equal to expected credit losses for 12 months are recognized as allowance for doubtful accounts. When there is a significant increase in credit risk since initial recognition, the amount equal to expected credit losses for the remaining life of the financial assets are recognized as allowance for doubtful accounts.

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

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

(iv) Derecognition

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

(2) Derivatives and hedge accounting

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

For the application of hedge accounting, the Olympus Group officially makes designation and prepares documentation at the inception of the hedge, regarding the hedging relationship as well as the risk management objectives and strategies. Such document contains hedging instruments, hedged items, the nature of the risks to be hedged and the method for evaluating the hedging effectiveness. The Olympus Group continually evaluates whether the hedging relationship is effective prospectively.

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

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

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

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

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

(3) Inventories

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

(4) Property, plant and equipment

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

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

Except for assets that are not depreciated such as land, each asset is depreciated over its estimated useful life on a straight-line method. The estimated useful lives of major asset items are as follows (excluding right-of-use assets):

- Buildings and structures: 2 to 50 years
- Machinery and vehicles: 2 to 10 years
- Tools, furniture and fixtures: 2 to 15 years

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

(5) Goodwill

Goodwill is carried at cost less any accumulated impairment losses.

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

(6) Intangible assets

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

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

Except for intangible assets with indefinite useful lives, each asset is amortized over the estimated useful life on a straight-line method. The estimated useful lives of major asset items are as follows:

- Capitalized development costs: 4 to 8 years
- Software: 3 to 5 years
- Other: 3 to 15 years

The estimated useful lives and amortization methods are reviewed at the end of fiscal year, and any change to them is prospectively applied as a change in an accounting estimate.

Intangible assets with indefinite useful lives and those yet to be usable are not amortized and are tested for impairment in each period or whenever there is an indication of impairment.

(7) Leases

(i) Leases as lessee

The Company introduces a single lessee accounting model, instead of classifying leases into operating leases and finance leases, and recognizes right-of-use assets representing its rights to use the underlying leased assets and lease liabilities representing its obligations to make lease payments for all leases, in principle.

Lease liabilities are measured at the present value of the total lease payments that are not paid at the commencement date. Right-of-use assets are initially measured at the initial measurement amount of lease liabilities adjusted for any initial direct costs, prepaid lease payments, restoration costs, etc. Right-of-use assets are depreciated on a straight-line method over the shorter of their estimated useful lives and lease terms.

The lease term is estimated based on the non-cancellable period and adjusted for optional periods for which the Olympus Group is reasonably certain to exercise an option to extend or terminate the lease. Furthermore, lease payments are categorized into amounts equivalent to the principal and interest of lease liabilities, and the amount equivalent to the interest apportioned to each fiscal period is calculated so as to achieve a constant rate of interest on the lease liabilities balance at each period-end, and recognized in profit or loss.

If the contract transfers the right to control the use of an identified asset for a period of time in exchange for a consideration, at the start of the contract, the contract is deemed to be a lease or to contain a lease.

For short-term leases and leases for which the underlying asset is of low value (“low-value leases”), the Olympus Group does not recognize the right-of-use assets and lease liabilities but recognizes lease payments as expenses. Right-of-use assets and lease liabilities are included in and presented as "Property, plant and equipment" and "Other financial liabilities" respectively on the consolidated statements of financial position.

(ii) Leases as lessor

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

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

In operating lease transactions, the relevant leased properties are recognized in the Consolidated Statements of Financial Position, and lease payments receivable are recognized as revenue over the lease terms on a straight-line method.

(8) Impairment of non-financial assets

For the carrying amount of non-financial assets (excluding inventories, deferred tax assets, retirement benefit asset and non-current assets held for sale), the Olympus Group assesses at the end of each reporting period whether there is an indication of impairment. If any such indication exists, impairment test is performed. However, goodwill, intangible assets with indefinite useful lives and those yet to be usable are tested for impairment in each period or whenever there is an indication of impairment.

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

The recoverable amount of an asset or cash-generating unit is the higher of its value in use and fair value less cost of disposal. In calculation of value in use, estimated future cash flows are discounted to the present value using the pretax discount rate reflecting monetary time value and risks specific to the asset.

Impairment losses are recognized when the carrying amount of an asset or cash-generating unit exceeds its recoverable amount. Impairment losses recognized in association with a cash-generating unit are recognized first reducing the carrying amount of any allocated goodwill and then are allocated to other assets of the cash-generating unit on a pro-rate basis based on the carrying amount of each asset.

When there is an indication of reversal in respect of impairment losses recognized in prior periods and the recoverable amount of the asset or cash-generating unit exceeds its carrying amount, impairment losses are reversed. The carrying amount after reversal of impairment losses does not exceed the carrying amount that would have been determined when depreciation or amortization had been continued until the reversal occurred if any impairment loss had never been recognized for the asset. Impairment losses associated with goodwill are not reversed.

(9) Non-current assets or discontinued operations held for sale

Non-current assets or disposal groups that will be recovered principally through a sale transaction rather than through continuous use are classified as non-current assets or disposal groups held for sale if it is highly probable that they will be sold within one year, they are immediately available for sale in their current state, and the Olympus Group's management is committed to implementing a plan for their sale.
An entity shall not depreciate or amortize a non-current asset while it is classified as held for sale or while it is part of a disposal group classified as held for sale, and shall measure a non-current asset or disposal group classified as held for sale at the lower of its carrying amount and fair value less costs to sell.
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.

(10) Provisions

Provisions are recognized when the Olympus Group has present obligations as a result of past events, it is highly probable that outflows of economic resources will be occurred to settle the obligations, and reliable estimates of the obligations can be made.
Where time value of money is material, provisions are measured by discounting estimated future cash flows into present value by using the interest rate reflecting the time value of money as well as the risks inherent to the associated liabilities.

(11) Employee benefits accruals

(i) Post-employment benefits

The Olympus Group adopts defined benefit pension plans and defined contribution pension plans.
The Olympus Group calculates the present value of defined benefit obligations and associated current service cost as well as past service cost by using the projected unit credit method.
Discount rate used for discounting to the present value of defined benefit obligations is determined by reference to market yields on high quality corporate bonds of which currency and due date are consistent with those of the post-employment benefit obligations.
Asset or liability associated with a defined benefit plan is calculated by subtracting the fair value of plan assets from the present value of defined benefit obligations of each plan.
Any difference due to remeasurement arising from defined benefit pension plans is recognized as other comprehensive income in the period when the difference arose, and immediately transferred to retained earnings. Past service costs are expensed as incurred.
Contributions to defined contribution pension plans are recognized as expenses according to the period during which employees rendered the relevant services.

