

## Consolidated Financial Statements and Notes

## Consolidated Statements of Financial Position

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

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

See accompanying notes to consolidated financial statements.

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



## Consolidated Financial Statements and Notes

## Consolidated Statements of Changes in Equity

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

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

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

	Thousands of U.S. dollars (Note 2)							
	Equity attributable to owners of parent						Non-controlling interests	Total equity
	Share capital	Capital surplus	Treasury shares	Other components of equity	Retained earnings	Total		
Balance at April 1, 2019	\$1,143,174	\$837,706	\$ (43,706)	\$ (75,541)	\$2,186,009	\$4,047,642	\$10,954	\$4,058,596
Profit					474,037	474,037	(138)	473,899
Other comprehensive income				(168,679)		(168,679)		(168,679)
Comprehensive income	—	—	—	(168,679)	474,037	305,358	(138)	305,220
Purchase of treasury shares (Note 24)			(856,707)			(856,707)		(856,707)
Disposal of treasury shares (Note 24)		(92)	92			0		0
Dividends from surplus (Note 26)					(93,973)	(93,973)	(1,156)	(95,129)
Transfer from other components of equity to retained earnings				35,495	(35,495)	—		—
Share-based payment transactions (Note 27)	340	139				479		479
Equity transactions with non-controlling interests		(1,450)				(1,450)	1,450	—
Total transactions with owners	340	(1,403)	(856,615)	35,495	(129,468)	(951,651)	294	(951,357)
Balance at March 31, 2020	\$1,143,514	\$836,303	\$ (900,321)	\$ (208,725)	\$2,530,578	\$3,401,349	\$11,110	\$3,412,459

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

## Consolidated Financial Statements and Notes

## Consolidated Statements of Cash Flows

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

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

See accompanying notes to consolidated financial statements.

## Notes to the Consolidated Financial Statements

Olympus Corporation and Consolidated Subsidiaries

## 1. Reporting Entity

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

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

## 2. Basis of Preparation

## (1) Compliance with IFRS

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

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

## (2) Basis of measurement

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

## (3) Functional currency and presentation currency

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

## (4) Changes in presentation

(Consolidated statement of cash flows)

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

## 3. Significant Accounting Policies

## (1) Basis of consolidation

## 1) Subsidiaries

A subsidiary is an entity that is controlled by the Olympus Group. The Olympus Group considers that it has control over an entity when it is exposed or has rights, to variable returns arising from its involvement with the entity, while having the ability to affect those returns through the exercise of its power over the entity. Financial statements of a subsidiary are consolidated from the date on which the Olympus Group obtains control over such subsidiary, until the date on which the control is lost.

All intergroup balances, transactions, unrealized profit or loss arising from intergroup transactions are eliminated on consolidation. Comprehensive income of the subsidiaries is attributed to the owners of parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Company's ownership interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. Any difference between the adjustment to the non-controlling interests and the fair value of the consideration is recognized directly in equity attributable to owners of parent.

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

## 2) Associates

An associate is an entity over which the Olympus Group has significant influence on its financial and operating policies but does not have control or joint control. Investments in associates are accounted for by the equity method from the date the Olympus Group gains significant influence until the date it loses that influence.

Investments in associates include goodwill recognized on acquisition.

## Consolidated Financial Statements and Notes

**(2) Business combinations**

Business combinations are accounted for by using the acquisition method. Consideration for an acquisition is measured at the sum of the acquisition-date fair value of the assets transferred, liabilities assumed, and equity instruments issued by the Olympus Group in exchange for the control over the acquiree. Consideration for an acquisition includes contingent consideration. If consideration for an acquisition exceeds the fair value of identifiable assets and liabilities, such excess is recognized as goodwill in the consolidated statements of financial position. If, conversely, the consideration is less than the fair value, the difference shall be directly recognized in profit or loss in the consolidated statements of profit or loss. In addition, acquisition-related costs incurred shall be recognized in profit or loss.

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

**(3) Foreign currency translations****1) Foreign currency transactions**

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

**2) Financial statements of foreign operations**

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

**(4) Financial instruments****1) Financial assets****(i) Initial recognition and measurement**

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

**(ii) Classification and subsequent measurement**

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

(Financial assets measured at amortized cost)

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

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

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

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

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

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

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

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

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

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

**(iii) Impairment of financial assets**

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

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

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

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

**(iv) Derecognition**

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

**2) Financial liabilities****(i) Initial recognition and measurement**

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

**(ii) Classification and subsequent measurement**

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

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

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

**(iii) Derecognition**

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

**3) Offsetting financial instruments**

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

**4) Derivatives and hedge accounting**

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

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

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

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

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

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

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

**(5) Cash and cash equivalents**

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

**(6) Inventories**

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

## Consolidated Financial Statements and Notes

**(7) Property, plant and equipment**

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

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

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

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

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

**(8) Goodwill**

Goodwill is carried at cost less any accumulated impairment losses.

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

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

**(9) Intangible assets**

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

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

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

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

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

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

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

**(10) Leases**

For the year ended March 31, 2019

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

**1) Leases as lessee**

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

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

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

**2) Leases as lessor**

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

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

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

For the year ended March 31, 2020

**1) Leases as lessee**

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

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

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

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

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

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

**2) Leases as lessor**

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

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

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

**(11) Impairment of non-financial assets**

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

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

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

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

When there is an indication of reversal in respect of impairment losses recognized in prior periods and the recoverable amount of the asset or cash-generating unit exceeds its carrying amount, impairment losses are reversed. The carrying amount after reversal of impairment losses does not exceed the carrying amount that would have been determined, net of depreciation or amortization had no impairment loss been recognized for the asset. Impairment losses associated with goodwill are not reversed.

**(12) Non-current assets held for sale**

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

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

**(13) Provisions**

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

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

**(14) Contingent liabilities**

With regard to liabilities held by the Olympus Group as of the end of the reporting period that may be incurred, when it cannot be confirmed whether or not those are liabilities as of the end of the reporting period, or when the liabilities do not meet criteria for recognition of provisions, information on such liabilities is provided in the corresponding note on contingent liabilities, unless it is believed that the possibility of an outflow of economic resources by performance of the liabilities is remote at the end of the reporting period.

## Consolidated Financial Statements and Notes

**(15) Government grants**

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

**(16) Employee benefits****1) Post-employment benefits**

The Olympus Group adopts defined benefit pension plans and defined contribution pension plans.

The Olympus Group calculates the present value of defined benefit obligations and associated current service cost as well as past service cost by using the projected unit credit method.

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

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

Any difference due to remeasurement arising from defined benefit pension plans is recognized in other comprehensive income in the period when the difference arose, and immediately transferred to retained earnings. Past service costs are expensed as incurred.

Contributions to defined contribution pension plans are recognized as expenses according to the period during which employees rendered the relevant services.

**2) Short-term employee benefits**

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

**3) Other long-term employee benefits**

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

**(17) Equity**

Common shares are recognized in share capital at their issue price. Expenses incidental to issuance of common shares are deducted at the amount net of tax effect from equity.

