

Consolidated Financial Statements and Notes

Consolidated Statements of Financial Position

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

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

See accompanying notes to consolidated financial statements.

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

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Consolidated Financial Statements and Notes

Consolidated Statements of Profit or Loss

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

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

	Yen		U.S. dollars (Note 2)
	2020	2021	2021
Earnings per share			
Basic earnings (loss) per share			
Continuing operations (Note 32)	¥46.17	¥ 51.03	\$ 0.46
Discontinued operations (Note 32)	¥ (6.80)	¥(40.98)	\$(0.37)
Basic earnings per share (Note 32)	¥39.37	¥ 10.05	\$ 0.09
Diluted earnings (loss) per share			
Continuing operations (Note 32)	¥46.16	¥ 51.00	\$ 0.46
Discontinued operations (Note 32)	¥ (6.80)	¥(40.96)	\$(0.37)
Diluted earnings per share (Note 32)	¥39.36	¥ 10.04	\$ 0.09

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

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

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

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

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

	Millions of yen								
	Equity attributable to owners of parent							Non-controlling interests	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	

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

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

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

Data Section

Consolidated Financial Statements and Notes

Consolidated Statements of Cash Flows

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

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

See accompanying notes to consolidated financial statements.

Notes to the Consolidated Financial Statements

Olympus Corporation and Consolidated Subsidiaries

1. Reporting Entity

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

The Olympus Group had principally been engaged in the manufacture and sales of endoscopic, therapeutic, scientific, imaging and other products, but in the second quarter of the fiscal year ended March 31, 2021, following the classification of the Imaging Business as discontinued operations, the Olympus Group has changed its reportable segments. Details of each business are as described in Note 6 "Segment information."

2. Basis of Preparation

(1) Compliance with IFRS

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

The consolidated financial statements for the fiscal year ended March 31, 2021 were approved by Yasuo Takeuchi, Director, Representative Executive Officer, President and CEO, and Chikashi Takeda, Executive Officer CFO, on June 21, 2021.

(2) Basis of measurement

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

(3) Functional currency and presentation currency

The Olympus Group's consolidated financial statements are presented in Japanese yen, which is also the Company's functional currency, and figures are rounded off to the nearest million yen. The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of readers outside Japan, using the exchange rate of ¥111 to US\$1.00, the approximate rate of exchange prevailing at March 31, 2021. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could be, or could in the future be converted into U.S. dollars at this or any other rate of exchange.

(4) Changes in presentation

(Changes resulting from the classification of the Imaging Business as discontinued operations)

In the second quarter of the fiscal year ended March 31, 2021, the Company concluded a share transfer agreement with OJ Holdings, Ltd., a special purpose company established by Japan Industrial Partners, Inc., for the transfer of the Imaging Business.

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

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

3. Significant Accounting Policies

(1) Basis of consolidation

1) Subsidiaries

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

All intergroup balances, transactions, unrealized profit or loss arising from intergroup transactions are eliminated on consolidation.

Comprehensive income of the subsidiaries is attributed to the owners of parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

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

Consolidated Financial Statements and Notes

2) Associates

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

Investments in associates include goodwill recognized on acquisition.

(2) Business combinations

Business combinations are accounted for by using the acquisition method.

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

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

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

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

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

2) Financial statements of foreign operations

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

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

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

(ii) Classification and subsequent measurement

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

(Financial assets measured at amortized cost)

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

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

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

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

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

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

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

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

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

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

(iii) Impairment of financial assets

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

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

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

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

(iv) Derecognition

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

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

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

(ii) Classification and subsequent measurement

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

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

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

(iii) Derecognition

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

3) Offsetting financial instruments

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

4) Derivatives and hedge accounting

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

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

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

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

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

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

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

(5) Cash and cash equivalents

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

(6) Inventories

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

(7) Property, plant and equipment

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

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

Except for assets that are not depreciated such as land, each asset is depreciated over its estimated useful life on a straight-line basis.

The estimated useful lives of major asset items are as follows (excluding right-of-use assets):

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

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

(8) Goodwill

Goodwill is carried at cost less any accumulated impairment losses.

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

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

(9) Intangible assets

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

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

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

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

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

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

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

(10) Leases**1) Leases as lessee**

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

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

Lease terms are based on the non-cancellable period, and the reasonable option terms are estimated and adjusted.

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

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

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

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

2) Leases as lessor

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

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

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

(11) Impairment of non-financial assets

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

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

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

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

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

(12) Non-current assets and discontinued operations held for sale

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

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

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

(13) Provisions

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

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

(14) Contingent liabilities

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

(15) Government grants

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

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

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

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

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

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

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

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

2) Short-term employee benefits

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

3) Other long-term employee benefits

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

(17) Equity

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

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

(18) Share-based payments

The Company has the following equity-settled share option plans as incentive plans for its executive officers, corporate officers (excluding non-residents of Japan), and non-executive directors.

Stock option plans

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

Share-Based Remuneration Plan

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

(19) Revenue

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

Step 1: Identify the contract with the customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

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

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

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

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

(20) Finance income and finance costs

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

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

(21) Income taxes

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

1) Current taxes

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

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

2) Deferred taxes

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

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

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

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

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

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

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

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

(22) Earnings per share

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

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

4. Significant Accounting Estimates and Associated Judgments

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

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

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

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

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

- Evaluation of inventories (Note 3 "Significant accounting policies (6) Inventories," Note 9 "Inventories")
Inventories are measured at cost. However, if net realizable value falls below the cost as of the end of the reporting period, inventories are measured at the net realizable value and any difference is recognized in cost of sales in principle. For inventories that are not used in the normal operating cycle process and remain unused, the net realizable value is calculated reflecting future demand and market trends. If the net realizable value decreased significantly due to a worse than expected market environment, losses may be incurred.

- Impairment of non-financial assets (Note 3 "Significant accounting policies (11) Impairment of non-financial assets," Note 16 "Impairment of non-financial assets")

The Olympus Group performs impairment tests on property, plant and equipment, goodwill, and intangible assets in accordance with the accounting treatment described in Note 3 "Significant accounting policies." Assumptions concerning future cash flows, discount rates, etc., are set to calculate recoverable amounts in testing for impairment. Although these assumptions are determined based on management's best estimates and judgment, they may be affected as a result of changes in uncertain future economic conditions. Should those assumptions require change, the consolidated financial statements may be significantly affected.

- Measurement of provisions (Note 3 "Significant accounting policies (13) Provisions," Note 20 "Provisions")

Provisions are measured based on best estimates of expenditures required to settle obligations in the future at the end of the fiscal period. The amount of expenditures required to settle obligations in the future is calculated, comprehensively taking into account future possible outcomes. Assumptions used in the measurement of these provisions may be affected by changes in uncertain future economic conditions, and have risk of causing a material adjustment to the measurement of provisions in the future.

- Contingent liabilities (Note 3 "Significant accounting policies (14) Contingent liabilities," Note 42 "Contingent liabilities")
Contingent liabilities are disclosed whenever any item exists that may have significant impacts on future businesses after all evidence available on the reporting date is examined and the probability and impact in terms of the amount are taken into consideration.

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

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

- Recoverability of deferred tax assets (Note 3 "Significant accounting policies (21) Income taxes," Note 37 "Income taxes")
Deferred tax assets are recognized to the extent that it is likely that taxable profit will be available against which the deductible temporary differences can be utilized. In determining the probability that taxable profit will be available, the Olympus Group estimates the timing and the amount of the taxable profit based on the business plan. Although these estimates are management's best estimates, the actual results may differ as a result of changes in uncertain future economic conditions.

- Impact of COVID-19

Although the impact of the spread of COVID-19 differs by region, it is currently expected to continue diminishing overall as vaccinations become available worldwide, and we have assumed that the Company's sales activities will also begin to normalize. Based on this assumption, the Olympus Group makes accounting estimates; in addition to impairment tests on property, plant and equipment, and intangible assets including goodwill, and assessments of recoverability of deferred tax assets, etc.

5. New or Amended Standards or Interpretations Not Yet Adopted

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

6. Segment Information

(1) Overview of reportable segments

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

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

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

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

The principal products and services of each reportable segment are as follows.

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

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

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

	Millions of yen						
	For the year ended March 31, 2020						
	Reportable Segment					Adjustment (Notes 2, 3, 4, 5)	Amount on consolidated financial statements
Endoscopic Solutions	Therapeutic Solutions	Scientific Solutions	Others	Total			
Revenue							
Revenue from outside customers	¥425,742	¥216,075	¥105,189	¥ 8,225	¥755,231	¥ —	¥ 755,231
Intersegment revenue (Note 1)	—	—	50	486	536	(536)	—
Total	425,742	216,075	105,239	8,711	755,767	(536)	755,231
Operating profit (loss)	109,424	26,191	9,997	(2,864)	142,748	(50,548)	92,200
Finance income							1,765
Finance costs							7,348
Profit before tax							86,617
Other items							
Share of profit (loss) of investments accounted for using equity method	561	(76)	—	—	485	—	485
Depreciation and amortization	34,239	18,062	7,638	1,166	61,105	6,272	67,377
Impairment losses (non-financial assets)	1,663	1,109	—	10	2,782	1,201	3,983
Segment assets	414,978	256,239	94,841	8,206	774,264	241,399	1,015,663
Investments accounted for using equity method	—	2,267	—	—	2,267	—	2,267
Capital expenditures	¥ 47,557	¥ 12,897	¥ 6,427	¥ 875	¥ 67,756	¥ 6,917	¥ 74,673

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

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

3. Adjustment for segment assets represents corporate assets that are not attributable to reportable segments and assets of discontinued operations.