(ii) Short-term employee benefits

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

(iii) Other long-term employee benefits

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

(12) Revenue

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

Step 1: Identify the contract with the customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The Olympus Group is principally engaged in the manufacture and sales of medical, scientific and other products. With regard to the sales of these products, the Olympus Group mainly recognizes revenue at the time of delivery of a product since in many cases, it considers that the customer obtains control over the product and performance obligations are satisfied at the time of delivery of the product.
Revenue is measured at the amount of promised consideration in contracts with customers less discounts and rebates, and reduced by the amount of sales returns.

6. Notes to accounting estimates

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.
Estimates and underlying assumptions are reviewed on an ongoing basis, and the effects of such reviews are recognized in the period in which the estimates are reviewed and in subsequent periods.

Information regarding accounting estimates and assumptions that may have a significant impact on the consolidated financial statements is as follows.

- Valuation of inventories (Notes "5. Items concerning accounting policies, (3) Inventories")
  Inventories are measured at cost. However, if the net realizable value of inventories at the end of the reporting period is lower than the cost, the inventories are measured at the net realizable value and the difference between the net realizable value and the cost is recognized as cost of sales, in principle. For unsold inventories that remain outside the operating cycle, the net realizable value, etc. is calculated by reflecting future demand and market trends. In the event that the market environment deteriorates further than forecasted and net realizable value declines significantly, losses may be incurred. The amount of inventories recorded in the consolidated financial statements for the fiscal year under review is ¥158,984 million.

- Impairment of non-financial assets (Notes "5. Items concerning accounting policies, (8) Impairment of non-financial assets")
  The Olympus Group tests for impairment of property, plant and equipment, goodwill, and intangible assets in accordance with Notes "5. Items concerning accounting policies." In the calculation of the recoverable amount in the impairment test, assumptions are made regarding future cash flows, discount rates, etc.
  These assumptions are determined based on management's best estimates and judgment. However, they may be affected by the results of changes in uncertain future economic conditions, and if they require revision, they may have a significant impact on the consolidated financial statements.
  In the test for impairment of goodwill, the recoverable amount is calculated based on the value in use. The value in use is calculated primarily by discounting estimated cash flows to the present value based on the business plans approved by management and, after the period of the business plans are completed, on the continuing value founded on the growth rate.
  Business plans are limited to five years, reflect the management's evaluation of future trends in the industry and historical data, and are consistent with external and internal information, and future cash flows are estimated based on these business plans.
  The principal assumptions in estimating the value in use are the growth rate in the business plan, the operating margin, and the growth and discount rates after the periods of the plans are completed.
  The amounts of property, plant and equipment, goodwill, and intangible assets recorded in the consolidated financial statements for the fiscal year under review were ¥238,952 million, ¥130,813 million, and ¥100,435 million, respectively.

- Measurement of provisions (Notes "5. Items concerning accounting policies, (10) Provisions")
  Provisions are measured based on the best estimates for expenditures as of the fiscal year closing date expected to be required to settle future obligations. Estimates of expenditures expected to be required to settle future obligations are calculated based on a comprehensive consideration of possible future outcomes. Changes in uncertain future economic conditions may affect assumptions used to calculate the provisions. Accordingly, there are risks that such changes could result in significant adjustments to measurements of provisions in the future accounting periods. The amount of provisions recorded in the consolidated financial statements for the fiscal year under review is ¥39,088 million.

- Notes to contingent liabilities (Notes to Consolidated Statements of Financial Position 3)
  Contingencies are disclosed when an item could have a significant impact on future operations, taking into account all available evidence at the reporting date and considering the likelihood and monetary impact of the event.

- Measurement of defined benefit obligations (Notes "5. Items concerning accounting policies, (11) Employee benefits accruals")
  For defined benefit pension plans, the net value of the defined benefit obligations and the fair value of plan assets is recognized as either liabilities or assets. Defined benefit obligations are calculated based

on the same types of assumptions used in the actuarial calculation, which include estimates of the discount rate, the retirement rate, the mortality rate, and the rate of compensation increase. These assumptions are established by comprehensively judging a variety of available information, including market trends, such as interest rate changes. Uncertain future economic conditions or changes in social conditions may affect the assumptions used in the actuarial calculation. Accordingly, there are risks that such changes could result in significant adjustments to the measurements of defined benefit obligations in future accounting periods. The amount of retirement benefit assets and retirement benefit obligations recorded in the consolidated financial statements for the fiscal year under review is ¥22,677 million and ¥42,446 million, respectively.

- Recoverability of deferred tax assets

  Deferred tax assets are recognized to the extent that it is probable that taxable income will be available against which deductible temporary differences, etc. can be utilized. Judgements on the likelihood that taxable income will be available are made based on the timing and amount of taxable income estimated based on the business plans. These estimates are determined based on management's best estimates. However, they may be affected by the results of changes in uncertain future economic conditions and the actual results may differ from these forecasts. The amounts of deferred tax assets and deferred tax liabilities recorded in the consolidated financial statements for the fiscal year under review is ¥55,507 million and ¥10,852 million, respectively.

- Impact of COVID-19

  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.

Notes to Consolidated Statements of Financial Position

1. Allowance for doubtful accounts directly deducted from assets

   (1) Current assets ¥5,180 million

   (2) Non-current assets ¥8,059 million

   The amount of ¥5,752 million of allowance for doubtful accounts is the amount expected to be unrecoverable with respect to ¥5,752 million of long-term accounts receivable-other that is commission fees related to Receiver Funds and is included as an excess amount in “trade and other receivables” of non-current assets. Although these fees were paid to the external partners of multiple Receiver Funds, the Company has requested payment from these external partners of Receiver Funds, because the fees were not agreed and a portion was recovered during the fiscal year under review.

2. Accumulated depreciation for property, plant and equipment and accumulated impairment losses

   ¥369,391 million

3. Contingent liabilities

   Liabilities for guarantees

Guaranteed party	Description of guarantee	Amount
Employees	Housing fund loans, etc.	¥3 million
Total		¥3 million

Notes to Consolidated Statement of Changes in Equity

1. Class and total number of issued shares at the end of the current fiscal year

   Common stock 1,370,914,963 shares

2. Items concerning dividends

   (1) Paid dividends

Resolution	Class of shares	Total dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
General Meeting of Shareholders held on July 30, 2020	Common stock	12,856	10	May 31, 2020	July 31, 2020

   (2) Dividends whose record date falls in the current fiscal year and which have an effective date in the next fiscal year

   The Company has made the following resolution on the dividends at a meeting of the Board of Directors held on May 7, 2021.