Treasury shares are recognized at cost and deducted from equity. No gain or loss is recognized associated with the purchase, sale or retirement of treasury shares of the Company. Any difference between the book value and the consideration received from the sale is recognized in equity.

**(18) Share-based payments**

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

## Stock option plans

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

## Restricted Share and Performance-Linked Share-Based Remuneration Plan

The Company has introduced a restricted share and performance-linked share-based remuneration plan for directors (excluding outside directors) and executive officers (excluding non-residents of Japan) with the aim of enhancing awareness toward contributing to sustainable improvement of corporate value, as well as further enhancing value sharing with shareholders. The remuneration calculated by the reference the fair value of shares of the Company is recognized in profit or loss as an expense and the corresponding amount is recognized as an increase in equity.

**(19) Revenue**

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

Step 1: Identify the contract with the customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

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

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

**(20) Finance income and finance costs**

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

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

**(21) Income taxes**

Income tax costs comprise current taxes and deferred taxes. These taxes are recognized in profit or loss, except in cases where they arise from items that are recognized directly in other comprehensive income or equity, and where they arise from business combinations.

**1) Current taxes**

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

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

**2) Deferred taxes**

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

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

- Taxable temporary differences arising from the initial recognition of goodwill
- Temporary differences on the initial recognition of assets or liabilities arising from a transaction other than a business combination that affects neither accounting profit nor taxable profit (tax loss).
- Taxable temporary differences associated with investments in subsidiaries and associates when the Olympus Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.
- Deductible temporary differences associated with investments in subsidiaries and associates when it is probable that the temporary difference will not reverse in the foreseeable future, or when it is not probable that there will be sufficient taxable profits against which the deductible temporary differences can be utilized.

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

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

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

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

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

**(22) Earnings per share**

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

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

**(23) Changes in significant accounting policies**

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

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

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

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

## Consolidated Financial Statements and Notes

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

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

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

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

#### 4. Significant Accounting Estimates and Associated Judgments

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

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

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

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

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

- Evaluation of inventories (Note 3 "Significant accounting policies (6) Inventories," Note 9 "Inventories")  
Inventories are measured at cost. However, if net realizable value falls below the cost as of the end of the reporting period, inventories are measured at the net realizable value and any difference is recognized in cost of sales in principle. For inventories that are not used in the normal operating cycle process and remain unused, the net realizable value are calculated reflecting future demand and market trends. If the net realizable value decreased significantly due to a worse than expected market environment, losses may be incurred.
- Impairment of non-financial assets (Note 3 "Significant accounting policies (11) Impairment of non-financial assets," Note 16 "Impairment of non-financial assets")  
The Olympus Group performs impairment tests on property, plant and equipment, goodwill, and intangible assets in accordance with the accounting treatment described in Note 3 "Significant accounting policies." Assumptions concerning future cash flows, discount rates, etc., are set to calculate recoverable amounts in testing for impairment. Although these assumptions are determined based on management's best estimates and judgment, they may be affected as a result of changes in uncertain future economic conditions. Should those assumptions require change, the consolidated financial statements may be significantly affected.
- Measurement of provisions (Note 3 "Significant accounting policies (13) Provisions," Note 20 "Provisions")  
Provisions are measured based on best estimates of expenditures required to settle obligations in the future at the end of the fiscal period. The amount of expenditures required to settle obligations in the future is calculated, comprehensively taking into account future possible outcomes. Assumptions used in the measurement of these provisions may be affected by changes in uncertain future economic conditions, and have risk of causing a material adjustment to the measurement of provisions in the future.
- Contingent liabilities (Note 3 "Significant accounting policies (14) Contingent liabilities," Note 41 "Contingent liabilities")  
Contingent liabilities are disclosed whenever any item exists that may have significant impacts on future businesses after all evidence available on the reporting date is examined and the probability and impact in terms of the amount are taken into consideration.

- Measurement of defined benefit obligation (Note 3 "Significant accounting policies (16) Employee benefits," Note 23 "Employee benefits")

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

- Recoverability of deferred tax assets (Note 3 "Significant accounting policies (21) Income taxes," Note 37 "Income taxes")  
Deferred tax assets are recognized to the extent that it is likely that taxable profit will be available against which the deductible temporary differences can be utilized. In determining the probability that taxable profit will be available, the Olympus Group estimates the timing and the amount of the taxable profit based on the business plan. Although these estimates are management's best estimates, the actual results may differ as a result of changes in uncertain future economic conditions.
- Impact of COVID-19  
Regarding the impact of COVID-19, the situation varies from region to region, but the Olympus Group assumes that it will stabilize from the third quarter of the next fiscal year, and at the present time, the Group's business activities are beginning to normalize. Based on this assumption, the Olympus Group makes accounting estimates; in addition to impairment tests on property, plant and equipment, and intangible assets including goodwill, and assessments of recoverability of deferred tax assets, etc.

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

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

#### 6. Segment Information

##### (1) Overview of reportable segments

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

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

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

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

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



## Consolidated Financial Statements and Notes

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

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

	Millions of yen							Adjustment (Notes 2, 3, 4, 5)	Amount on consolidated financial statements
	For the year ended March 31, 2019								
	Reportable Segment						Total		
Endoscopic Solutions	Therapeutic Solutions	Scientific Solutions	Imaging	Others					
Revenue									
Revenue from outside customers	¥418,833	¥215,468	¥104,225	¥ 48,679	¥ 6,657	¥793,862	¥ —	¥793,862	
Intersegment revenue (Note 1)	—	—	79	1	581	661	(661)	—	
Total	418,833	215,468	104,304	48,680	7,238	794,523	(661)	793,862	
Operating profit (loss)	89,771	22,163	8,135	(18,268)	(3,521)	98,280	(69,999)	28,281	
Finance income								2,183	
Finance costs								10,347	
Profit before tax								20,117	
Other items									
Share of profit (loss) of investments accounted for using equity method	603	—	0	—	—	603	—	603	
Depreciation and amortization	29,654	16,438	6,842	1,654	491	55,079	3,590	58,669	
Impairment losses (non-financial assets)	9	1,332	—	1,990	73	3,404	214	3,618	
Segment assets	392,432	225,574	97,191	47,283	5,813	768,293	163,737	932,030	
Investments accounted for using equity method	—	2,440	—	—	—	2,440	—	2,440	
Capital expenditures	¥ 37,190	¥ 13,812	¥ 6,688	¥ 4,027	¥ 553	¥ 62,270	¥ 4,560	¥ 66,830	

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

2. Adjustment for operating profit (loss) represents corporate assets that consist of elimination of transactions among segments as well as general and administrative expenses and fundamental research expenses, etc., that are not attributable to reportable segments.

3. Adjustment for segment assets represents corporate assets that are not attributable to reportable segments.

4. Adjustment for depreciation and amortization represents corporate depreciation and amortization that are not attributable to reportable segments.

5. Adjustment for capital expenditures represents the increase in corporate assets that is not attributable to reportable segments.