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

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

Data Section

Consolidated Financial Statements and Notes

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

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

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

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

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

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

	Thousands of U.S. dollars						
	For the year ended March 31, 2021						
	Reportable Segment					Adjustment (Notes 2, 3, 4, 5)	Amount on consolidated financial statements
Endoscopic Solutions	Therapeutic Solutions	Scientific Solutions	Others	Total			
Revenue							
Revenue from outside customers	\$3,778,973	\$1,856,216	\$863,613	\$ 82,675	\$6,581,477	\$ —	\$ 6,581,477
Intersegment revenue (Note 1)	—	—	36	1,496	1,532	(1,532)	—
Total	3,778,973	1,856,216	863,649	84,171	6,583,009	(1,532)	6,581,477
Operating profit (loss)	943,288	221,919	44,586	(6,144)	1,203,649	(465,045)	738,604
Finance income							10,748
Finance costs							57,370
Profit before tax							691,982
Other items							
Share of profit (loss) of investments accounted for using equity method	5,910	(550)	—	—	5,360	—	5,360
Depreciation and amortization	276,432	119,288	65,883	8,316	469,919	66,649	536,568
Impairment losses (non-financial assets)	631	3,729	—	—	4,360	3,226	7,586
Segment assets	4,226,036	2,911,604	874,667	184,837	8,197,144	2,442,649	10,639,793
Investments accounted for using equity method	9,369	18,811	—	—	28,180	—	28,180
Capital expenditures	\$ 474,892	\$ 202,982	\$ 81,964	\$ 8,360	\$ 768,198	\$ 123,108	\$ 891,306

(3) Information about products and services

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

(4) Geographical information

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

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

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

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

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

For the years ended March 31, 2020 and 2021, revenue from external customers in the U.S. was ¥245,010 million and ¥222,057 million (\$2,000,514 thousand), respectively. In no single country or region other than Japan, the United States and China was revenue from external customers significant in the years ended March 31, 2020 and 2021.

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

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

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

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

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

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

(5) Major customers

Information on revenue attributable to major customers for the years ended March 31, 2020 and 2021 was omitted because revenue attributable to each customer accounted for less than 10% of consolidated revenue.

7. Cash and Cash Equivalents

The breakdown of cash and cash equivalents in the consolidated statements of financial position and the relationship between the cash and cash equivalents in the consolidated statements of financial position and the cash and cash equivalents in the consolidated statements of cash flows as of March 31, 2020 and 2021 were as follows:

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

8. Trade and Other Receivables

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

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

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

9. Inventories

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

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

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

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

Inventories include materials not expected to be used or sold within 12 months from the end of each fiscal year, but all of them are held within the Olympus Group's normal operating cycle. The corresponding carrying amounts at March 31, 2020 and 2021 were ¥6,219 million and ¥5,779 million (\$52,063 thousand), respectively.

10. Other Financial Assets

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

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

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

11. Other Current Assets and Other Non-current Assets

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

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

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

The breakdown of assets held for sale and liabilities directly associated with assets held for sale as of March 31, 2020 and 2021 was as follows:

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

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

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

The Olympus Group had executed a framework agreement concerning transfer of all the equity interests of Olympus (Shenzhen) Industrial Ltd. ("OSZ"), a consolidated subsidiary of the Company in Shenzhen, China, and owned by Olympus (China) Co., Ltd., another consolidated subsidiary of the Company, to Shenzhen YL Technology ("YL") (the "Transfer") with YL (the "Transfer Agreement") and had been preparing to complete the Transfer. However, the Transfer Agreement was canceled since the conditions precedent to the Transfer were not satisfied.

On the other hand, the Olympus Group continues to consider transferring the equity interests of OSZ. Therefore, assets and liabilities at OSZ are recognized in assets held for sale and liabilities directly associated with assets held for sale, and their transfer is expected to be completed within one year from March 31, 2020.

(Transfer of the Norwalk facility)

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

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

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

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

The Company is continuing to pursue its initiative to transfer the equity interests in Olympus (Shenzhen) Industrial Ltd., a consolidated subsidiary in Shenzhen, China and owned by Olympus (China) Co., Ltd., another consolidated subsidiary. However, as it appears that it will take some time for the transfer, the Company has temporarily stopped classifying the equity interests as part of the disposal group held for sale in the third quarter of the fiscal year ended March 31, 2021. Based on the characteristics of the individual assets and liabilities, the Company has reclassified the equity interests from "assets held for sale" to current assets and "liabilities directly associated with assets held for sale" to current liabilities.

(Transfer of the Norwalk facility)

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

13. Property, Plant and Equipment

(1) Changes in property, plant and equipment

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

Carrying amount

	Millions of yen					
	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
Balance at April 1, 2019	¥ 94,042	¥19,993	¥ 65,867	¥22,658	¥ 8,980	¥211,540
Additions	11,275	6,796	23,771	639	6,547	49,028
Depreciation	(14,343)	(6,539)	(27,202)	(376)	—	(48,460)
Impairment losses	(1,311)	(521)	(2,133)	—	—	(3,965)
Sales and disposals	(2,620)	(360)	(2,061)	(8)	—	(5,049)
Transfer to non-current assets for sale	(274)	(543)	(19)	(27)	(308)	(1,171)
Reclassification	7,849	3,674	4,357	18	(11,280)	4,618
Exchange differences on translation of foreign operations	(2,543)	(448)	(2,809)	(161)	(289)	(6,250)
Other	(99)	(172)	1,693	(4)	425	1,843
Balance at March 31, 2020	¥ 91,976	¥21,880	¥ 61,464	¥22,739	¥ 4,075	¥202,134
Additions	39,927	5,625	23,195	482	10,204	79,433
Additions through business combinations	491	281	818	57	10	1,657
Depreciation	(14,879)	(6,777)	(22,906)	(356)	—	(44,918)
Impairment losses	(339)	(11)	(27)	—	—	(377)
Sales and disposals	(2,615)	(1,153)	(3,841)	(69)	—	(7,678)
Transfer to non-current assets for sale	(72)	0	—	(45)	—	(117)
Reclassification	3,870	1,534	2,137	—	(7,015)	526
Exchange differences on translation of foreign operations	4,873	502	3,413	266	401	9,455
Decrease by sale of businesses	(372)	(343)	(195)	(47)	(204)	(1,161)
Other	(13)	11	(1)	1	—	(2)
Balance at March 31, 2021	¥122,847	¥21,549	¥ 64,057	¥23,028	¥ 7,471	¥238,952

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

Notes: 1. No borrowing costs were capitalized for the years ended March 31, 2020 and 2021.

2. Depreciation of property, plant and equipment is included in "Cost of sales" and "Selling, general and administrative expenses" on the consolidated statements of profit or loss.

3. Changes of carrying amount ¥2,448 million and ¥2,134 million (\$19,225 thousand) by company housing the Company contracted and loaned to employees is recorded "Additions" and "Sales and disposals" of "Buildings and structures" for the years ended March 31, 2020 and 2021, respectively. And that has no impact on balance.