Class of shares	Total dividends (Millions of yen)	Source of dividends	Dividend per share (Yen)	Record date	Effective date
Common stock	15,428	Retained earnings	12	March 31, 2021	June 3, 2021

3. Class and number of potential shares resulting from the exercise of subscription rights to shares (excluding shares for which the exercise period has not commenced) as of March 31, 2021

   Common stock 513,200 shares

Notes to Financial Instruments

1. Items concerning status of financial instruments

   With regard to fund management, the Olympus Group primarily uses short-term deposits. For financing, it uses loans from bank and other financial institutions and bond issuances.

   In accordance with internal regulations, the Olympus Group manages customer credit risks pertaining to trade and other receivables by conducting credit investigations on major external customers and controls of due dates and outstanding balances by customers, while promptly identifying doubtful accounts caused by deteriorated financial conditions, etc., to reduce risks.

   Regarding risks of market prices associated with holding shares, the Olympus Group regularly checks market prices and the financial status of business counterparts issuing shares, etc., while reviewing holding positions continuously in consideration of relationships with business counterparts to reduce risks.

   Foreign currency fluctuation risks arising from foreign currency-denominated financial assets and financial liabilities are hedged mainly through forward foreign exchange contracts to lower risks. In addition, interest-rate risks associated with some long-term borrowings are hedged by fixing the amount of interest payments through interest-rate swap deals to reduce risks.

2. Items concerning fair value of financial instruments

   Fair value hierarchy is categorized into the following three levels depending on the observability of inputs used in the valuation technique for the measurement.

   Level 1: Fair value measured at market prices (unadjusted) in active markets for identical assets or liabilities

   Level 2: Fair value measured using observable prices other than those categorized within Level 1, either directly or indirectly

   Level 3: Fair value measured using a valuation technique which includes inputs that are not based on observable market data

   The Olympus Group recognizes transfers of financial instruments between the levels of the fair value hierarchy as if they occurred at the end of each fiscal year. There were no significant financial instruments transferred between the levels for the current fiscal year.

   (1) Financial instruments measured at fair value

   The methods for measuring major financial instruments measured at fair value are as follows.

   Listed shares are classified as Level 1 and stated at market prices valued at the end of each fiscal year.

   Unlisted shares are classified as Level 2 or Level 3 and stated at the value obtained by using valuation techniques such as the comparable listed company analysis method.

   Derivative assets and liabilities are classified as Level 2. Currency derivatives are stated at the value based on forward exchange rates, and interest-rate derivatives are stated at the value obtained based on observable data such as market interest rates, credit risks, and the period up to maturity.

   The consideration with conditions for business combinations is classified as Level 3 and stated at the estimates of future payability.

The breakdown of major financial instruments measured at fair value by fair value measurement level as of March 31, 2021 is as follows.

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets measured at fair value through profit or loss				
Derivative assets	–	968	–	968
Equity securities	–	–	1,495	1,495
Financial assets measured at fair value through other comprehensive income				
Equity securities	10,327	–	853	11,180
Financial liabilities				
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities	–	2,467	–	2,467
Consideration with conditions	–	–	3,608	3,608

The changes in financial assets categorized within Level 3 are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2021
Balance at the beginning of the year	1,658
Gains and losses (Note)	
Profit or loss	11
Other comprehensive income	1
Purchases	727
Sales	–
Other	(48)
Balance at the end of the year	2,348

Note: Gains or losses recognized in profit or loss are included in "Finance income" or "Finance costs" in the consolidated statement of profit or loss.

Gains or losses recognized in profit or loss, which related to the financial instruments held at the end of the current fiscal year, are ¥11 million for the current fiscal year.

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

(Millions of yen)

	Fiscal year ended March 31, 2021
Balance at the beginning of the year	163
Business combinations	3,433
Settlement	–
Change in fair value	(111)
Other	123
Balance at the end of the year	3,608

(2) Financial instruments measured at amortized cost

The measurement techniques for measuring the fair value of major financial instruments measured at amortized cost are as follows. These financial instruments are mainly classified into level 2.

(Cash and cash equivalents, trade and other receivables, and trade and other payables)

Account items to be settled in the short term are stated at their book value because their fair value is nearly equal to their book value.

Lease receivables are stated at the value obtained by calculating the present value of each lease receivable categorized by a specific period, at discounted rates that take into account credit risks and the period up to maturity.

(Other financial assets and other financial liabilities)

Account items to be settled in the short term are stated at their book value because their fair value is nearly equal to their book value.

(Bonds and borrowings)

Bonds and borrowings with fixed interest rates are stated at the value calculated at discounted rates which would be applied to a similar issuance of bonds or similar new loans to generate future cash flows.

Borrowings with variable interest rates are stated at their book value because their fair value is deemed to be nearly equal to their book value, given that they are short-term borrowings reflecting market interest rates, and their credit conditions have not significantly changed since the drawdown.

Short-term borrowings and commercial papers are stated at their book value since they are settled in the short term and their fair value is nearly equal to their book value.

The book value and fair value of major financial instruments measured at amortized cost are as follows. Financial instruments whose book value and fair value are nearly equal are not included in the list below.

(Millions of yen)

	Amount recorded in the Consolidated Statements of Financial Position	Fair value	Variance
Financial assets			
Lease receivables	45,377	45,319	(58)
Financial liabilities			
Bonds	119,596	120,070	474
Borrowings	155,456	157,715	2,259

Notes to Revenue Recognition

Endoscopic Solutions Business

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

Regarding the sale of products by the Endoscopic Solutions Business, when control over products is transferred to a customer—at the time the Company delivers the products to the customer—the legal title to the products and physical possession of the products, and significant risks and rewards of ownership of the products are transferred to the customer; then the Company obtains the right to receive payments from the customer. At that point, the Company recognizes the revenue. The revenue from the sale of products is measured in transaction prices related to the contract with the customer. The Company receives a consideration for a transaction primarily within a year after satisfaction of performance obligations, and the consideration does not include a significant financial component. In respect of transactions that consist of multiple components, such as products and maintenance service, the Company treats each component as a separate performance obligation when products to sell and services to render have an independent value on their own, and the total transaction amount is proportionally allocated based on the individual sales prices of the components.

In regard to maintenance contracts concerning medical devices, because performance obligations are satisfied over the passage of time, the transaction amount related to the contract with a customer is recognized as revenue spread evenly over the contract period. Generally, the Company receives a consideration for a transaction in a lump sum as advance payment at the time the contract is concluded.