	Millions of yen							Adjustment (Notes 2, 3, 4, 5)	Amount on consolidated financial statements
	For the year ended March 31, 2020								
	Reportable Segment						Total		
Endoscopic Solutions	Therapeutic Solutions	Scientific Solutions	Imaging	Others					
Revenue									
Revenue from outside customers	¥425,742	¥216,075	¥105,189	¥ 43,615	¥ 6,790	¥797,411	¥ —	¥ 797,411	
Intersegment revenue (Note 1)	—	—	50	3	483	536	(536)	—	
Total	425,742	216,075	105,239	43,618	7,273	797,947	(536)	797,411	
Operating profit (loss)	109,424	26,191	9,997	(10,393)	(2,744)	132,475	(49,006)	83,469	
Finance income								1,942	
Finance costs								7,613	
Profit before tax								77,798	
Other items									
Share of profit (loss) of investments accounted for using equity method	561	(76)	—	—	—	485	—	485	
Depreciation and amortization	34,239	18,062	7,638	1,503	1,166	62,608	5,701	68,309	
Impairment losses (non-financial assets)	1,663	1,109	—	1,518	10	4,300	1,201	5,501	
Segment assets	414,978	256,239	94,841	47,538	7,752	821,348	194,315	1,015,663	
Investments accounted for using equity method	—	2,267	—	—	—	2,267	—	2,267	
Capital expenditures	¥ 47,557	¥ 12,897	¥ 6,427	¥ 3,045	¥ 875	¥ 70,801	¥ 6,383	¥ 77,184	

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

2. Adjustment for operating profit (loss) represents corporate assets that consist of elimination of transactions among segments as well as general and administrative expenses and fundamental research expenses, etc., that are not attributable to reportable segments.

3. Adjustment for segment assets represents corporate assets that are not attributable to reportable segments.

4. Adjustment for depreciation and amortization represents corporate depreciation and amortization that are not attributable to reportable segments.

5. Adjustment for capital expenditures represents the increase in corporate assets that is not attributable to reportable segments.

	Thousands of U.S. dollars						Adjustment (Notes 2, 3, 4, 5)	Amount on consolidated financial statements
	For the year ended March 31, 2020							
	Reportable Segment							
	Endoscopic Solutions	Therapeutic Solutions	Scientific Solutions	Imaging	Others	Total		
Revenue								
Revenue from outside customers	\$3,905,890	\$1,982,339	\$965,037	\$400,138	\$ 62,293	\$ 7,315,697	\$ —	\$7,315,697
Intersegment revenue (Note 1)	—	—	459	28	4,430	4,917	(4,917)	—
Total	3,905,890	1,982,339	965,496	400,166	66,723	7,320,614	(4,917)	7,315,697
Operating profit (loss)	1,003,890	240,284	91,716	(95,349)	(25,174)	1,215,367	(449,596)	765,771
Finance income								17,817
Finance costs								69,845
Profit before tax								713,743
Other items								
Share of profit (loss) of investments accounted for using equity method	5,147	(697)	—	—	—	4,450	—	4,450
Depreciation and amortization	314,119	165,706	70,073	13,789	10,698	574,385	52,303	626,688
Impairment losses (non-financial assets)	15,257	10,174	—	13,927	92	39,450	11,018	50,468
Segment assets	3,807,138	2,350,817	870,101	436,128	71,119	7,535,303	1,782,706	9,318,009
Investments accounted for using equity method	—	20,798	—	—	—	20,798	—	20,798
Capital expenditures	\$ 436,303	\$ 118,321	\$ 58,963	\$ 27,936	\$ 8,027	\$ 649,550	\$ 58,560	\$ 708,110

**(3) Information about products and services**

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

**(4) Geographical information**

Revenue and non-current assets of the Olympus Group by country or region were as follows.

Furthermore, revenue from customers in "China", which was included in "Asia and Oceania" for the fiscal year ended March 31, 2019, is separately presented for the fiscal year ended March 31, 2020 due to its increased significance. Information for the previous fiscal year has been modified in accordance with the new classification.

## Revenue by country or region

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

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

2. Major countries or regions other than Japan were as follows:

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

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

## Consolidated Financial Statements and Notes

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

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

Notes: 1. Each geographic location is determined on the basis of geographic proximity.

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

- (1) America United States, Canada, Mexico, and Brazil  
 (2) Europe and Middle East Germany, United Kingdom, France, etc.  
 (3) Asia and Oceania Singapore, China, South Korea, Australia, etc.

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

**(5) Major customers**

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

**7. Cash and Cash Equivalents**

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

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

**8. Trade and Other Receivables**

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

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

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

**9. Inventories**

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

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

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

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

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

**10. Other Financial Assets**

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

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

**11. Other Current Assets and Other Non-current Assets**

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

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

## Consolidated Financial Statements and Notes

## 12. Assets Held for Sale and Liabilities Directly Associated with Assets Held for Sale

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

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

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

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

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

## 13. Property, Plant and Equipment

## (1) Changes in property, plant and equipment

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

Carrying amount

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

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

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

## Consolidated Financial Statements and Notes

## Acquisition cost

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

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

## Accumulated depreciation and accumulated impairment losses

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

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

## (2) Right-of-use assets

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

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

	Thousands of U.S. dollars					
	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
Balance at March 31, 2020	<b>\$231,146</b>	<b>\$42,092</b>	<b>\$21,422</b>	<b>\$2,826</b>	<b>\$—</b>	<b>\$297,486</b>

Notes: 1. As stated in Note 3 "Significant accounting policies (10) Leases", with the adoption of IFRS 16 "Leases", at the beginning of the current fiscal year, the entire amount of "Leased assets" as of March 31, 2019 was reclassified as "Right-of-use assets".

2. Right-of-use assets increased during the fiscal year ended March 31, 2020 by ¥13,380 million (\$122,752 thousand).

## 14. Goodwill and Intangible Assets

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

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

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

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

## Consolidated Financial Statements and Notes

## Acquisition cost

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

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

## Accumulated amortization and accumulated impairment losses

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

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

## (2) Significant intangible assets

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

## (3) Research and development expenditures recognized as expenses

Research expenses and development costs that do not meet asset recognition criteria are recognized as expenses when incurred. Research and development expenditures recognized as expenses in the years ended March 31, 2019 and 2020 were ¥84,570 million and ¥68,585 million (\$629,220 thousand), respectively.

## 15. Commitments

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

	Millions of yen		Thousands of U.S. dollars	
	2019	2020	2019	2020
Property, plant and equipment	¥5,004	¥2,183	\$20,028	\$8,660
Intangible assets	1,699	944	6,660	3,660
Total	¥6,703	¥3,127	\$26,688	\$12,320

## 16. Impairment of Non-financial Assets

## (1) Impairment losses

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

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

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

	Millions of yen		Thousands of U.S. dollars	
	2019	2020	2019	2020
Property, plant and equipment				
Buildings and structures	¥ 320	¥1,311	\$12,028	\$5,064
Machinery and vehicles	917	521	4,780	2,084
Tools, furniture and fixtures	648	2,133	19,568	8,468
Land	105	—	—	—
Intangible assets				
Capitalized development	919	1,151	10,560	4,644
Software	126	85	780	344
Other	437	223	2,045	892
Other				
Long-term prepaid expenses	146	77	707	311
Total	¥3,618	¥5,501	\$50,468	\$22,309

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

In the Therapeutic Solutions Business, as the investments were deemed unrecoverable due to changes in the market environment, the carrying amount of capitalized development costs and other fixed assets related to gynecological products was written down to the recoverable amount, resulting in ¥1,332 million of impairment losses. The recoverable amount was measured at the value in use, which was zero.