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Acquisition cost

	Millions of yen					
	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
Balance at April 1, 2019	¥156,436	¥56,634	¥260,876	¥22,341	¥8,980	¥505,267
Balance at March 31, 2020	195,563	64,040	261,650	23,249	4,075	548,577
Balance at March 31, 2021	¥243,919	¥66,029	¥267,051	¥23,873	¥7,471	¥608,343

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

Accumulated depreciation and accumulated impairment losses

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

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

(2) Right-of-use assets

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

	Millions of yen				
	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Total
Balance at April 1, 2019	¥29,622	¥4,886	¥2,285	¥317	¥37,110
Balance at March 31, 2020	25,195	4,588	2,335	308	32,426
Balance at March 31, 2021	¥51,624	¥4,487	¥2,173	¥264	¥58,548

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

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

14. Goodwill and Intangible Assets

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

	Millions of yen				
	Goodwill	Intangible assets			Total
		Capitalized development costs	Software	Other	
Balance at April 1, 2019	¥101,188	¥33,329	¥12,516	¥23,424	¥ 69,269
Additions	—	—	3,928	1,224	5,152
Additions through internal development	—	23,004	—	—	23,004
Additions through business combinations	—	—	—	—	—
Amortization	—	(7,157)	(4,327)	(8,365)	(19,849)
Impairment losses	—	(1,151)	(85)	(223)	(1,459)
Sales and disposals	—	—	(113)	(296)	(409)
Reclassification to assets held for sale	(310)	—	—	—	—
Reclassification	—	—	(59)	36	(23)
Exchange differences on translation of foreign operations	(2,550)	(423)	(199)	(470)	(1,092)
Other	—	94	69	36	199
Balance at March 31, 2020	¥ 98,328	¥47,696	¥11,730	¥15,366	¥ 74,792
Additions	—	—	2,948	1,485	4,433
Additions through internal development	—	16,134	—	—	16,134
Additions through business combinations (Note 2)	28,365	521	199	17,943	18,663
Amortization	—	(8,617)	(3,542)	(2,860)	(15,019)
Impairment losses	—	(465)	—	—	(465)
Sales and disposals	—	(80)	(208)	(610)	(898)
Reclassification to assets held for sale	—	—	—	—	—
Reclassification	—	(9)	267	113	371
Exchange differences on translation of foreign operations	4,120	1,054	263	1,146	2,463
Decrease by sale of businesses	—	—	(16)	(44)	(60)
Other	—	—	—	21	21
Balance at March 31, 2021	¥130,813	¥56,234	¥11,641	¥32,560	¥100,435

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

Notes: 1. Amortization of capitalized development costs is recorded as "Cost of sales" on the consolidated statements of profit or loss. Amortization cost excluding capitalized development costs is recorded in "Cost of sales" and "Selling, general and administrative expenses" on the consolidated statements of profit or loss.
2. Of additions through business combinations, major components included in "Other" are ¥2,016 million (\$18,162 thousand) in technology-related assets arising in the acquisition of FH ORTHO SAS, and ¥15,010 million (\$135,225 thousand) in provisionally valued intangible assets arising in the acquisition of Veran Medical Technologies, Inc. For details on business combinations, please see Note "40. Business Combinations."

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	Millions of yen				
	Intangible assets				
	Goodwill	Capitalized development costs	Software	Other	Total
Balance at April 1, 2019	¥101,188	¥58,229	¥51,683	¥123,580	¥233,492
Balance at March 31, 2020	98,328	72,665	53,962	121,662	248,289
Balance at March 31, 2021	¥130,813	¥87,537	¥56,335	¥143,585	¥287,457

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

Accumulated amortization and accumulated impairment losses

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

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

(2) Significant intangible assets

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

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

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

(3) Research and development expenditures recognized as expenses

Research expenses and development costs that do not meet asset recognition criteria are recognized as expenses when incurred. Research and development expenditures recognized as expenses in the years ended March 31, 2020 and 2021 were ¥64,746 million and ¥65,660 million (\$591,532 thousand), respectively.

15. Commitments

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

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

16. Impairment of Non-financial Assets

(1) Impairment losses

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

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

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

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

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

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

In the Imaging Business, as the investments were deemed unrecoverable due to changes in the market environment, the carrying amount of production equipment and other fixed assets located in Japan and overseas was written down to the recoverable amount, resulting in ¥1,518 million of impairment losses (buildings and structures, ¥332 million; machinery and vehicles, ¥519 million; tools, furniture and fixtures, ¥505 million; software, ¥85 million; and long-term prepaid expenses, ¥77 million). The recoverable amount was the fair value less costs of disposal and was measured at ¥5,412 million based on third-party appraisals such as cost approach. It was classified as level-3 in the fair value hierarchy. In addition, these impairment losses are not included in the above table, because the impairment losses have been reclassified to "Loss from discontinued operations" in the consolidated statements of profit or loss.

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

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

(2) Impairment test for goodwill

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

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

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

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

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

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

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

The growth rate for the period after the term of the business plans is determined based on market research reports for the industry in which the cash-generating unit (CGU) operates. The growth rate of "Endoscopic Solutions Business" and "Therapeutic Solutions Business" is 1.1% – 5.87% and 1.5% – 4.17%, respectively, as of March 31, 2020, and 1.1% – 5.00% and 1.8% – 4.43%, respectively, as of March 31, 2021.

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

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

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

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

17. Trade and Other Payables

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

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

18. Bonds and Borrowings

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

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

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

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

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

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

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

19. Other Financial Liabilities

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

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

20. Provisions

The changes in provisions during the year ended March 31, 2021 were as follows:

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

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

Note: Provision for product warranties includes ¥4,649 million (\$41,883 thousand), which is the amount expected to be required for voluntary recall of a Video Bronchoscope model and a Choledochofiberscope model. The provision for expected additional taxes payable of ¥3,875 million (\$34,910 thousand) anticipated in relation to a voluntary inspection regarding indirect taxation conducted by the Company's overseas subsidiary was included in the balance of Other provision as of March 31, 2021.

(1) Provision for product warranties

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

(2) Provision for loss on litigation

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

(3) Provision for duodenoscope market response

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

21. Other Current Liabilities and Other Non-current Liabilities

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

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

22. Government Grants

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

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

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

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

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

23. Employee Benefits

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

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

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

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

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

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

Consolidated Financial Statements and Notes

(1) Defined benefit plans**1) Reconciliation of defined benefit obligations**

The changes in defined benefit obligations were as follows:

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

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

2) Reconciliation of fair value of plan assets

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

The Olympus Group conducts a financial verification based on the Company's corporate pension rules at the end of every fiscal year to ascertain the extent of any funding deficit and determine whether contributions need to be recalculated.

In the fiscal year ending March 31, 2022, the Olympus Group plans to contribute ¥5,342 million (\$48,126 thousand) to the plan.

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

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

2. This represents a decrease in plan assets due to the implementation of the pension buyout transaction.

3) Reconciliation of defined benefit obligations and plan assets

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

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

4) Components of plan assets

The breakdown of plan assets by category was as follows:

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

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

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

5) Matters related to actuarial assumptions

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

	2020	2021
Discount rate	0.56%	0.61%

6) Sensitivity analysis

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

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

7) Weighted average duration

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

(2) Defined contribution plans

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

(3) Implementation of career support for external opportunity

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

1. Reason for implementation

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

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

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

(ii) Eligible employees:

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

Employees rehired after mandatory retirement

Employees with indefinite term contracts

(iii) Number of applicants: Approximately 950 individuals

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

(v) Retirement date: March 31, 2021

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

(vi) Details of the support:

Special additional payment together with the standard severance allowance

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

3. Implementation result

The number of retirees under the scheme: 842 individuals

The Company recorded ¥11,866 million (\$106,901 thousand) in "Other expenses" for the costs incurred in the provision of special additional payment and re-employment support through the implementation of the career support for external opportunity.

24. Share Capital and Other Components of Equity**(1) Number of authorized shares, issued shares and treasury shares**

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

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

Notes: 1. All of the shares of the Company are ordinary shares that have no par value and no limitations on the rights. Issued shares are fully paid.

2. The Company has adopted stock option plans and utilizes treasury shares for delivery of shares due to exercise. Contract conditions and amounts are described in Note 27 "Share-based payments."

3. On April 1, 2019, the Company conducted a four-for-one stock split of common stock. As a result, as of March 31, 2020, authorized shares increased by 3,000,000,000 shares, the total number of issued shares increased by 1,028,140,047 shares and treasury stock increased by 3,877,560 shares.

4. The major reasons of changes in the number of issued shares as of March 31, 2020, other than stock split under Note 3, were issuing shares under the "Restricted Share-Based Remuneration Plan" described in Note 27 "Share-based payments."

5. The major reason for the increase in the number of treasury shares as of March 31, 2020 was the purchase of 80,153,100 shares determined at the Board of Directors' meeting held on August 29, 2019.

(2) Capital surplus

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

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

(3) Retained earnings

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

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

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

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

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(4) Other components of equity

The changes in other components of equity were as follows:

Millions of yen						
	Exchange differences on translation of foreign operations	Cash flow hedges	Financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Share of other comprehensive income (loss) of associates accounted for using equity method	Total
Balance at March 31, 2019	¥(14,490)	¥(853)	¥ 7,109	¥ —	¥ —	¥ (8,234)
Other comprehensive income	(13,273)	337	(1,126)	(4,227)	(97)	(18,386)
Reclassification to retained earnings	—	—	(358)	4,227	—	3,869
Balance at March 31, 2020	¥(27,763)	¥(516)	¥ 5,625	¥ —	¥ (97)	¥(22,751)
Other comprehensive income	21,938	169	2,626	(926)	(55)	23,752
Reclassification to retained earnings	—	—	(3,274)	926	—	(2,348)
Balance at March 31, 2021	¥ (5,825)	¥(347)	¥ 4,977	¥ —	¥(152)	¥ (1,347)

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

1) Exchange differences on translation of foreign operations

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

2) Cash flow hedges

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

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

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

4) Remeasurements of defined benefit plans

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

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

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

25. Capital Policy

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

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

The Olympus Group has designated its equity ratio (ratio of total equity attributable to owners of parent to total assets) and return on equity (ROE) as equity-related key performance indicators. These indicators as of or for the years ended March 31, 2020 and 2021 were as follows.