Lease transactions for medical devices as the lessor are recorded in accordance with Notes to Consolidated Financial Statements “5. Items concerning accounting policies: (7) Leases.” The Company receives lease fees concerning leasing contracts based on payment conditions specified in individual contracts.

Therapeutic Solutions Business

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

Regarding the sale of products by the Therapeutic Solutions Business, when control over products is transferred to a customer—at the time the Company delivers the products to the customer—the legal title to the products and physical possession of the products, and significant risks and rewards of ownership of the products are transferred to the customer; then the Company obtains the right to receive payments from the customer. At that point, the Company recognizes the revenue. The revenue from the sale of products is measured in transaction prices related to the contract with the customer. The Company receives a consideration for a transaction primarily within a year after satisfaction of performance obligations, and the consideration does not include a significant financial component.

Scientific Solutions Business

The Scientific Solutions Business sells biological microscopes, industrial microscopes, industrial endoscopes, non-destructive testing equipment, etc. to customers who are mainly research institutions and medical institutions in Japan and overseas.

Regarding the sale of products by the Scientific Solutions Business, when control over products is transferred to a customer—at the time the Company delivers the products to the customer—the legal title to the products and physical possession of the products, and significant risks and rewards of ownership of the products are transferred to the customer; then the Company obtains the right to receive payments from the customer. At that point, the Company recognizes the revenue. The revenue from the sale of products is measured in transaction prices related to the contract with the customer. The Company receives a consideration for a transaction primarily within a year after satisfaction of performance obligations, and the consideration does not include a significant financial component.

In regard to maintenance contracts concerning Scientific Solutions Business, because performance obligations are satisfied over the passage of time, the transaction amount related to the contract with a customer is recognized as revenue spread evenly over the contract period. Generally, the Company receives a consideration for a transaction in a lump sum as advance payment at the time the contract is concluded.

Imaging Business

The Imaging Business sells digital cameras including mirrorless cameras primarily to corporations that are engaged in retailing in Japan and overseas.

Regarding the sale of products by the Imaging Business, when control over products is transferred to a customer—at the time the Company sells the products to the customer—the legal title to the products and physical possession of the products, and significant risks and rewards of ownership of the products are transferred to the customer; then the Company obtains the right to receive payments from the customer. At that point, the Company recognizes the revenue. The revenue from the sale of products in the Imaging Business is measured in transaction prices related to the contract with the customer. In respect of transaction agreements that include a change to the consideration, such as rebates and subsequent discounts, transaction prices are determined using the most likely amount method based on past records, etc. in consideration of the relevant variable prices within a scope that does not cause a significant difference between quotations and results. The Company receives a consideration for a transaction primarily within a year after satisfaction of performance obligations, and the consideration does not include a significant financial component.

The Imaging Business was classified as discontinued operations during the fiscal year under review.

Other Businesses

Other businesses include R&D and exploratory activities for new businesses, in addition to sales of biomedical materials and orthopedic equipment.

Notes to Per-Share Information

1. Equity attributable to owners of parent per share	¥306.72
2. Basic earnings per share	
Continuing operations	¥51.03
Discontinued operations	¥(40.98)
Basic earnings per share	¥10.05

Notes to Significant 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

Other Notes

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

2. Business segments
   (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 fiscal year under review, 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 “6. 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 "Notes to Important Items That Form the Basis for Preparing the Consolidated Financial Statements, 5. Items concerning accounting policies."

Fiscal year ended March 31, 2021

(Millions of yen)

	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	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 (nonfinancial 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, 2021
Japan	123,454
North America	236,979
Europe	181,227
China	110,354
Asia and Oceania	63,563
Others	14,967
Total	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.
   Revenue from external customers in the USA during the fiscal year ended March 31, 2021, was ¥222,057 million. 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 year ended March 31, 2021.

3. Assets held for sale and liabilities directly associated with assets held for sale

Breakdown of assets held for sale is as follows.

(Millions of yen)

	As of March 31, 2021
Assets	
Land	45
Buildings and structures	72
Machinery and vehicles	0
Total	117

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

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

4. Business combinations

(Acquisition of Arc Medical Design Limited)

(1) Outline of business combination

(i) 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

(ii) 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.

(iii) Acquired ratio of holding capital with voting rights

100%

(iv) Acquisition date

August 7, 2020

(v) 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 3. 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.

The Accounting Auditor has not audited profit and loss information under the assumption that the said business combination was conducted at the beginning of the fiscal year under review.

(Acquisition of FH ORTHO SAS)

(1) Outline of business combination

(i) 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

(ii) 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.

(iii) Acquired ratio of holding capital with voting rights

100%

(iv) Acquisition date

November 2, 2020

(v) 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 3. 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.

The Accounting Auditor has not audited profit and loss information under the assumption that the said business combination was conducted at the beginning of the fiscal year under review.

(Acquisition of Veran Medical Technologies, Inc.)

(1) Outline of business combination

(i) 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

(ii) 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.

(iii) Acquired ratio of holding capital with voting rights

100%

(iv) Acquisition date

December 29, 2020

(v) 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 3.

(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.

The Accounting Auditor has not audited profit and loss information under the assumption that the said business combination was conducted at the beginning of the fiscal year under review.

(Acquisition of Quest Photonic Devices B.V.)

(1) Outline of business combination

(i) 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

(ii) 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.

(iii) Acquired ratio of holding capital with voting rights

100%

(iv) Acquisition date

February 9, 2021

(v) 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 3. 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.

The Accounting Auditor has not audited profit and loss information under the assumption that the said business combination was conducted at the beginning of the fiscal year under review.

5. Loss of control

(Divestiture of Imaging Business)

(1) Overview of transaction

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

(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 said loss on sale of business are as described in Note “6. Discontinued operations.”

(Divestiture of significant operations)

(1) Overview of transaction

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

(2) Assets and liabilities 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.

6. 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. Furthermore, the transfer of the Imaging Business was completed on January 1, 2021. For details, please see Note “5. 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, 2021
Revenue	21,062
Cost of sales	14,715
Gross profit	6,347
Selling, general and administrative expenses	13,633
Share of profit (loss) of investments accounted for using equity method	–
Other income	75
Other expenses (Note)	44,898
Operating loss	(52,109)
Finance income	0
Finance costs	367
Loss before tax	(52,476)
Income taxes	205
Loss from discontinued operations	(52,681)

Note: 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)

Cash flows of discontinued operations	Fiscal year ended March 31, 2021
Net cash used in operating activities	(2,999)
Net cash used in investing activities	(28,686)
Net cash used in financing activities	(68)

7. Provisions to cover the costs associated with market response

   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 under review, 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.