In the Imaging Business, as the investments were deemed unrecoverable due to changes in the market environment, the carrying amount of production equipment and other fixed assets located in Japan and overseas was written down to the recoverable amount, resulting in ¥1,990 million of impairment losses. The recoverable amount was the fair value less costs of disposal and was measured at ¥5,523 million based on third-party appraisals such as cost approach. It was classified as level-3 in the fair value hierarchy. The fair value hierarchy is described in greater detail in Note 35 "Financial Instruments (4) Fair value."

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

In the Endoscopic Solutions Business, as no future use of business assets for some products was expected, the carrying amount was written down to the recoverable amount, resulting in ¥1,522 million (\$13,963 thousand) of impairment losses. The recoverable amount was the fair value less costs of disposal and, as the assets are difficult to sell, this amount was zero. It was classified as level-3 in the fair value hierarchy.

In the Imaging Business, as the investments were deemed unrecoverable due to changes in the market environment, the carrying amount of production equipment and other fixed assets located in Japan and overseas was written down to the recoverable amount, resulting in ¥1,518 million (\$13,927 thousand) of impairment losses. The recoverable amount was the fair value less costs of disposal and was measured at ¥5,412 million (\$49,651 thousand) based on third-party appraisals such as cost approach. It was classified as level-3 in the fair value hierarchy. The fair value hierarchy is described in greater detail in Note 35 "Financial Instruments (4) Fair value."

## (2) Impairment test for goodwill

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

	Millions of yen		Thousands of U.S. dollars	
	2019	2020	2019	2020
Endoscopic solutions segment	—	¥17,364	\$159,303	\$69,803
Therapeutic solutions segment	—	79,038	725,119	326,200
Medical segment				
Surgical business	¥ 95,557	—	—	—
Other	3,659	—	—	—
Scientific solutions segment	1,972	1,926	17,670	8,468
Total	¥101,188	¥98,328	\$902,092	\$425,471

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The Olympus Group tested goodwill for impairment on March 31, 2019 and 2020.

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

As a result, the cash generating units have been changed from the previous “Surgical business” and “Other” to “Endoscopic Solutions Business” and “Therapeutic Solutions Business”. The carrying amount of goodwill previously allocated to “Surgical business” and “Other” is reclassified to the revised cash generating units.

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

For impairment testing of goodwill, the recoverable amount is measured based on value in use.

Value in use is measured by discounting estimated future cash flows to present value. Estimated future cash flows is primarily based on a business plan approved by the management and considering a growth rate for the period after the term of the business plan.

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

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

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

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

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

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

## 17. Trade and Other Payables

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

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

## 18. Bonds and Borrowings

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

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

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

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

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

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

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

## 19. Other Financial Liabilities

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

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

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**20. Provisions**

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

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

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

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

**(1) Provision for product warranties**

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

**(2) Provision for loss on litigation**

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

**(3) Provision for duodenoscope market response**

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

**21. Other Current Liabilities and Other Non-current Liabilities**

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

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

**22. Government Grants**

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

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

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

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

**23. Employee Benefits**

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

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

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

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

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

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**(1) Defined benefit plans****1) Defined benefit obligations**

The changes in defined benefit obligations were as follows:

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

**2) Reconciliation of fair value of plan assets**

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

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

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

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

**3) Reconciliation of defined benefit obligations and plan assets**

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

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

**4) Components of plan assets**

The breakdown of plan assets by category was as follows:

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

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

**5) Matters related to actuarial assumptions**

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

	2019	2020
Discount rate	0.47%	0.56%

**6) Sensitivity analysis**

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

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

**7) Weighted average duration**

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

**(2) Defined contribution plans**

The amounts recognized as expenses related to the defined contribution plan were ¥17,425 million and ¥15,668 million (\$143,743 thousand) for the years ended March 31, 2019 and 2020, respectively, and included expenses recognized in relation to the public pension system.



## Consolidated Financial Statements and Notes

## 24. Share Capital and Other Components of Equity

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

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

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

- Notes: 1. All of the shares of the Company are ordinary shares that have no par value and no limitations on the rights. Issued shares are fully paid.  
2. The Company has adopted stock option plans and utilizes treasury shares for delivery of shares due to exercise. Contract conditions and amounts are described in Note 27 "Share-based payments".  
3. On April 1, 2019, the Company conducted a four-for-one stock split of common stock. As a result, Authorizes shares increased by 3,000,000,000 shares. The total number of issued shares increased by 1,028,140,047 shares and treasury stock increased by 3,877,560 shares.  
4. The major reasons of changes in the number of issued shares were issuing shares under the "Restricted Share-Based Remuneration Plan" described in Note 27 "Share-based payments".  
5. The major reason for the increase in the number of treasury shares was the purchase of 80,153,100 shares determined at the Board of Directors' meeting held on August 29, 2019.

## (2) Capital surplus

Japan's Companies Act provides that at least one-half of capital paid in or contributed in exchange for newly issued shares is to be classified as share capital and any amount not classified as share capital is to be classified as legal capital surplus included in capital surplus.

Additionally, legal capital surplus may be reclassified as share capital pursuant to a shareholder resolution at a General Meeting of Shareholders.

## (3) Retained earnings

Japan's Companies Act provides that one-tenth of the amount of reductions in surplus due to dividend distributions funded by the surplus is to be accumulated as legal capital surplus or legal retained earnings until the total of legal capital surplus and legal retained earnings equals one-quarter of share capital.

Accumulated legal retained earnings may be appropriated to reduce a capital deficits. They may also be utilized pursuant to a shareholder resolution at a General Meeting of Shareholders.

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

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

## (4) Other components of equity

The changes in other components of equity were as follows:

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

Thousands of U.S. dollars

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

## 1) Exchange differences on translation of foreign operations

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

## 2) Cash flow hedges

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

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

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

## 4) Remeasurements of defined benefit plans

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

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

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

## 25. Capital Policy

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

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

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

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

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

## 26. Dividends

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

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

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

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

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

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

## 27. Share-based Payments

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

## (1) Stock options

## 1) Overview of stock options

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

The grants are not subject to vesting conditions, but holders of subscription rights to shares may exercise their subscription rights to shares only during a 10-year period beginning one year from the day after the date on which they vacate their position as a director or executive officer of the Company (or the date on which they vacate their position as an audit & supervisory board member if they were appointed to the Audit & Supervisory Board after vacating their position as a director or executive officer). If not exercised within the exercise period, the options become null and void. The Company introduced a Restricted Share-Based Remuneration Plan and Performance-Linked Share-Based Remuneration Plan from the year ended March 31, 2018, and the stock options plan was terminated. No stock options have been granted since such time. The exercise period for stock options already granted ends on July 13, 2046.