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

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

26. Dividends

Dividends paid during the year ended March 31, 2020 were as follows:

Resolution	Class of shares	Amount of dividends paid (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
General Shareholders' Meeting (June 25, 2019)	Common stock	¥10,243	¥30.00	March 31, 2019	June 26, 2019

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

Dividends paid during the year ended March 31, 2021 were as follows:

Resolution	Class of shares	Amount of dividends paid (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
General Shareholders' Meeting (July 30, 2020)	Common stock	¥12,856 (\$115,820 thousand)	¥10.00 (\$0.090)	May 31, 2020	July 31, 2020

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

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

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

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

27. Share-based Payments

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

(1) Stock Options

1) Overview of stock option plans

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

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

2) Outline of stock options

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

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

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

	2020		2021	
	Number of shares	Weighted average exercise price (Yen)	Number of shares	Weighted average exercise price (Yen)
Outstanding at beginning of year	572,400	1	563,600	1
Granted	—	—	—	—
Exercised	(8,800)	1	(50,400)	1
Expired	—	—	—	—
Outstanding at end of year	563,600	1	513,200	1
Exercisable at end of year	271,200	1	294,800	1

Notes: 1. The number of stock options is presented as the number of underlying shares.
2. The weighted average share prices of stock options at the time of exercise were ¥1,659 and ¥1,988 (\$17.91) for the years ended March 31, 2020 and 2021, respectively.
3. The weighted average remaining lives of unexercised stock options year were 24.9 years and 23.9 years as of March 31, 2020 and 2021, respectively.

(2) Restricted Share-Based Remuneration Plan

1) Overview of Restricted Share-Based Remuneration Plan

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

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

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

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

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

(3) Performance-Linked Share-Based Remuneration Plan

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

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

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

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

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

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

The weighted average fair value at the grant date under this plan for the years ended March 31, 2020 and 2021 were ¥1,213 and ¥1,824 (\$16.43), respectively.

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

(4) Subsequent Grant-type Restricted Stock Compensation Plan

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

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

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

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

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

The weighted average fair value at the grant date under this plan for the year ended March 31, 2021 was ¥1,939 (\$17.47).

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

(5) Share-based Payment Expenses

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

28. Revenue

(1) Disaggregation of Revenue

The Olympus Group was fundamentally organized in the Endoscopic Solutions Business, Therapeutic Solutions Business, Scientific Solutions Business, Imaging Business, and "Others" segments. However, from the second quarter of the fiscal year ended March 31, 2021, the organizational structure has been changed to be fundamentally organized in the Endoscopic Solutions Business, Therapeutic Solutions Business, Scientific Solutions Business, and "Others" segments because the Imaging Business was classified as discontinued operations. The Company presents revenue under these business segments because separate financial information for each business is available and the Board of Directors regularly monitors them to evaluate in determining the allocation management resources and in assessing performance. Revenue is geographically disaggregated based on customer location. Geographically disaggregated revenue attributable to the reportable segments was as follows.

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

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

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

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

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

1) Endoscopic Solutions Business

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

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

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

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

2) Therapeutic Solutions Business

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

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

3) Scientific Solutions Business

The Scientific Solutions Business sells biological microscopes, industrial microscopes, industrial endoscopes and non-destructive testing equipment, among other products. Its main customers include domestic and overseas research and medical institutions.

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

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

4) Imaging Business

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

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

The Imaging Business was classified as discontinued operations during the fiscal year ended March 31, 2021.

5) Others

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

(2) Contract balances

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

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

	Millions of yen	
	April 1, 2019	March 31, 2020
Receivables from contracts with customers	¥136,252	¥121,174
Contract assets	754	367
Contract liabilities	31,295	34,480

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

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

On the consolidated statements of financial position, receivables from contracts with customers and assets from contracts with customers are recognized in trade and other receivables, and liabilities from contracts with customers are recognized in other current assets and other non-current assets.

For revenue recognized for the years ended March 31, 2020 and 2021, amounts corresponding to liabilities from contracts with customers at the beginning of each fiscal year were ¥25,423 million and ¥30,629 million (\$275,937 thousand), respectively. For the years ended March 31, 2020 and 2021, revenue recognized from performance obligations satisfied (or partially satisfied) in past periods was not material.

(3) Transaction price allocated to remaining performance obligations

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

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Within 1 Year	¥7,203	¥10,771	\$ 97,036
Over 1 Year	2,643	7,097	63,937
Total	¥9,846	¥17,868	\$160,973

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

29. Selling, General and Administrative Expenses

Major items of selling, general and administrative expenses for the years ended March 31, 2020 and 2021 were as follows:

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

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

30. Other Income and Other Expenses

(1) Other income

Major items of other income are as follows.

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

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

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

(Reversal of allowance for doubtful accounts)

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

(Subsidiary share transfer)

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

(2) Other expenses

Major items of other expenses are as follows.

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

The Company recorded ¥3,954 million for the cost related to promotion of the business transformation plan "Transform Olympus" in "Other expenses."

(Impairment losses)

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

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

(Business restructuring expenses)

The Company recorded ¥6,614 million (\$59,586 thousand) for the cost related to promotion of the business transformation plan "Transform Olympus" in "Other expenses."

The Company recorded ¥5,156 million (\$46,450 thousand) in "Other expenses" for the costs incurred to establish and transfer a new company due to the divestiture of the Imaging Business that aims at promoting selection of and concentration on the business portfolio of the Company.

(Implementation of career support for external opportunity)

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

31. Finance Income and Finance Costs

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

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

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

32. Earnings per Share

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

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

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

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

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

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

33. Other Comprehensive Income

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

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

34. Cash Flow Information

(1) Non-cash transactions

The major non-cash transactions are follows:

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

(2) Liabilities arising from financing activities

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

	Millions of yen					
	For the year ended March 31, 2020					
	Beginning balance	Movement due to cash inflows/outflows from financing activities	Increase due to new lease	Non-cash items Exchange differences on translation of foreign operations	Other	Ending balance
Short-term borrowings	¥ 629	¥ 9,534	¥ —	¥ (28)	¥ —	¥ 10,135
Bonds (Note 1)	19,909	49,793	—	—	35	69,737
Commercial papers	—	60,000	—	—	—	60,000
Long-term borrowings (Note 1)	160,797	(19,094)	—	(881)	221	141,043
Lease liabilities (Notes 1, 2)	¥ 47,534	¥(15,604)	¥13,380	¥(1,261)	¥(2,306)	¥ 41,743

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

2. Beginning balance of Lease liabilities includes ¥38,499 million as an adjustment due to applying IFRS 16.

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

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

Note: Balances redeemable within one year are included.

(3) Payments for acquisition of business

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

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

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(4) Payments for acquisition of subsidiaries

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

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

(5) Loss of control

1) Divestiture of Imaging Business

(i) Overview of transaction

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

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

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

(iii) Cash flows associated with the loss of control

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

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

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

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

2) Divestiture of significant operations

(i) Overview of transaction

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

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

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

(iii) Cash flows associated with the loss of control

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

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

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

The Company recorded a gain of ¥486 million (\$4,378 thousand) associated with the loss of control of Said Facility under "Other income" in the consolidated statements of profit or loss.

3) Transfer of OLYMPUS-RMS CORP.

(i) Overview of transaction

The Company concluded an agreement to transfer all shares of OLYMPUS-RMS CORP., a consolidated subsidiary of the Company, to ROHTO Pharmaceutical Co., Ltd. and completed the transfer procedures on March 23, 2021. As a result, the Company lost control of OLYMPUS-RMS CORP. on the same day.

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

	Millions of yen	Thousands of U.S. dollars
	Amount	Amount
Current assets	¥418	\$3,766
Non-current assets	6	54
Total assets	¥424	\$3,820
Current liabilities	572	5,153
Non-current liabilities	—	—
Total liabilities	¥572	\$5,153

(iii) Cash flows associated with the loss of control

	Millions of yen	Thousands of U.S. dollars
	Amount	Amount
Cash and cash equivalents received as consideration of the loss of control	¥1,622	\$14,613
Cash and cash equivalents of subsidiaries with the loss of control	(294)	(2,649)
Proceeds from sale of subsidiaries (Note)	¥1,328	\$11,964

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

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

The Company recorded a gain of ¥1,770 million (\$15,946 thousand) associated with the loss of control of OLYMPUS-RMS CORP. and is included in "Other income" in the consolidated statements of profit or loss.