8. 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.

9. 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

(i) Target companies: Olympus Corporation and its Group companies in Japan

(ii) Eligible employees:

Regular employees with three or more years of service who are at least age 40 years old as of March 31, 2021

Employees rehired after mandatory retirement

Employees with indefinite term contracts

(iii) Number of applicants: Approximately 950 individuals

(iv) Application period: February 1, 2021 to February 19, 2021

(v) Retirement date: March 31, 2021

(Under special circumstances the date may be adjusted up to September 30, 2021)

(vi) Details of the support:

Special additional payment together with the standard severance allowance

Re-employment support services for those wishing to receive such support

(3) Implementation result

The number of retirees under the scheme: 842 individuals

The Company recorded ¥11,866 million 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.

VII. Non-Consolidated Statement of Changes in Net Assets (April 1, 2020 to March 31, 2021)

(Millions of yen)

Items	Shareholders' equity						
		Capital surplus			Retained earnings		
					Other retained earnings		
	Share capital	Legal capital surplus	Other capital surplus	Total capital surplus	Reserve for advanced depreciation	Retained earnings carried forward	Total retained earnings
Balance at April 1, 2020	124,643	91,063	1	91,064	1,122	251,880	253,002
Cumulative effect of accounting change						(139)	(139)
Restated balance	124,643	91,063	1	91,064	1,122	251,741	252,863
Changes during the year							
Issuance of new shares							
Dividends from surplus						(12,856)	(12,856)
Decrease by company split						(21,405)	(21,405)
Profit						8,541	8,541
Acquisition of treasury shares							
Disposal of treasury shares			8	8			
Reversal of reserve for advanced depreciation					(38)	38	–
Net changes in items other than shareholders' equity							
Net changes during the year	–	–	8	8	(38)	(25,682)	(25,720)
Balance at March 31, 2021	124,643	91,063	9	91,072	1,084	226,059	227,143

Items	Shareholders' equity		Valuation and translation adjustments		Subscription rights to shares	Total net assets
	Treasury shares	Total shareholders' equity	Net unrealized holding gains (losses) on available-for-sale securities, net of taxes	Total valuation and translation adjustments		
Balance at April 1, 2020	(98,135)	370,574	5,128	5,128	517	376,219
Cumulative effect of accounting change		(139)				(139)
Restated balance	(98,135)	370,435	5,128	5,128	517	376,080
Changes during the year						
Issuance of new shares						
Dividends from surplus		(12,856)				(12,856)
Decrease by company split		(21,405)				(21,405)
Profit		8,541				8,541
Acquisition of treasury shares	(2)	(2)				(2)
Disposal of treasury shares	89	97			(45)	52
Reversal of reserve for advanced depreciation		–				–
Net changes in items other than shareholders' equity			(640)	(640)		(640)
Net changes during the year	87	(25,625)	(640)	(640)	(45)	(26,310)
Balance at March 31, 2021	(98,048)	344,810	4,488	4,488	472	349,770

VIII. Notes to Non-Consolidated Financial Statements

Notes to Items Related to Important Accounting Policies

1. Asset valuation principles and methods

(1) Securities

(i) Held-to-maturity securities — Amortized cost method

(ii) Investment securities in subsidiaries and affiliates — Cost method based on the moving-average method

(iii) Available-for-sale securities

Items with market value — Market value method by fair market value on the account settlement date (the net unrealized gains and losses on these securities are reported as a separate component of net assets, and the cost of sales is calculated by the moving-average method)

Items without market value — Cost method based on the moving-average method
Contributions to limited liability partnerships engaged in investment business and similar partnerships (contributions deemed as securities as per Article 2, Paragraph 2 of the Financial Instruments and Exchange Act) are reported using a method that treats the amount (net) equivalent to the equity ownership portion based on the latest available financial statements depending on the reporting date stipulated in the partnership agreement.

(2) Claims and liabilities from derivatives transactions — Market value method

(3) Inventories — Reported using the moving-average method (for the value stated in the balance sheet, the book value is written down based on the decreased profitability)

2. Depreciation and amortization method for fixed assets

(1) Property, plant and equipment (excluding lease assets) — Straight-line method

(a) Vehicles, tools and fixtures — Based on useful lives as per the Corporation Tax Act

(b) Other property, plant and equipment — Based on useful lives prescribed by the Company determined in accordance with estimated functional useful years

(2) Intangible assets (excluding lease assets) — Straight-line method
Based on useful lives as per the Corporation Tax Act
Software for internal use is reported using the usable period within the Company (3 to 5 years).

(3) Lease assets

Finance lease assets not involving the transfer of ownership

Calculated on the straight-line method over the lease period as the useful lives and assuming no residual value.

3. Accounting principles for allowances and provisions

(1) Allowance for doubtful accounts

To provide for losses due to unrecoverable claims such as accounts receivable and loans receivable, ordinary claims are accounted using the historical loan loss ratio and doubtful and other specified claims are reported in amounts expected to be unrecoverable considering the recoverability of each claim separately.

(2) Provision for product warranties

Due to the accounting of after-sales service cost expected within the Company's guarantee period with respect to products sold, the provision for product warranties is accounted using the prescribed Company's standards based on actually incurred past after-sales service cost.

(3) Provision for retirement benefits

To provide for retirement benefit payments to employees, the cost recognized as occurring at the end of the current fiscal year is accounted based on the projected benefit obligation and plan assets as of the end of the current fiscal year.

Pertaining to past service cost, the pro-rata amount calculated using a fixed number of years (5 years) within the average remaining service period of employees at the time of occurrence of such past service liabilities is accounted as an expense.

Pertaining to the actuarial gain or loss, the pro-rata amount calculated using a fixed number of years (5 years) within the average remaining service period of employees at the time of occurrence of such actuarial gain or loss is accounted as an expense starting from the following fiscal year.

(4) Provisions for business restructuring

To provide for expenses arising from business restructuring, the expected amount of these expenses is accounted.

(5) Provision for loss on business liquidation

To provide for losses arising from the liquidation of business of certain subsidiaries of the Company, the expected amount of these losses is accounted.

(6) Provision for points

To provide for sales allowances for utilization of points granted to customers, the amount that is expected to be utilized in the future is accounted.

4. Accounting principles for revenue and expenses

The "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 30, 2018) and "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 30, 2018) have been applied, and with regard to the sales of products, the Company mainly recognizes revenue at the time of delivery of a product since in many cases, it considers that the customer obtains control over the product and performance obligations are satisfied at the time of delivery of the product.