## 2) Outline of stock options

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

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

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

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

Notes: 1. The number of stock options is presented as the number of underlying shares.  
2. The weighted average share prices of stock options at the time of exercise were ¥1,041 and ¥1,659 (\$15.22) for the years ended March 31, 2019 and 2020, respectively.  
3. The weighted average remaining lives of unexercised stock options year were 25.9 years and 24.9 years as of March 31, 2019 and 2020, respectively.  
4. On April 1, 2019, the Company conducted a four-for-one stock split of common stock.  
The above-mentioned amount of weighted average exercise price is the actual amount after the share split.

## (2) Restricted Share-Based Remuneration Plan

## 1) Overview of Restricted Share-Based Remuneration Plan

Under the Restricted Share-Based Remuneration Plan, the Company's directors and other executives serving in qualifying positions wholly transfer their rights to monetary remuneration receivable from the Company as in-kind property contributions to the plan and receive newly issued shares of the Company's common stock, conditional upon their meeting a specified continuous-tenure requirement.

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

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

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

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

## (3) Performance-Linked Share-Based Remuneration Plan

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

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

The performance-linked share-based remuneration has a term of three fiscal years. It will deliver a certain number of shares of the Company's common stock to eligible directors in accordance with the directors' standard variable remuneration calculated based on their position and adjusted within a 0-150% range based on the degree of attainment, as of the end of the three fiscal years, of predetermined performance targets set by the Board of Directors.

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

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

The number of shares delivered correspond to the directors' standard variable remuneration calculated based on their position and adjusted within a 0-150% range based on the degree of attainment, as of the end of the three fiscal years, of predetermined performance targets set by the Board of Directors as described above in (3) 1).

## (4) Share-based Payment Expenses

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

## 28. Revenue

## (1) Disaggregation of Revenue

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

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

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

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

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

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

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

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

### 1) Endoscopic Solutions Business

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

The Company recognizes related product sales as revenue once control of the product has transferred to the customer—i.e., when the product is delivered to the customer—because that is when legal title to and physical possession of the product and the significant risks and rewards of ownership of the product transfer to the customer and also when the Company gains the right to receipt of payment from the customer. Revenue from these product sales is measured at the transaction price contractually agreed upon with the customer. The transaction consideration is mostly received within one year from the fulfillment of the specific performance obligations. Such product sales do not involve a significant financing component. For transactions comprising multiple components such as products and maintenance services, the Company treats each constituent component as a separate performance obligation if every product sold, service provided and other component individually has independent value. In such cases, the total transaction consideration is allocated proportionally to the transaction's constituent components based on their standalone sales prices.

For maintenance contracts related to medical equipment, since performance obligations are satisfied over time, the transaction amount associated with the contract with the customer is recognized as revenue evenly over the contract's term. In such cases, transaction consideration is generally received as a single prepayment at the contract's inception.

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

### 2) Therapeutic Solutions Business

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

The Company recognizes related product sales as revenue once control of the product has transferred to the customer—i.e., when the product is delivered to the customer—because that is when legal title to and physical possession of the product and the significant risks and rewards of ownership of the product transfer to the customer and also when the Company gains the right to receipt of payment from the customer. Revenue from these product sales is measured at the transaction price contractually agreed upon with the customer. The transaction consideration is mostly received within one year from the fulfillment of the specific performance obligations. Such product sales do not involve a significant financing component.

### 3) Scientific Solutions Business

The Scientific Solutions Business sells microscopes, industrial videoscopes and ultrasonic flaw detectors, among other products. Its main customers include domestic and overseas research and medical institutions.

The Company recognizes related product sales as revenue once control of the product has transferred to the customer—i.e., when the product is delivered to the customer—because that is when legal title to and physical possession of the product and the significant risks and rewards of ownership of the product transfer to the customer and also when the Company gains the right to receipt of payment from the customer. Revenue from these product sales is measured at the transaction price contractually agreed upon with the customer. Transaction consideration is mostly received within one year from performance obligations' fulfillment. Such product sales do not involve a significant financing component.

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

### 4) Imaging Business

The Imaging Business sells digital cameras, centered on mirrorless cameras. Its customers are mainly domestic and overseas retailers.

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

### 5) Others

"Others" includes R&D and discovery activities related to new businesses, in addition to sales of biomedical materials, etc.

### (2) Contract balances

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

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

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

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

### (3) Transaction price allocated to remaining performance obligations

The breakdown of transaction price allocated to the remaining performance obligations was as follows:

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

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

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**29. Selling, General and Administrative Expenses**

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

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

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

**30. Other Income and Other Expenses****(1) Other income**

Major items of other income are as follows.

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

(Gain on revision of retirement benefit plan)

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

(Gain on sale of fixed assets)

The Company recorded gain on sale of fixed assets of ¥1,059 million in "Other income."

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

There are no significant transactions.

**(2) Other expenses**

Major items of other expenses are as follows.

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

(Loss related to securities litigation)

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

(Restructuring costs for Imaging Business's manufacturing locations)

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

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

(Loss related to litigation of consolidated subsidiary)

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

(Costs related to litigation of consolidated subsidiary)

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

(Investigation on duodenoscopes in the United States)

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

(Impairment losses)

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

(Additional taxes at consolidated subsidiaries)

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

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

(Business restructuring expenses)

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

(Impairment losses)

Regarding business assets in the Endoscopic Solutions Business as no future use is expected and regarding business assets in the Imaging Business as the revenue projected at the time the assets were acquired is now not expected due to changes in the market environment, the carrying values have been written down to the recoverable amounts, and impairment losses of ¥1,522 million (\$13,963 thousand) and ¥1,518 million (\$13,927 thousand) have been recognized, respectively, in "Other expenses." Impairment losses are presented in Note 16 "Impairment of non-financial assets."

**31. Finance Income and Finance Costs**

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

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

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

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## 32. Earnings per Share

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

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

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

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

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

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

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

## 33. Other Comprehensive Income

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

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

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## 34. Cash Flow Information

## (1) Non-cash transactions

The major non-cash transactions are follows:

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

## (2) Liabilities arising from financing activities

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

	Millions of yen				
	For the year ended March 31, 2019				
	Beginning balance	Movement due to cash inflows/outflows from financing activities	Non-cash items	Other	Ending balance
			Effect of exchange rate changes on cash and cash equivalents		
Short-term borrowings	¥ —	¥ 647	¥ (18)	¥ —	¥ 629
Bonds (Note)	34,942	(15,053)	—	20	19,909
Long-term borrowings (Note)	¥213,032	¥(54,877)	¥2,362	¥280	¥160,797

Note: Balances redeemable within one year are included.