35. Financial Instruments

(1) Credit risk

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

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

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

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

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

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

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

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

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

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

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

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

Information on allowance for doubtful accounts

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

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

Millions of yen				
Trade receivables	Debtors that are not facing serious problems in their management conditions	Debtors that are facing serious problems in repaying their debts	Debtors that are bankrupt	Total
Balance at March 31, 2020	¥161,358	¥4,992	¥356	¥166,706
Balance at March 31, 2021	¥179,320	¥4,470	¥418	¥184,208

Thousands of U.S. dollars				
Trade receivables	Debtors that are not facing serious problems in their management conditions	Debtors that are facing serious problems in repaying their debts	Debtors that are bankrupt	Total
Balance at March 31, 2021	\$1,615,496	\$40,270	\$3,766	\$1,659,532

There was no significant change that had a material impact on allowance for doubtful accounts for "Trade receivables" as of March 31, 2020 and March 31, 2021.

Millions of yen				
Receivables other than trade receivables	Significant increase in credit risk			Total
	No significant increase in credit risk	Non-credit-impaired financial assets	Credit-impaired financial assets	
Balance at March 31, 2020	¥16,605	¥8,225	¥517	¥25,347
Balance at March 31, 2021	¥24,108	¥6,783	¥584	¥31,475

Thousands of U.S. dollars				
Receivables other than trade receivables	Significant increase in credit risk			Total
	No significant increase in credit risk	Non-credit-impaired financial assets	Credit-impaired financial assets	
Balance at March 31, 2021	\$217,189	\$61,108	\$5,262	\$283,559

There was no significant change that had material impacts on allowance for doubtful accounts for "Receivables other than trade receivables" as of March 31, 2020 and March 31, 2021.

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

Millions of yen				
	Receivables other than trade receivables			
	Trade receivables	Significant increase in credit risk		
		No significant increase in credit risk	Non-credit-impaired financial assets	Credit-impaired financial assets
Balance at April 1, 2019	¥ 6,112	¥—	¥ 8,245	¥575
Increase	2,057	0	—	—
Decrease	(523)	—	(20)	(7)
Other	(202)	—	—	(51)
Balance at March 31, 2020	¥ 7,444	¥ 0	¥ 8,225	¥517
Increase	382	0	—	17
Decrease	(2,228)	(0)	(1,442)	—
Other	274	—	—	50
Balance at March 31, 2021	¥ 5,872	¥ 0	¥ 6,783	¥584

Thousands of U.S. dollars				
	Receivables other than trade receivables			
	Trade receivables	Significant increase in credit risk		
		No significant increase in credit risk	Non-credit-impaired financial assets	Credit-impaired financial assets
Balance at March 31, 2020	\$ 67,063	\$ 0	\$ 74,099	\$4,658
Increase	3,441	0	—	153
Decrease	(20,072)	(0)	(12,991)	—
Other	2,469	—	—	450
Balance at March 31, 2021	\$ 52,901	\$ 0	\$ 61,108	\$5,261

(2) Liquidity risk

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

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

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

As of March 31, 2020

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

As of March 31, 2021

	Millions of yen			
	Carrying amount	Contractual cash flows		
		Total	Within 1 year	Over 1 year
Non-derivative financial liabilities				
Bonds and borrowings	¥355,264	¥364,972	¥33,462	¥331,510
Lease liabilities	66,407	77,256	16,617	60,639
Derivative financial liabilities				
Currency derivatives	1,967	1,967	1,821	146
Interest rate derivatives	¥ 500	¥ 499	¥ 184	¥ 315

	Thousands of U.S. dollars			
	Carrying amount	Contractual cash flows		
		Total	Within 1 year	Over 1 year
Non-derivative financial liabilities				
Bonds and borrowings	\$3,200,577	\$3,288,036	\$301,459	\$2,986,577
Lease liabilities	598,261	696,000	149,703	546,297
Derivative financial liabilities				
Currency derivatives	17,721	17,721	16,406	1,315
Interest rate derivatives	\$ 4,505	\$ 4,495	\$ 1,658	\$ 2,837

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

(3) Market risk

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

1) Foreign exchange risk

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

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

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

	Millions of yen				Thousands of U.S. dollars	
	2020		2021		2021	
	Contract amount	Fair value	Contract amount	Fair value	Contract amount	Fair value
Foreign exchange forward contracts:	¥78,263	¥ 33	¥ 96,391	¥(1,050)	\$ 868,387	\$(9,459)
U.S. dollar	23,002	(540)	18,364	(579)	165,441	(5,216)
Other currency	55,261	573	78,027	(471)	702,946	(4,243)
Currency options	—	—	—	—	—	—
Other currency	—	—	—	—	—	—
Currency swaps	16,095	205	20,689	51	186,387	459
Receive other currencies / pay Euro	15,639	208	20,235	54	182,297	486
Receive Euro / pay other currencies	456	(3)	454	(3)	4,090	(27)
Total	¥94,358	¥ 238	¥117,080	¥ (999)	\$1,054,774	\$(9,000)

(ii) Sensitivity analysis of currency fluctuation risk

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

This analysis assumes that all other variables are held constant.

	Millions of yen		Thousands of U.S. dollars	
	2020	2021	2021	2021
U.S. dollar	¥(69)	¥(445)	\$(4,009)	
Euro	¥(62)	¥(103)	\$ (928)	

2) Interest rate risk

The Olympus Group's exposure to interest rate risk mainly relates to debt such as borrowings and bonds. Because the amount of interest is affected by fluctuations in market interest rates, the Olympus Group is exposed to interest rate risk of fluctuations in future cash flows of interest.

Mainly to limit an increase in the amount of interest paid in the future due to a rise in interest rates, the Olympus Group raises funds by issuing bonds at a fixed interest rate. If funds are procured through long-term borrowings at a variable interest rate, the Olympus Group endeavors to stabilize cash flows by entering into an interest rate swap contract to receive a variable interest rate and pay a fixed interest rate with financial institutions and virtually fixing the borrowing rate.

In the first quarter of the fiscal year ended March 31, 2021, the Olympus Group borrowed ¥100 billion as business financing and long-term working capital in view of the impact of the spread of COVID-19 on operating results. Of this amount, ¥50 billion was procured at a variable interest rate and no interest rate swap contract has been concluded. Therefore, the Olympus Group is exposed to interest rate risk of fluctuations in future cash flows of interest. The Olympus Group retains cash and cash equivalents exceeding the variable interest bearing debts, and if the interest rate rises due to changes in the market environment, it mitigates interest rate risk by reducing the interest bearing debts using these funds, and other means.

Interest rate sensitivity analysis

As for borrowings with variable interest rates held by the Olympus Group at the end of the fiscal year, the amount of effects on profit before tax in the consolidated statements of profit or loss in the event of a 1% increase in interest rates at the end of the fiscal year is as follows. This analysis calculated the amount of effects by multiplying the balance of borrowings with variable interest rates at the end of the fiscal year by 1%. The analysis excludes borrowings with variable interest rates of which interest rates have been fixed by interest rate swap agreements.

	Millions of yen		Thousands of U.S. dollars	
	2020	2021	2021	2021
Consolidated statements of profit or loss (Profit before tax)	¥—	¥(498)	\$(4,486)	

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3) Market price risk

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

Sensitivity analysis of market price risk

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

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Other comprehensive income (before tax effect)	¥(144)	¥(103)	\$(928)

(4) Fair value

1) Fair value hierarchy

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

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

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

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

The Olympus Group recognizes transfers of financial instruments between the levels of the fair value hierarchy as if they occurred at the end of each fiscal year. There were no significant financial instruments transferred between the levels for the fiscal years ended March 31, 2020 and 2021.

2) Financial instruments measured at fair value

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

(Other financial assets and other financial liabilities)

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

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

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

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

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

As of March 31, 2020

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

As of March 31, 2021

	Millions of yen			Total
	Level 1	Level 2	Level 3	
Financial assets				
Financial assets measured at fair value through profit or loss				
Derivative assets	¥ —	¥ 968	¥ —	¥ 968
Equity securities and others	—	—	1,495	1,495
Financial assets measured at fair value through other comprehensive income				
Equity securities	10,327	—	853	11,180
Financial liabilities				
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities	—	2,467	—	2,467
Contingent consideration	¥ —	¥ —	¥3,608	¥ 3,608

	Thousands of U.S. dollars			Total
	Level 1	Level 2	Level 3	
Financial assets				
Financial assets measured at fair value through profit or loss				
Derivative assets	\$ —	\$ 8,721	\$ —	\$ 8,721
Equity securities and others	—	—	13,468	13,468
Financial assets measured at fair value through other comprehensive income				
Equity securities	93,036	—	7,685	100,721
Financial liabilities				
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities	—	22,225	—	22,225
Contingent consideration	\$ —	\$ —	\$32,505	\$32,505

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

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Balance at April 1	¥1,774	¥1,658	\$14,937
Gains and losses (Note)			
Profit or loss	(129)	11	99
Other comprehensive income	(185)	1	9
Purchases	229	727	6,550
Sales	(6)	—	—
Other	(25)	(48)	(442)
Balance at March 31	¥1,658	¥2,348	\$21,153

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

Total gains or losses recognized in profit or loss included losses of ¥(20) million and gain of ¥11 million (\$99 thousand) on financial instruments held as of the years ended March 31, 2020 and 2021, respectively.