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

5. Other important items that form the basis for preparing non-consolidated financial statements

(1) Treatment method for important deferred assets

Stock issuance expense and bond issuance expense

Total expense recorded at the time of occurrence

(2) Hedge accounting methods

(i) Hedge accounting methods

The deferred hedge treatment method is used. Foreign currency-denominated accounts receivable under foreign exchange forward contracts are accounted for upon translation at the foreign exchange rate stipulated in the contracts. Pertaining to interest rate swaps, requirements for special treatment are satisfied, therefore a special treatment is used.

(ii) Hedging instruments and hedged items

・ Hedging instruments	Foreign exchange forward contracts, interest rate swap contracts
・ Hedged items	Forecasted transactions for foreign currency-denominated accounts receivable, borrowings

(iii) Hedging policy

Foreign exchange rate fluctuation risk and interest rate fluctuation risk are hedged based on internal regulations that stipulate authorization relating to derivatives and transaction limits.

(iv) Method of assessing hedge effectiveness

The effectiveness is assessed by checking whether there exists a high correlation among the value fluctuations of hedged items, the cash flow and hedging instruments.

(3) Treatment of consumption taxes

Treated using the tax exclusive method.

(4) Application of the consolidated tax payment system

The consolidated tax payment system is adopted.

Notes to Non-Consolidated Balance Sheet

1. Accumulated depreciation for property, plant and equipment ¥120,766 million

2. Contingent liabilities
   Liabilities for guarantees ¥2,650 million
   The above amount includes ¥2,647 million in contracted guarantees to subsidiaries and affiliates.

3. Short-term monetary claims to subsidiaries and affiliates ¥203,547 million

4. Long-term monetary claims to subsidiaries and affiliates ¥70 million

5. Short-term monetary liabilities to subsidiaries and affiliates ¥88,910 million

6. Discounted bills of exchange for export ¥64 million

7. Allowance for doubtful accounts
   ¥5,752 million of allowance for doubtful accounts is the amount expected to be unrecoverable with respect to ¥5,752 million that is commission fees related to Receiver Funds, and included as an excess amount in Long-term accounts receivable-other under Investments and other assets. Although these fees were paid to the external partners of multiple Receiver Funds, the Company has requested payment from these external partners of Receiver Funds because the fees were not agreed and a potion was recovered during the fiscal year under review.

Notes to Non-Consolidated Statement of Income

Total transactions with subsidiaries and affiliates	
Amounts resulting from business transactions	
Revenue	¥281,357 million
Net purchases	¥260,874 million
Other business transactions	¥17,841 million
Amount resulting from non-business transactions	¥38,550 million

Notes to Changes in Accounting Policies

(Application of Accounting Standard for Revenue Recognition, etc.)

The "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 30, 2018, hereinafter, the "Accounting Standard for Revenue Recognition"), etc. has been applied from the beginning of the fiscal year under review, and the Company recognizes revenue when control of promised goods or services is transferred to the customer in the amount expected to be received in exchange for these goods or services. Due to this application, the revenue of product sales, which had been recognized at the time of shipment, is now recognized at the time of delivery when control of the product is transferred to the customer.

The application of the Accounting Standard for Revenue Recognition, etc. is pursuant to the transitional treatment stipulated in the proviso of paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect when applying the new accounting policy retrospectively from before the beginning of the fiscal year under review is added to or subtracted from the retained earnings at the beginning of the fiscal year under review before applying the new accounting policy from the balance at the beginning of the year. However, the new accounting policy has not been applied retrospectively to contracts in which almost all of the revenue has been recognized before the beginning of the fiscal year under review in accordance with the previous treatment by applying the method stipulated in paragraph 86 of the Accounting Standard for Revenue Recognition.

Contract changes that were carried out before the beginning of the fiscal year under review by applying the method stipulated in proviso (1) of paragraph 86 of the Accounting Standard for Revenue Recognition have been accounted for in accordance with the contract terms that have reflected all contract changes, and their cumulative effect has been adjusted in the retained earnings at the beginning of the fiscal year under review.

As a result, revenue decreased by ¥1,185 million, cost of sales decreased by ¥56 million, and selling, general and administrative expenses decreased by ¥1,157 million in the fiscal year under review. Operating profit, ordinary profit, and profit before tax increased by ¥28 million each. Furthermore, the balance of retained earnings carried forward at the beginning of the fiscal year under review decreased by ¥139 million.

Notes to Changes in Presentation Methods

(Changes in presentation methods)

Changes pursuant to application of "Accounting Standard for Disclosure of Accounting Estimates"

The "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31, March 31, 2020) has been applied from the fiscal year under review, and Notes to Accounting Estimates are included in

Notes to Non-Consolidated Financial Statements.

Notes to Accounting Estimates

The preparation of non-consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis, and the effects of such reviews are recognized in the period in which the estimates are reviewed and in subsequent periods.

Information regarding accounting estimates and assumptions that may have a significant impact on the non-consolidated financial statements is as follows.

1. Valuation of inventories

   Inventories are measured at cost. However, if the net realizable value of inventories at the end of the reporting period is lower than the cost, the inventories are measured at the net realizable value and the difference between the net realizable value and the cost is recognized as cost of sales, in principle.

   For unsold inventories that remain outside the operating cycle, the net realizable value, etc. is calculated by reflecting future demand and market trends. In the event that the market environment deteriorates further than forecasted and net realizable value declines significantly, losses may be incurred.

   The amount of inventories recorded in the non-consolidated financial statements for the fiscal year under review is ¥83,719 million.

2. Impairment of fixed assets

   For property, plant and equipment and intangible assets for which there are indications that the asset or asset group may be impaired at the end of the fiscal year, in the event the total undiscounted future cash flows from the asset or asset group will be less than the carrying amount, the Company records an impairment loss by reducing the carrying amount down to the recoverable amount.

   In the recognition and measurement of impairment loss, assumptions are made regarding future cash flows, discount rates, etc. These assumptions are determined based on management's best estimates and judgment. However, they may be affected by the results of changes in uncertain future economic conditions, and if they require revision, they may have a significant impact on the non-consolidated financial statements.

   The amounts of property, plant and equipment and intangible assets recorded in the non-consolidated financial statements for the fiscal year under review are ¥72,989 million and ¥7,283 million, respectively, and the amount of impairment loss recorded was ¥1,362 million.

3. Contingent liabilities

   Contingencies are disclosed when an item could have a significant impact on future operations, taking into account all available evidence at the reporting date and considering the probability of occurrence and monetary impact of the event.