	Millions of yen				
	For the year ended March 31, 2020				
	Beginning balance	Movement due to cash inflows/outflows from financing activities	Non-cash items	Other	Ending balance
			Effect of exchange rate changes on cash and cash equivalents		
Short-term borrowings	¥ 629	¥ 9,534	¥ —	¥ (28)	¥ 10,135
Bonds (Note 1)	19,909	49,793	—	35	69,737
Commercial papers	—	60,000	—	—	60,000
Long-term borrowings (Note 1)	160,797	(19,094)	—	(881)	141,043
Lease liabilities (Note 1, 2)	¥ 47,534	¥(15,604)	¥13,380	¥(2,306)	¥ 41,743

	Thousands of U.S. dollars				
	For the year ended March 31, 2020				
	Beginning balance	Movement due to cash inflows/outflows from financing activities	Non-cash items	Other	Ending balance
			Effect of exchange rate changes on cash and cash equivalents		
Short-term borrowings	\$ 5,771	\$ 87,468	\$ —	\$ (258)	\$ 92,981
Bonds (Note 1)	182,651	456,817	—	321	639,789
Commercial papers	—	550,459	—	—	550,459
Long-term borrowings (Note 1)	1,475,202	(175,174)	—	(8,083)	1,293,972
Lease liabilities (Notes 1, 2)	\$ 436,092	\$(143,156)	\$122,752	\$(21,156)	\$ 382,963

Notes: 1. Balances redeemable within one year are included.

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

## (3) Payments for acquisition of business

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

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

## 35. Financial Instruments

## (1) Credit risk

Credit risk is the risk that a counterparty may default on its contractual obligations resulting in a financial loss for the Olympus Group.

The Olympus Group is mainly exposed to the credit risk of customers and business counterparts on financial assets measured at amortized cost and of financial institutions that are counterparties to derivatives held for hedging foreign currency fluctuations and other financial risks.

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

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

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

"Debtors that are not facing serious problems in their management conditions" refer to those that have no indication of problems in repaying their debts and no problems in ability to repay their debts. Allowance for doubtful accounts on receivables from the debtors in this category is recorded collectively using a provision ratio based on a historical loan loss ratio and future estimates.

"Debtors that are facing serious problems in repaying their debts" refer to those that are not in a state of bankrupt but are facing, or will likely face, serious problems in repaying their debts. Allowance for doubtful accounts on receivables from the debtors in this category is recorded based on the estimated collectable amount of the respective assets on an individual basis.

"Debtors that are bankrupt" refer to those that are legally or substantially bankrupt or in a state of serious financial difficulty with no prospect of revitalization. Allowance for doubtful accounts on receivables from the debtors in this category is recorded for all receivables excluding assets received as collateral or for credit enhancement.

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

"A significant increase in credit risk" refers to a situation in which there are serious problems in collectibility of receivables at the end of the reporting period compared to that at the initial recognition. When evaluating whether or not there is a significant increase in credit risk, the Olympus Group takes into consideration reasonably available and supportable information, such as a debtor's results of operations for past periods and management improvement plan, as well as past due information.

Allowance for doubtful accounts on "receivables other than trade receivables" is recognized using a method to estimate credit losses collectively or individually according to the extent of the debtor's credit risk. However, when the debtors are in serious financial difficulty or legally or substantially bankrupt, allowance for doubtful accounts is recognized using a method to estimate credit losses individually by considering the receivables as credit-impaired financial assets.

Irrespective of the above classification, when it is clear that a financial asset in its entirety or a portion thereof cannot be recovered, such as a legal extinguishment of receivables, the carrying amount of the financial asset is directly amortized.

Information on allowance for doubtful accounts

The carrying amounts of financial assets subject to allowance for doubtful accounts were as follows:

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

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

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

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There was no significant change that had a material impact on allowance for doubtful accounts for "Trade receivables" as of March 31, 2019 and March 31, 2020.

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

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

There was no significant change that had material impacts on allowance for doubtful accounts for "Receivables other than trade receivables" as of March 31, 2019 and March 31, 2020.

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

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

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

**(2) Liquidity risk**

Liquidity risk is the risk that the Olympus Group may not be able to repay borrowings or settle other financial liabilities on their due dates.

Borrowings, bonds and other financial liabilities held by the Olympus Group are exposed to liquidity risk. Based on the report from each division, the finance division of the Olympus Group prepares and updates its cash flow plans on a timely basis and keeps its liquidity in hand over a certain ratio of consolidated revenue in order to manage liquidity risk.

Major financial liabilities by maturity date are as follows. Trade and other payables are not included in the tables below as they are settled within one year and their contractual cash flows are nearly equal to the carrying amount.

As of March 31, 2019

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

As of March 31, 2020

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

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

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

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

**(3) Market risk**

Market risk is the risk of fluctuations in fair value or future cash flows of financial instruments because of changes in market prices. Market risk includes foreign exchange risk which arises from changes in foreign exchange rates, interest rate risk which arises from changes in market interest rates and market price fluctuation risk which arises from changes in market prices of listed shares.

**1) Foreign exchange risk**

The Olympus Group operates business activities worldwide. Accordingly, financial assets and liabilities arising from transactions denominated in currencies other than the functional currency are exposed to foreign exchange rate fluctuation risk. The Olympus Group mainly uses forward foreign exchange contracts to reduce the foreign exchange fluctuation risk.

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

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

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

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## (ii) Sensitivity analysis of currency fluctuation risk

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

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

**2) Interest rate risk**

Interest rate risk to which the Olympus Group is exposed arises from cash equivalents and interest-bearing debts. Borrowings with variable interest rates may be affected by future cash flow fluctuations because of changes in market interest rates.

The Olympus Group uses interest rate swaps to control the interest rate changes; therefore, borrowings with variable interest rates substantially have a nature equivalent to that of fixed interest rate contracts. The result of interest rate sensitivity analysis has been omitted because the effect of changes in interest rates on profit or loss is insignificant.

**3) Market price risk**

The Olympus Group holds listed shares for investment purposes, including facilitating business alliances. Market prices of listed shares may fluctuate depending on market economy trends as the prices are determined based on market principles. For listed shares, the Olympus Group regularly checks market prices and the financial status of business counterparts issuing shares, etc., while reviewing holding positions continuously in consideration of relationships with business counterparts.

## Sensitivity analysis of market price risk

With regard to listed shares held by the Olympus Group at the end of each fiscal year, the following table shows the impact on other comprehensive income (before tax effect) in the consolidated statements of comprehensive income that would result from 1% decline in market prices at the end of each fiscal year. The impact was calculated by multiplying listed shares at the end of each fiscal year by 1% for this analysis.

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

**(4) Fair value****1) Fair value hierarchy**

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

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

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

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

The Olympus Group recognizes transfers of financial instruments between the levels of the fair value hierarchy as if they occurred at the end of each fiscal year. There were no significant financial instruments transferred between the levels for the fiscal years ended March 31, 2019 and 2020.

**2) Financial instruments measured at fair value**

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

(Other financial assets and other financial liabilities)

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

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

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

The contingent consideration for business combinations is classified as level 3 and stated at the estimates of future payability.