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

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Balance at April 1	¥ 584	¥ 163	\$ 1,468
Business combinations	163	3,433	30,928
Settlement	(571)	—	—
Change in fair value	—	(111)	(1,000)
Other	(13)	123	1,109
Balance at March 31	¥ 163	¥3,608	\$32,505

3) Financial instruments measured at amortized cost

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

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

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

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

(Other financial assets and other financial liabilities)

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

(Bonds and borrowings)

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

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

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

The carrying amount and fair value of major financial instruments measured at amortized cost were as follows. Financial instruments whose carrying amounts approximate fair value are not included in the following table.

	Millions of yen				Thousands of U.S. dollars	
	2020		2021		2021	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets						
Lease receivables	¥ 36,891	¥ 36,819	¥ 45,377	¥ 45,319	\$ 408,802	\$ 408,279
Financial liabilities						
Bonds	69,737	69,513	119,596	120,070	1,077,441	1,081,712
Borrowings	¥116,036	¥118,053	¥155,456	¥157,715	\$1,400,505	\$1,420,856

4) Equity instruments

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

The fair values of equity instruments by major issuer were as follows:

Issuer	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
ASAHI INTECC CO., LTD.			¥3,608
CASIO COMPUTER CO., LTD.			2,716
FUJI CORPORATION			1,441
USHIO INC.			1,159
Mitsubishi UFJ Financial Group, Inc.			¥ 845

Issuer	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
ASAHI INTECC CO., LTD.	¥4,119		\$37,108
USHIO INC.	1,636		14,739
Mitsubishi UFJ Financial Group, Inc.	1,240		11,171
Sumitomo Realty & Development Co., Ltd.	1,113		10,027
OHARA INC.	¥ 675		\$ 6,081

The fair value at the date of sale and cumulative gains or losses on sales of equity instruments sold during the year based on the Company's policy for equity securities and others held for strategic investment purposes were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Fair value at the date of sale	¥3,032	¥7,869	\$70,892
Cumulative gains or losses on sale	¥1,579	¥4,721	\$42,532

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

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Equity instruments derecognized during the year	¥ 46	¥195	\$1,757
Equity instruments held at the end of year	409	157	1,414
Total	¥455	¥352	\$3,171

(5) Hedge accounting

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

For interest rate swaps, the notional amount, term (maturity) and underlying data for interest rate of the hedging instrument and the hedged item are to be matched, in principle. No ineffective portion was recognized as of March 31, 2020 and 2021.

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

As of March 31, 2020

	Millions of yen					Interest rate
	Notional amount	Over 1 year	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%

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	Millions of yen				Interest rate
	Notional amount	Over 1 year	Carrying amount (Note)		
			Assets	Liabilities	
Interest rate swaps	¥25,000	¥10,000	¥—	¥500	Variable rate receipt: 6-month Japanese yen TIBOR Fixed rate payment: 1.3815% to 2.040%

	Thousands of U.S. dollars				Interest rate
	Notional amount	Over 1 year	Carrying amount (Note)		
			Assets	Liabilities	
Interest rate swaps	\$225,225	\$90,090	\$—	\$4,505	Variable rate receipt: 6-month Japanese yen TIBOR Fixed rate payment: 1.3815% to 2.040%

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

The cash flow hedge reserve (before tax effect) regarding the above table was as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
	Interest rate swaps	¥(743)	¥(500)

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

As of March 31, 2020

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

As of March 31, 2021

	Millions of yen	
	Changes in the fair value recognized in other comprehensive income	Amount of reclassification adjustment from cash flow hedge to profit or loss (Note)
	Interest rate swaps	¥(28)

	Thousands of U.S. dollars	
	Changes in the fair value recognized in other comprehensive income	Amount of reclassification adjustment from cash flow hedge to profit or loss (Note)
	Interest rate swaps	\$(252)

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

(6) Transfer of financial instruments

Transferred financial assets that are not derecognized in their entirety

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

The carrying amounts of transferred assets and the associated liabilities when the Olympus Group continues to recognize all of the transferred assets as of March 31, 2020 and 2021 are as follows. They are recognized in "Trade and other receivables" and "Other financial liabilities," respectively, in the consolidated statements of financial position.

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
	Transferred financial assets	¥2,869	¥2,928
Related liabilities	2,178	1,996	17,982
Net position of transferred financial assets	¥ 691	¥ 932	\$ 8,396

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

36. Leases

(1) Lessor

The Olympus Group leases endoscopes and other equipment under finance leases and also leases endoscopes and other equipment, and property owned by the Company as operating leases.

The breakdown of revenue under finance leases was as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Revenue			
Lease income (loss)	¥8,233	¥7,710	\$69,459
Interest income	¥1,495	¥1,997	\$17,991

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

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Undiscounted lease payments to be received			
Within 1 year	¥17,911	¥22,241	\$200,369
More than 1 year, but within 2 years	11,246	13,001	117,126
More than 2 years, but within 3 years	6,392	7,762	69,928
More than 3 years, but within 4 years	2,698	3,451	31,090
More than 4 years, but within 5 years	972	1,539	13,865
More than 5 years	55	84	757
Total	¥39,274	¥48,078	\$433,135
Discounted unguaranteed residual value	863	1,380	12,432
Unearned finance income	(3,246)	(4,081)	(36,765)
Net investment in the lease	¥36,891	¥45,377	\$408,802

The breakdown of revenue under operating leases was as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Revenue			
Lease income	¥ 6,075	¥ 6,381	\$ 57,486
Variable lease payments (Note)	¥20,646	¥22,110	\$199,189

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

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

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Within 1 year	¥19,970	¥17,873	\$161,018
More than 1 year, but within 2 years	12,764	11,081	99,829
More than 2 years, but within 3 years	5,535	5,332	48,036
More than 3 years, but within 4 years	1,747	2,359	21,252
More than 4 years, but within 5 years	514	860	7,748
More than 5 years	508	451	4,063
Total	¥41,038	¥37,956	\$341,946

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(2) Lessee

The Olympus Group rents properties and other equipment as lessee.

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

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

The undiscounted future cash flows related to leases that have not yet commenced among lease contracts concluded by the Olympus Group are ¥29,503 million as of March 31, 2020. Mainly, a lease related to an asset (contract amount: ¥18,837 million) scheduled to be used as an office of a regional headquarters in Europe was under construction as of March 31, 2020, but commenced during the year ended March 31, 2021. There were no leases that have not yet commenced among lease contracts concluded by the Olympus Group as of March 31, 2021.

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

The total amount of cash outflows related to leases were ¥18,694 million and ¥18,975 million (\$170,946 thousand) for the years ended March 31, 2020 and 2021, respectively.

The breakdown of lease-related income and expenses for lessee were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Revenue from sublease of right-of-use assets	¥ 39	¥ 18	\$ 162
Depreciation of right-of-use assets by underlying asset class			
Land	376	356	3,207
Buildings and structures	8,629	8,667	78,081
Machinery and vehicles	1,118	1,048	9,441
Tools, furniture and fixtures	2,612	2,736	24,649
Interest expense under lease obligations	900	1,124	10,126
Expenses under short-term leases	704	582	5,243
Expenses under leases of low-value asset	¥1,608	¥1,388	\$12,505

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

37. Income Taxes**(1) Deferred tax assets and liabilities**

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

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Deferred tax assets			
Inventories	¥ 9,520	¥ 5,442	\$ 49,027
Prepaid expenses	11,200	11,099	99,991
Accrued bonuses	6,327	7,057	63,577
Accrued expenses	4,577	5,998	54,036
Unrealized intercompany profits	6,290	7,123	64,171
Depreciation of property, plant and equipment	7,014	9,814	88,414
Amortization of intangible assets	4,908	3,379	30,441
Interest rate swaps	227	153	1,378
Retirement benefit liabilities	6,556	5,931	53,432
Loss carryforwards	3,783	17,617	158,712
Other	9,344	9,430	84,956
Total	¥ 69,746	¥ 83,043	\$ 748,135
Deferred tax liabilities			
Depreciation of property, plant and equipment	¥ (4,435)	¥ (3,602)	\$ (32,450)
Financial assets measured at fair value through other comprehensive income	(1,694)	(1,516)	(13,658)
Retirement benefit assets	(4,689)	(2,158)	(19,441)
Fair value differences on acquisition	(1,992)	(6,295)	(56,712)
Capitalized development costs	(13,499)	(17,193)	(154,892)
Retained profit of overseas subsidiaries	(2,194)	(2,318)	(20,883)
Other	(3,234)	(5,306)	(47,801)
Total	¥(31,737)	¥(38,388)	\$(345,837)
Net deferred tax assets	¥ 38,009	¥ 44,655	\$ 402,298

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

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Loss carryforwards	¥19,682	¥18,660	\$168,108
Deductible temporary differences	28,364	29,767	268,171
Tax credits carried forward	723	842	7,586
Total	¥48,769	¥49,269	\$443,865

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

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Within 4th year	¥15,441	¥12,943	\$116,603
5th year and thereafter	4,241	5,717	51,505
Total	¥19,682	¥18,660	\$168,108

The Company does not recognize deferred tax liabilities for the temporary differences associated with undistributed profits of subsidiaries when the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Total temporary differences associated with the undistributed profits of subsidiaries which have not been recognized as deferred tax liabilities (income base) were ¥234,087 million and ¥261,657 million (\$2,357,270 thousand) as of March 31, 2020 and 2021, respectively.