4. Measurement of defined benefit obligations

For defined benefit pension plans, the net value of the defined benefit obligations and the fair value of plan assets and unrecognized items such as actuarial gains and losses is recognized as either liabilities or assets.

Defined benefit obligations are calculated based on the same types of assumptions used in the actuarial calculation, which include estimates of the discount rate, the retirement rate, the mortality rate, and the rate of compensation increase. These assumptions are established by comprehensively judging a variety of available information, including market trends, such as interest rate changes.

Uncertain future economic conditions or changes in social conditions may affect the assumptions used in the actuarial calculation. Accordingly, there are risks that such changes could result in significant adjustments to the measurements of defined benefit obligations in future accounting periods.

The amount of prepaid pension expenses recorded in the non-consolidated financial statements for the fiscal year under review is ¥14,690 million.

5. Recoverability of deferred tax assets

Deferred tax assets are recognized to the extent that it is probable that taxable income will be available against which deductible temporary differences, etc. can be utilized.

Judgements on the likelihood that taxable income will be available are made based on the timing and amount of taxable income estimated based on the business plans.

These estimates are determined based on management's best estimates. However, they may be affected by the results of changes in uncertain future economic conditions and the actual results may differ from these forecasts.

The amount of net deferred tax assets recorded in the non-consolidated financial statements for the fiscal year under review is ¥23,268 million, and the amount before offsetting with deferred tax liabilities is ¥29,814 million.

6. Impact of COVID-19

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 assessment of recoverability of deferred tax assets, etc.

Notes to Non-Consolidated Statement of Changes in Net Assets

1. Class and total number of issued shares at the end of the current fiscal year

Common stock	1,370,914,963 shares

2. Class and total number of treasury shares at the end of the current fiscal year

   Common stock 85,279,921 shares

   The number of treasury shares of common stock at the end of the current fiscal year increased by 766 shares as a result of the purchase of shares constituting less than one unit, decreased by 50,400 shares as a result of the exercise of stock options, increased by 26,596 shares as a result of acquisition without charge from retired Directors and Corporate Officers who were under the performance-linked share-based remuneration plan and decreased by 26,821 shares as a result of the grant of shares for restricted share remuneration.

Notes to Tax Effect Accounting

Breakdown of deferred tax assets and liabilities by main cause

Deferred tax assets	
Inventories	¥2,165 million
Prepaid expenses	¥6,079 million
Accrued bonuses	¥2,557 million
Property, plant and equipment	¥4,358 million
Intangible assets	¥3,140 million
Denial of loss on valuation of investment securities	¥2,989 million
Denial of loss on valuation of investment securities in subsidiaries and affiliates	¥7,724 million
Denial of provision of allowance for doubtful accounts	¥3,708 million
Loss carry forward	¥24,017 million
Other	¥2,970 million
Subtotal of deferred tax assets	¥59,707 million
Valuation allowance related to loss carry forward	¥(15,359) million
Valuation allowance related to deductible temporary differences	¥(14,534) million
Total deferred tax assets	¥29,814 million
Deferred tax liabilities	
Net unrealized holding gains (losses) on available-for-sale securities, net of taxes	¥(1,403) million
Reserve for advanced depreciation	¥(479) million
Prepaid pension expenses	¥(4,498) million
Other	¥(166) million
Total deferred tax liabilities	¥(6,546) million
Net deferred tax assets	¥23,268 million

Notes to Transactions with Related Party

Type	Company name	Ownership (owned) ratio of voting rights, etc. (%)	Relationship with the relevant party	Description of transaction	Amount of transaction (Millions of yen)	Account	Balance at end of year (Millions of yen)
Subsidiary	Olympus Winter & Ibe GmbH	Ownership Indirect 100.0	Manufacture of the Company's products Concurrent post for officers	Sale of shares of affiliate (Note 1) Proceeds from sale Gain on sale	 4,983 2,543	Other receivables	4,983

Transaction conditions and policy for determining transaction conditions, etc.

Note 1: The sales value of the shares of the affiliate was decided based on negotiations between the two companies.

Notes to Per-Share Information

1. Net assets per share ¥271.69
2. Earnings per share ¥6.64

Notes to Significant Subsequent Events

(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

Notes to Company Subject to Consolidated Dividend Regulations

The Company is subject to consolidated dividend regulations.

Notes to Revenue Recognition

The Company omits making a description as the relevant details are explained in “Notes to Revenue Recognition” of the Notes to Consolidated Financial Statements.

Other Notes

(Loss on sale of Imaging Business)
The Company recorded ¥47,623 million (loss on sale of shares for OM Digital Solutions Corporation of ¥42,516 million, loss on valuation of investment securities for the same company of ¥2,238 million, and impairment of fixed assets, etc. of ¥2,869 million) in "Loss on sale of Imaging Business" for the sale of the Imaging Business implemented by the Company.

(Implementation of career support for external opportunity)
The Company recorded ¥8,886 million in "extra payments for early retirements, etc." 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.

(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.

Business Combination

(Partial transfer of functions for the purpose of strengthening quality and regulatory assurance functions)
On April 1, 2020, the Company transferred part of its functions, such as in research and development, manufacturing and repair planning, to its wholly-owned subsidiary Olympus Medical Systems Corp. through a corporate separation in order to strengthen our systems to enable firm governance of its quality and regulatory assurance functions while maintaining a fitting level of quality. The corporate separation was carried out under an absorption-type split agreement concluded between the Company and Olympus Medical Systems Corp. on December 20, 2019.

(1) Overview of transactions

(i) Name and description of business involved in combination

Name of business	Endoscopic Solutions Business, Therapeutic Solutions Business
Description of business	Part of the Company's functions in research and development, manufacturing and repair planning of medical devices
Total assets	¥24,310 million
Liabilities	¥2,905 million
Net assets	¥21,405 million

(ii) Date of business combination

April 1, 2020

(iii) Legal form of business combination

Absorption-type split in which the Company becomes the Absorption-type split company and Olympus Medical Systems Corp. becomes the Absorption-type split successor company.

(iv) Name of company after combination

Olympus Medical Systems Corp.

(2) Description of transaction including purpose of the transaction

The Company announced on November 6, 2019, its new corporate strategy to achieve growth as a global medical technology company, in order to realize sustainable growth for the Olympus Group overall. Under this corporate strategy, the Company intends to strengthen its quality and regulatory assurance functions, to meet the quality and regulatory requirements that are increasing year by year. Through this, it aims to release at opportune times products that satisfy the highest-level quality and safety standards demanded by the market and by our customers. This time, the Company conducted the corporate separation to strengthen our systems to enable firm governance of quality and regulatory assurance functions while maintaining a fitting level of quality.