The fair value hierarchy of financial instruments measured at fair value is as follows:

As of March 31, 2019

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

As of March 31, 2020

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

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



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

	Millions of yen		Thousands of U.S. dollars	
	2019	2020	2019	2020
Balance at April 1	¥1,595	¥1,774	\$16,275	
Gains and losses (Note)				
Profit or loss	77	(129)	(1,184)	
Other comprehensive income	(607)	(185)	(1,697)	
Purchases	1,030	229	2,101	
Sales	—	(6)	(55)	
Other	(321)	(25)	(229)	
Balance at March 31	¥1,774	¥1,658	\$15,211	

Note: Gains and losses recognized in profit or loss are included in "Finance income" or "Finance costs" in the consolidated statements of profit or loss. Gains and losses recognized in other comprehensive income are included in "Financial assets measured at fair value through other comprehensive income" in the consolidated statements of comprehensive income.

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

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

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

### 3) Financial instruments measured at amortized cost

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

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

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

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

(Other financial assets and other financial liabilities)

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

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

(Bonds and borrowings)

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

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

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

The carrying amount and fair value of major financial instruments measured at amortized cost were as follows. Financial instruments whose carrying amounts approximate fair value are not included in the following table. As described in Note 3 "Significant accounting policies", the Olympus Group has adopted IFRS 16 from the fiscal year ended March 31, 2020. Therefore, from the fiscal year ended March 31, 2020, the carrying amount and fair value of "Lease obligations" are not included in the following table.

	Millions of yen		Thousands of U.S. dollars	
	2019	2020	2019	2020
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Lease receivables	¥29,824	¥29,803	¥ 36,891	¥ 36,819
Financial liabilities				
Bonds	19,909	19,897	69,737	69,513
Borrowings	97,811	98,218	116,036	118,053
Lease obligations	¥ 9,035	¥ 9,140	¥ —	¥ —

### 4) Equity instruments

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

The fair values of major equity instruments were as follows:

Issuer	Millions of yen	
	2019	2020
ASAHI INTECC CO., LTD.	¥3,511	
CASIO COMPUTER CO., LTD.	3,451	
USHIO INC.	1,449	
Sumitomo Realty & Development Co., Ltd.	1,307	
FUJI CORPORATION	¥1,287	

Issuer	Millions of yen		Thousands of U.S. dollars	
	2019	2020	2019	2020
ASAHI INTECC CO., LTD.	¥3,608		\$33,101	
CASIO COMPUTER CO., LTD.	2,716		24,917	
FUJI CORPORATION	1,441		13,220	
USHIO INC.	1,159		10,633	
Mitsubishi UFJ Financial Group, Inc.	¥ 845		\$ 7,752	

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

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

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

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

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**(5) Hedge accounting**

The Olympus Group uses interest rate swaps to receive variable interest rates and pay fixed interest rates in order to hedge interest rate risk, and applies hedge accounting by designating the interest rate swaps as cash flow hedges.

For interest rate swaps, the notional amount, term (maturity) and the hedging instrument and the hedged item are to be matched, in principle. No ineffective portion was recognized as of March 31, 2019 and 2020.

A summary of interest rate swaps designated as cash flow hedge was as follows:

As of March 31, 2019

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

As of March 31, 2020

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

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

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

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

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

Cash flow hedges recognized in the consolidated statements of comprehensive income and other comprehensive income (before tax effect) were as follows:

As of March 31, 2019

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

As of March 31, 2020

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

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

Note: The amounts included in the consolidated statements of profit or loss are recorded in "Finance income" or "Finance costs."

**(6) Transfer of financial assets**

Transferred financial assets that are not derecognized in their entirety

The Olympus Group transfers a part of trade receivables to a third party in order to diversify fund-raising channels and conduct stable fund procurement. The third party has recourse only to the transferred assets upon the debtors' default and cannot claim other assets of the Olympus Group. While the Olympus Group does not bear bad debt risk on a certain portion of the transferred receivables due to a contract with the third party, the full amount in has been recognized in the consolidated statements of financial position because the financial assets in their entirety do not qualify for derecognition. The proceeds which arising on the transfer of the assets have been recorded as the associated liabilities and are settled when a payment is made for the transferred assets. The Olympus Group cannot use the transferred assets until the payment is made.

The carrying amounts of transferred assets and the associated liabilities when the Olympus Group continues to recognize all of the transferred assets as of March 31, 2019 and 2020 are as follows. They are recognized in "Trade and other receivables" and "Other financial liabilities," respectively, in the consolidated statements of financial position.

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

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

**36. Leases**

Previous year (March 31, 2019)

**(1) Lessor****1) Finance leases**

The Olympus Group leases endoscopes and other equipment under finance leases.

The gross investment in the lease and present value of minimum lease receivables were as follows:

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

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

**2) Operating leases**

The Olympus Group leases endoscopes and other equipment under operating leases.

The breakdown of future minimum lease receivables under non-cancelable operating leases by maturity was as follows:

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

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

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

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**(2) Lessee****1) Finance leases**

The Olympus Group rents endoscopes and other equipment under finance leases. There are no variable lease payments, significant renew/purchase options, escalation clauses or restrictions on dividends, additional borrowings and additional leases provided by the lease contracts.

The total of future minimum lease payments and the present value under finance lease were as follows:

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

**2) Operating leases**

The Olympus Group rents mainly property under operating leases. Certain of the lease transactions have renew/purchase options or escalation clauses, but there is no significant restrictions on dividends, additional borrowings and additional leases provided by the lease contracts.

The breakdown of future minimum lease payments under non-cancelable operating leases by maturity was as follows:

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

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

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

Current year (March 31, 2020)

**(1) Lessor**

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

The breakdown of revenue under finance leases was as follows:

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

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

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

The breakdown of revenue under operating leases was as follows:

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

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

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

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

**(2) Lessee**

The Olympus Group rents properties and other equipment as lessee.

Certain of the lease transactions have renew/purchase options or escalation clauses, but there are no significant restrictions on dividends, additional borrowings and additional leases provided by the lease contracts.

In addition, some lease contracts contain extension options and termination options.

The undiscounted future cash flows related to leases that have not yet commenced among lease contracts concluded by the Olympus Group are ¥ 29,503 million (\$270,670 thousand) as of March 31, 2020.

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

The book value of right-of-use assets by type of underlying asset and the increase in right-of-use assets for the current fiscal year are described in Note 13 "Property, plant and equipment".

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

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

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

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

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## 37. Income Taxes

## (1) Deferred tax assets and liabilities

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

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

Loss carryforwards, deductible temporary differences and tax credits carried forward for which deferred tax assets have not been recognized were as follows. The tax base is presented.

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

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

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

The Company does not recognize deferred tax liabilities for the temporary differences associated with undistributed profits of subsidiaries when the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Total temporary differences associated with the undistributed profits of subsidiaries which have not been recognized as deferred tax liabilities (income base) were ¥194,077 million and ¥234,087 million (\$2,147,587 thousand) as of March 31, 2019 and 2020, respectively.