(2) Income tax expenses

The breakdown of income tax expenses was as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Current tax expenses (Note 1)	¥26,646	¥19,347	\$174,297
Deferred tax expenses (Notes 2, 3, 4)	(611)	(8,207)	(73,937)
Total of income tax expenses	¥26,035	¥11,140	\$100,360

- Notes: 1. The current tax expense includes tax losses which were previously not recorded, tax credits or benefits resulting from temporary differences for prior periods. Consequently, the current tax expense for the fiscal years ended March 31, 2020 and 2021 decreased by ¥474 million and ¥1,657 million (\$14,928 thousand), respectively. In addition, the current tax expense for the fiscal year ended March 31, 2021 includes the corporation tax for the previous fiscal year of ¥(2,056) million (\$18,523 thousand).
2. The deferred tax expense includes tax losses which were previously not recorded, tax credits or benefits resulting from temporary differences for prior periods. Consequently, the deferred tax expense for the fiscal years ended March 31, 2020 and 2021 decreased by ¥529 million and ¥557 million (\$5,018 thousand), respectively.
3. The deferred tax expense includes devaluation of deferred tax assets and the reversal of devaluation of deferred tax assets which was previously recorded (assessment of recoverability of deferred tax assets). Consequently, the deferred tax expense for the fiscal years ended March 31, 2020 and 2021 increased by ¥2,167 million and ¥3,941 million (\$35,505 thousand), respectively.
4. The deferred tax expense decreased by ¥1,203 million for the fiscal year ended March 31, 2020 and decreased by ¥174 million (\$1,568 thousand) for the fiscal year ended March 31, 2021 due to the effect of changes in tax rates in Japan and overseas.

(3) Income taxes recognized in other comprehensive income

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

(4) Reconciliation of effective tax rate

Reconciliation of the effective statutory tax rate and the average actual tax rate for the fiscal years ended March 31, 2020 and 2021 is as follows.

The Company's income taxes mainly include corporation tax, inhabitant tax and enterprise tax. The effective statutory tax rates calculated based on these taxes were 30.6% and 30.6% for the fiscal years ended March 31, 2020 and 2021, respectively. Overseas subsidiaries are subject to income taxes of the countries in which they operate.

	2020	2021
Effective statutory tax rate	30.6%	30.6%
Non-deductible expense, such as entertainment expenses	12.4	2.9
Non-taxable income, such as dividend income	(1.2)	(0.3)
Tax credit for experimental research cost and others	(4.0)	(1.2)
Different tax rates applied to subsidiaries	3.4	(3.0)
Subsidiaries reserve	2.5	1.3
Change in unrecognized deferred tax assets and liabilities	(11.6)	3.3
Change in deferred tax assets at the end of fiscal year due to changes in tax rates	(1.4)	(0.2)
Effects of organizational restructuring	—	(20.9)
Other	(0.6)	2.0
Average actual tax rate	30.1%	14.5%

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38. Major Subsidiaries

(1) Structured entities

Major subsidiaries as of March 31, 2021 were as follows:

Company name	Location	Main business	Voting rights held by the Company (%) (Note 1)
(Consolidated subsidiaries)			
Olympus Medical Systems Corp.	Shibuya-ku, Tokyo	Manufacturing Endoscopic Solutions Business products and Therapeutic Solutions Business products	100
Aizu Olympus Co., Ltd.	Aizu-Wakamatsu-shi, Fukushima	Manufacturing Endoscopic Solutions Business products	100
Aomori Olympus Co., Ltd.	Kuroishi-shi, Aomori	Manufacturing Therapeutic Solutions Business products	100
Nagano Olympus Co., Ltd.	Tatsuno-machi, Kamiina-gun, Nagano	Manufacturing Scientific Solutions Business products	100
Shirakawa Olympus Co., Ltd.	Nishigo-mura, Nishishirakawa-gun, Fukushima	Manufacturing Endoscopic Solutions Business products	100
Olympus Medical Science Sales Corp.	Shinjuku-ku, Tokyo	Sales of Endoscopic Solutions Business products, Therapeutic Solutions Business products and Scientific Solutions Business products	100
Olympus Logitex Co., Ltd.	Minami-ku, Sagami-hara-shi, Kanagawa	Logistics	100
Olympus Systems Co., Ltd.	Shibuya-ku, Tokyo	Information services	100
Olympus Terumo Biomaterials Corp.	Shibuya-ku, Tokyo	Research and development in the biomaterials field	66.6
Tmedix Corporation	Shinjuku-ku, Tokyo	Leasing of Endoscopic Solutions Business products	100
Olympus Corporation of the Americas	Pennsylvania, U.S.A.	Holding company of corporate planning and financial support to affiliated companies in Americas region	100
Olympus America Inc.	Pennsylvania, U.S.A.	Sales of Endoscopic Solutions Business products, Therapeutic Solutions Business products and Scientific Solutions Business products	100 (100)
Olympus Latin America, Inc.	Florida, U.S.A.	Sales of Endoscopic Solutions Business products, Therapeutic Solutions Business products and Scientific Solutions Business products	100 (100)
Gyrus ACMI, Inc.	Massachusetts, U.S.A.	Manufacturing Therapeutic Solutions Business products	100 (100)
Gyrus ACMI LP	Minnesota, U.S.A.	Manufacturing Therapeutic Solutions Business products	100 (100)
Veran Medical Technologies, Inc.	Missouri, U.S.A.	Sales and manufacturing of Therapeutic Solutions Business products	100 (100)
Olympus Scientific Solutions Americas Corp.	Massachusetts, U.S.A.	Manufacturing Scientific Solutions Business products	100 (100)
Olympus Scientific Solutions Technologies Inc.	Massachusetts, U.S.A.	Manufacturing Scientific Solutions Business products	100 (100)
Olympus NDT Canada Inc.	Québec, Canada	Manufacturing Scientific Solutions Business products	100 (100)
Olympus Europa Holding SE	Hamburg, Germany	Holding company of corporate planning to affiliated companies in Europe region	100
Olympus Europa SE & Co. KG	Hamburg, Germany	Holding company and sales of Endoscopic Solutions Business products, Therapeutic Solutions Business products and Scientific Solutions Business products	100 (100)
Olympus Soft Imaging Solutions GmbH	Munster, Germany	Information services and system development	100 (100)
Olympus Deutschland GmbH	Hamburg, Germany	Sales of Endoscopic Solutions Business products, Therapeutic Solutions Business products and Scientific Solutions Business products	100 (100)
Olympus France S.A.S.	Rungis Cedex, France	Sales of Endoscopic Solutions Business products, Therapeutic Solutions Business products and Scientific Solutions Business products	100 (100)
Olympus Winter & Ibe GmbH	Hamburg, Germany	Manufacturing Endoscopic Solutions Business products and Therapeutic Solutions Business products	100 (100)
KeyMed (Medical & Industrial Equipment) Ltd.	Essex, U.K.	Manufacturing and sales of Endoscopic Solutions Business products and Scientific Solutions Business products	100 (100)
Quest Photonic Devices B.V.	North Holland, The Netherlands	Development of Endoscopic Solutions Business products	100 (100)
Arc Medical Design Limited	West Yorkshire, U.K.	Manufacturing Therapeutic Solutions Business products	100 (100)
FH ORTHO SAS	Heimsbrunn, France	Sales and manufacturing of orthopedic equipment	100 (100)
Olympus Global Treasury Services Limited	Essex, U.K.	Fund management of the whole group	100