(3) Outline of accounting treatment applied

These transactions were treated as transactions under common control in accordance with the Accounting Standard for Business Combinations (ASBJ Statement No. 21, January 16, 2019) and Guidance on Accounting Standard for Business Combinations and Business Divestitures (ASBJ Guidance No. 10, January 16, 2019). In addition, the recoverability of deferred tax assets of the Company (splitting company) for the fiscal year under review is assessed in accordance with the Accounting Standard for Business Combinations (ASBJ Statement No. 21, January 16, 2019) and Guidance on Accounting Standard for Business Combinations and Business Divestitures (ASBJ Guidance No. 10, January 16, 2019) using the estimated future taxable income taking into account the effect of this corporate separation.

(Transfer of Imaging Business)

The Company concluded a share transfer agreement with OJ Holdings, Ltd., a special purpose company established by Japan Industrial Partners, Inc. (hereinafter, "JIP") for the transfer of the Imaging Business of the Company on September 30, 2020 and transferred the Imaging Business on January 1, 2021.

In this transfer of business, after OM Digital Solutions Corporation (hereinafter, the "New Imaging Company") was newly established as a subsidiary of the Company, the Imaging Business of the Company was succeeded to the New Imaging Company through an absorption-type split, and 95% of the shares of the New Imaging Company held by the Company (95% of the total issued shares) were transferred to OJ Holdings, Ltd.

1. Transactions under common control

(1) Overview of transactions

(i) Name and description of business involved in combination

Name of business	Imaging Business
Description of business	Operations involving the manufacture and sale of digital cameras (primarily mirrorless interchangeable lens cameras), interchangeable lenses, IC recorders and other audio products

(ii) Date of business combination

January 1, 2021

(iii) Legal form of business combination

Absorption-type split in which the Company becomes the Absorption-type split company and OM Digital Solutions Corporation becomes the Absorption-type split successor company.

(iv) Name of successor company in business combination

OM Digital Solutions Corporation

(2) Description of transaction including purpose of the transaction

This company split was implemented for the purpose of business divesture.

(3) Outline of accounting treatment applied

These transactions were treated as transactions under common control in accordance with the Accounting Standard for Business Combinations (ASBJ Statement No. 21, January 16, 2019) and Guidance on Accounting Standard for Business Combinations and Business Divestitures (ASBJ Guidance No. 10, January 16, 2019).

2. Business divesture

(1) Overview of business divesture

(i) Name of company which succeeded a divested business

OJ Holdings, Ltd.

(ii) Description of divested business

Name of business	Imaging Business
Description of business	Operations involving the manufacture and sale of digital cameras (primarily mirrorless interchangeable lens cameras), interchangeable lenses, IC recorders and other audio products

(iii) Primary reason for business divesture

In recent years, the market has shrunk rapidly due to the evolution of smartphones, leading to a significant downturn for the digital camera market. Despite taking various steps to improve its cost structure and efficiency, the Imaging Business recorded operating losses for three consecutive fiscal years up to March 2020. Under such circumstances, the Company concluded that, by carving-out the Imaging Business and operating the business under JIP, its business structure would become more compact, efficient, and sustainable, and it is the most appropriate way to realize self-sustainable and continuous growth, and conducted this business transfer.

(iv) Date of business divesture

January 1, 2021

(v) Outline of other transactions including legal form

Transfer of shares with consideration only received by assets such as cash

(2) Outline of accounting treatment applied

(i) Amount of profit and loss transferred

¥42,516 million

(ii) Appropriate book values of assets and liabilities of transferred business and main contents thereof

Total assets	¥45,280 million
Liabilities	¥419 million
Net assets	¥44,861 million

(iii) Accounting method

The loss on sale of shares in the affiliate, which is the difference between the book value and the sales value of the transferred shares, was included in “Loss on sale of Imaging Business” and recorded as extraordinary loss.

(3) Reportable segment that included divested business
Imaging Business

(4) Estimated profit and loss in divested business in the statement of income for the current fiscal year

Revenue	¥14,793 million
Operating loss	¥7,429 million

(Company split associated with the restructuring of domestic sales functions)

The Company has decided to use a method for the company split (hereinafter, the "Company Split") that transfers the rights and liabilities associated with domestic sales functions for Medical and Scientific Solutions Businesses (hereinafter, the "Covered Functions") to the Company's wholly owned subsidiary Olympus Medical Science Sales Corporation (hereinafter, "OMSJ"), and to conclude an absorption-type split agreement with OMSJ on February 12, 2021.

(1) Overview of transaction

(i) Names and description of businesses subject to transaction

Name of business	Endoscopic Solutions Business, Therapeutic Solutions Business and Scientific Solutions Business
Description of business	Domestic sales functions for the above businesses

(ii) Effective date of company split
October 1, 2021 (scheduled)

(iii) Legal form of company split
Absorption-type split in which the Company becomes the absorption-type split company and OMSJ becomes the absorption-type split successor company.

(iv) Conditions of the company after the company split
The Company's name, location, roles and name of the Representative, business contents, capital, and fiscal year end will not change due to the Company Split. On the same date as the effective date of the Company Split, OMSJ plans to change its trade name to "Olympus Marketing Corporation." Additionally, there will be no changes to OMSJ's business contents, capital, or fiscal year end due to the Company Split.

(2) Description of transaction including purpose of the transaction

As the Company announced in its press release titled "Notification Regarding the Start of an Evaluation into Restructuring the Group's Domestic Sales Functions" on November 13, 2020, on October 1, 2021, the Company plans to restructure the Group's domestic sales functions.

Currently, the Company and OMSJ are responsible for the Group's domestic sales functions. By integrating the domestics sales functions for the Medical and Scientific Solutions Businesses of the two companies, we aim to realize “flexible personnel assignment,” “enhanced cooperation with partners,” “integrated nationwide policy implementation,” and “the acquisition and retention of excellent personnel,” strengthening our sales system.

The goal of the Company Split is to reorganize these domestic sales functions and to transfer the Company’s rights and liabilities associated with the Covered Functions to OMSJ.

The impact of this company split on the Company’s non-consolidated financial results is currently under examination.

(3) Outline of accounting treatment applied

These transactions are treated as transactions under common control in accordance with the Accounting Standard for Business Combinations (ASBJ Statement No. 21, January 16, 2019) and Guidance on Accounting Standard for Business Combinations and Business Divestitures (ASBJ Guidance No. 10, January 16, 2019).