## (2) Income tax expenses

The breakdown of income tax expenses was as follows:

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

Notes: 1. The current tax expense includes tax losses which were previously not recorded, tax credits or benefits resulting from temporary differences for prior periods. Consequently, the current tax expense for the fiscal years ended March 31, 2019 and 2020 decreased by ¥1,255 million and ¥474 million (\$4,349 thousand), respectively. In addition, the current tax expense for the fiscal year ended March 31, 2020 includes the corporation tax for the previous fiscal year of ¥(849) million (\$7,789 thousand).  
2. The deferred tax expense includes tax losses which were previously not recorded, tax credits or benefits resulting from temporary differences for prior periods. Consequently, the deferred tax expense for the fiscal years ended March 31, 2019 and 2020 decreased by ¥4,799 million and ¥529 million (\$4,853 thousand), respectively.  
3. The deferred tax expense includes devaluation of deferred tax assets and the reversal of devaluation of deferred tax assets which was previously recorded (assessment of recoverability of deferred tax assets). Consequently, the deferred tax expense for the fiscal year ended March 31, 2019 and 2020 increased by ¥1,329 million and ¥2,167 million (\$19,881 thousand), respectively.  
4. The deferred tax expense decreased by ¥266 million for the fiscal year ended March 31, 2019 and decreased by ¥1,203 million (\$11,037 thousand) for the fiscal year ended March 31, 2020 due to the effect of changes in tax rates in Japan and overseas.

## (3) Income taxes recognized in other comprehensive income

Income taxes recognized in other comprehensive income are presented in Note 33 "Other Comprehensive Income."

## (4) Reconciliation of effective tax rate

Reconciliation of the effective statutory tax rate and the average effective tax rate for the fiscal years ended March 31, 2019 and 2020 is as follows.

The Company's income taxes mainly include corporation tax, inhabitant tax and enterprise tax. The effective statutory tax rates calculated based on these taxes were 30.6% and 30.6% for the fiscal years ended March 31, 2019 and 2020, respectively. Overseas subsidiaries are subject to income taxes of the countries in which they operate.

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

## 38. Major Subsidiaries

## (1) Structured entities

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

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

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

Note: Figures disclosed in parentheses in the "Voting rights held by the Company" column represent voting rights held indirectly by the Company.

**(2) Significant subsidiaries having non-controlling interests.**

During the years ended March 31, 2019 and 2020, there was no individually significant subsidiary having non-controlling interests.

**39. Related-party Transactions****(1) Related-party transactions**

There were no material related-party transactions (except for transactions that were offset in the consolidated financial statements) for the years ended March 31, 2019 and 2020.

**(2) Remuneration for management executives**

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

**40. Business Combinations**

For the year ended March 31, 2019  
(Business combination through acquisition)

**(1) Overview of business combination****1) Name of company acquired and description of business**

Name of company acquired: Cybersonics, Inc. (hereinafter "Cybersonics")

Description of business : Design and manufacture of medical devices based on ultrasound technology

**2) Primary reason for business combination**

In the 2016 Corporate Strategic Plan ("16CSP") released on March 30, 2016, the Company set forth a goal of formulating aggressive business portfolios with a firm business base and improving its corporate value toward sustainable growth down the road.

With regard to urinary tract stone management in the urology business, the Company will enhance its competitiveness in the urology business through the in-house development and manufacture of lithotripsy systems.

**3) Acquisition date**

May 15, 2018

**4) Acquisition method to govern the acquired company**

Olympus Surgical Technologies America, which is the Group's North American base for the development and manufacture of medical devices, acquired part of the urinary tract stone management technology and related business assets of Cybersonics through a business transfer.

**(2) Acquisition-related expense**

The acquisition-related expense of ¥116 million has been booked in "selling, general and administrative expenses."

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

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

The consideration paid has been allocated to the assets acquired on the basis of fair value as of the acquisition date. The allocation of consideration was completed at the above amounts in the fiscal year ended March 31, 2019.

Goodwill has arisen based on a reasonable estimate of excess profitability expected in the future. There is no amount to be deductible for tax purposes in the said goodwill.

**(4) Contingent consideration**

The consideration will be paid on condition that knowledge is transferred from Cybersonics to the Company and that business assets are put into operation within a certain period of time, and the amount was calculated in consideration of the possibility of the said conditions being fulfilled and taking into account the time value of money. The maximum amount of payments is \$4.5 million before discounting.

The fair value of consideration with conditions will fluctuate along with changes in interest rates. However, the impacts on measuring fair value are not material.

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**(5) Impacts on the Olympus Group**

The Company omits disclosure of profit and loss information from the acquisition date and pro forma profit and loss information assuming the business combination was conducted at the beginning of the year ended March 31, 2019 because of its immateriality for the consolidated statements of profit or loss.

Such pro forma information has not been audited by the Company's independent auditor.

**For the year ended March 31, 2020**

There was no significant business combination.

**41. Contingent Liabilities**

Liabilities for guarantees

The Olympus Group has the following guarantees:

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

(Guarantee obligations of employees' mortgages)

The maximum term of the guarantee obligations extends to 2023. As a guarantor, the Olympus Group is liable for any defaults of the mortgages in scope of the obligations and has an obligation to settle the mortgages on behalf of the employees.

Those obligations are collateralized by the homes of the employees.

**42. Significant Subsequent Events**

(Corporate Separation)

On April 1, 2020, the Company transferred part of its functions, such as research and development, manufacturing and repair planning, to its wholly-owned subsidiary Olympus Medical Systems Corp. through a corporate separation in order to strengthen Group systems to enable firm governance of its quality and regulatory assurance functions while maintaining an appropriate level of quality.

The corporate separation was carried out under an absorption-type split agreement concluded between the Company and Olympus Medical Systems Corp. on December 20, 2019.

**(1) Overview of transaction****1) Name and description of business involved in corporate separation**

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

**2) Effective date of corporate separation**

April 1, 2020

**3) Legal form of corporate separation**

Absorption-type split where the Company becomes the absorption-type split company and Olympus Medical Systems Corp. becomes the absorption-type split successor company

**4) Name of the company after corporate separation**

Olympus Medical Systems Corp.

**(2) Description of transaction including purpose of the transaction**

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

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

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

(Substantial borrowings)

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

1.

(i) Source of borrowings	Syndicated loan facility arranged by Sumitomo Mitsui Banking Corporation
(ii) Amount of borrowings	¥50.0 billion
(iii) Interest rate	0.32% (fixed)
(iv) Drawdown date	May 22, 2020
(v) Repayment date	April 30, 2025
(vi) Repayment method	Lump-sum repayment upon maturity
(vii) Collateral / guarantee	None

2.

(i) Source of borrowings	Syndicated loan facility arranged by MUFG Bank, Ltd.
(ii) Amount of borrowings	¥40.0 billion
(iii) Interest rate	Variable rate (TIBOR base rate plus spread)
(iv) Drawdown date	May 29, 2020
(v) Repayment date	May 31, 2024
(vi) Repayment method	Lump-sum repayment upon maturity
(vii) Collateral / guarantee	None

3.

(i) Source of borrowings	Mizuho Bank, Ltd.
(ii) Amount of borrowings	¥10.0 billion
(iii) Interest rate	Variable rate (TIBOR base rate plus spread)
(iv) Drawdown date	May 15, 2020
(v) Repayment date	May 15, 2024
(vi) Repayment method	Lump-sum repayment upon maturity
(vii) Collateral / guarantee	None