Company name	Location	Main business	Voting rights held by the Company (%) (Note 1)
Olympus Corporation of Asia Pacific Limited	Hong Kong	Holding company of corporate planning to affiliated companies in Asia region	100
Olympus Hong Kong and China Limited	Hong Kong	Sales of Endoscopic Solutions Business products, Therapeutic Solutions Business products and Scientific Solutions Business products and manufacturing Scientific Solutions Business products	100 (100)
Olympus (China) Co., Ltd.	Beijing, P.R.C.	Holding company of corporate planning to affiliated companies in China	100 (100)
Olympus (Guangzhou) Industrial Ltd.	Guangzhou, P.R.C.	Manufacturing Endoscopic Solutions Business products and Scientific Solutions Business products	100 (100)
Olympus (Beijing) Sales & Service Co., Ltd.	Beijing, P.R.C.	Sales of Endoscopic Solutions Business products, Therapeutic Solutions Business products and Scientific Solutions Business products	100 (100)
Olympus Trading (Shanghai) Limited	Shanghai, P.R.C.	Sales of Endoscopic Solutions Business products, Therapeutic Solutions Business products and Scientific Solutions Business products	100 (100)
Olympus Korea Co., Ltd.	Seoul, Republic of Korea	Sales of Endoscopic Solutions Business products, Therapeutic Solutions Business products and Scientific Solutions Business products	100
Olympus Singapore Pte Ltd.	Singapore	Sales of Endoscopic Solutions Business products, Therapeutic Solutions Business products and Scientific Solutions Business products	100 (100)
Olympus Vietnam Co., Ltd.	Vietnam	Manufacturing Therapeutic Solutions Business products	100
Olympus Australia Pty Ltd.	Victoria, Australia	Sales of Endoscopic Solutions Business products, Therapeutic Solutions Business products and Scientific Solutions Business products	100 (100)
60 others	—	—	—
(Equity method affiliated companies)			
Sony Olympus Medical Solutions Inc.	Hachioji-shi, Tokyo	Development of Endoscopic Solutions Business products	49
2 others	—	—	—

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

(2) Significant subsidiaries having non-controlling interests

During the years ended March 31, 2020 and 2021, there was no individually significant subsidiary having non-controlling interests.

39. Related-party Transactions

(1) Related-party transactions

There were no material related-party transactions (except for transactions that were offset in the consolidated financial statements) for the years ended March 31, 2020 and 2021.

(2) Remuneration for management executives

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Remuneration and bonuses	¥720	¥1,124	\$10,126
Share-based payments	19	173	1,559
Total	¥739	¥1,297	\$11,685

40. Business Combinations

For the year ended March 31, 2020

There was no significant business combination.

For the year ended March 31, 2021

(Acquisition of Arc Medical Design Limited)

(1) Outline of business combination

1) Name and description of acquired business

Name of acquired business	Arc Medical Design Limited (hereinafter "Arc Medical Design")
Description of business	Development and manufacturing of auxiliary devices for diagnoses and treatment using gastrointestinal endoscopes

2) Primary reason for business combination

To further strengthen the Company's core competencies in early detection and minimally invasive therapies, beyond our proprietary development, by acquiring optimal partners, we are working to expand our lineup of devices to treat digestive disorders and to develop auxiliary devices for the diagnosis and treatment of colorectal cancer.

Through this acquisition, the Company has obtained full rights to Arc Medical Design's innovative medical products. The Company already has exclusive distribution rights in the European market for Arc Medical Design's core product, ENDOCUFF VISION™, and will now be responsible for the design, manufacturing, sales, and business strategy of the entire ENDOCUFF product group. Through the acquisition of this product group, we will further contribute to reducing treatment costs and improving patients' QOL.

3) Percentage of voting equity interest acquired

100%

4) Acquisition date

August 7, 2020

5) How we obtained control of the acquiree

Cash consideration for the acquisition of shares

(2) Acquisition-related expense

The acquisition-related expense of ¥67 million (\$604 thousand) has been recognized in "Selling, general and administrative expenses."

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

	Millions of yen	Thousands of U.S. dollars
	Amount	Amount
Fair value of consideration paid		
Cash	¥3,472	\$31,279
Contingent consideration	488	4,397
Total	¥3,960	\$35,676
Fair value of assets acquired and liabilities assumed		
Cash and cash equivalents	¥ 79	\$ 712
Property, plant and equipment	0	0
Intangible assets	1,296	11,676
Other assets	5	45
Deferred tax liabilities	(246)	(2,216)
Other liabilities	(74)	(667)
Fair value of assets acquired and liabilities assumed, net	1,060	9,550
Goodwill	2,900	26,126
Total	¥3,960	\$35,676

Based on the fair value of consideration paid on the acquisition date, the Company has conducted an acquisition cost allocation to the assets acquired and liabilities assumed. The allocation of consideration paid has been completed in the fiscal year ended March 31, 2021, and there is no material change in the amount from the initial provisional amount.

Goodwill mainly represents a rational estimate of the expected future excess earning power. Furthermore, the amount of goodwill recognized does not include the amount that is expected to be deductible for tax purposes.

(4) Contingent consideration

The Contingent consideration is the royalties paid over certain future period to former shareholders of Arc Medical Design for sales of Arc Medical Design's products, and its fair value is calculated considering future sales forecasts and the time value of money. Furthermore, there is no limit on the amount of payment of the royalties.

In terms of hierarchical level, the fair value of the Contingent consideration is level 3. The amount of change in fair value of the Contingent consideration includes the recording of the part based on changes in the time value of money as "Finance costs" and the part based on changes other than the time value of money as "Other income" or "Other expenses."

(5) Impacts on the Olympus Group

The Company omits making a description concerning profit or loss information of the said business combination on and after the acquisition date as well as profit or loss information under the assumption that the said business combination was conducted at the beginning of the fiscal year under review. This is because the amount of impact on consolidated statements of profit or loss due to such information is not material.

The independent auditor has not audited profit or loss information under the assumption that the said business combination was conducted at the beginning of the fiscal year.

(Acquisition of FH ORTHO SAS)

(1) Outline of business combination

1) Name and description of acquired business

Name of acquired business	FH ORTHO SAS (hereinafter, "FH ORTHO")
Description of business	Development, manufacturing, and sales of orthopedic equipment

2) Primary reason for business combination

The Company has been developing an orthopedic business in Japan that manufactures and sells bone substitutes, high tibial osteotomy (HTO) plates, and other related products through its subsidiary Olympus Terumo Biomaterials Corporation. Furthermore, in order to support more precise and safer fragmentation and excision of bodily tissue (bone), the Company has developed the first ultrasound device indicated for arthroscopic surgery.

Through this acquisition, the Company will enhance its portfolio of products, which are innovative and contribute to enhanced patients' QOL, used in ligament reconstructive surgery, foot arthrodesis, trauma surgery, etc. Furthermore, in addition to developing the Company's orthopedic surgery products through the global sales routes owned by FH ORTHO, by selling some of FH ORTHO's core products in Japan, we will expand the Olympus Group's sales channels and grow our business. By introducing more products and solutions that contribute to minimally invasive therapies and by expanding sales channels for them, the Company will further enhance its position as a global medtech company.

3) Percentage of voting equity interest acquired

100%

4) Acquisition date

November 2, 2020

5) How we obtained control of the acquiree

Cash consideration for the acquisition of shares

(2) Acquisition-related expense

The acquisition-related expense of ¥403 million (\$3,631 thousand) has been recognized in "Selling, general and administrative expenses."

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

	Millions of yen	Thousands of U.S. dollars
	Amount	Amount
Fair value of consideration paid		
Cash	¥ 5,776	\$ 52,036
Contingent consideration	194	1,748
Total	¥ 5,970	\$ 53,784
Fair value of assets acquired and liabilities assumed		
Cash and cash equivalents	¥ 122	\$ 1,099
Trade and other receivables	618	5,568
Inventories	3,445	31,036
Other current assets	1,099	9,901
Property, plant and equipment	1,271	11,450
Intangible assets	2,232	20,108
Deferred tax assets	617	5,559
Trade and other payables	(727)	(6,550)
Bonds and borrowings (current)	(3,055)	(27,523)
Provisions	(460)	(4,144)
Other current liabilities	(723)	(6,514)
Retirement benefit liability	(206)	(1,856)
Deferred tax liabilities	(847)	(7,631)
Other non-current liabilities	(356)	(3,206)
Fair value of assets acquired and liabilities assumed, net	3,030	27,297
Goodwill	2,940	26,487
Total	¥ 5,970	\$ 53,784

Based on the fair value of consideration paid on the acquisition date, the Company has conducted an acquisition cost allocation to the assets acquired and liabilities assumed. Previously, because the allocation of consideration paid had not been determined, provisional amounts were indicated for the amounts of assets or liabilities on the acquisition date. However, regarding the facts and circumstances that existed as of the acquisition date, because all of the information necessary to calculate the allocation of consideration paid was available in the fiscal year ended March 31, 2021, the allocation of consideration paid has been completed. As a result, adjustments were made to assets and liabilities amounts as of the acquisition date from their initial provisional amounts.

The major adjustments made comprise an increase in inventories of ¥1,251 million (\$11,270 thousand), an increase in intangible assets of ¥1,725 million (\$15,541 thousand), and an increase in deferred tax liabilities of ¥847 million (\$7,631 thousand). As a result, goodwill decreased by ¥2,303 million (\$20,748 thousand). The balance of intangible assets of ¥2,232 million (\$20,108 thousand) is mostly comprised of ¥2,031 million (\$18,297 thousand) in technology-related assets related to products of FH ORTHO, which are measured based on future sales growth rate, diminishing value rate, discount rate and other assumptions. The estimated useful lives of technology-related assets are 10 to 16 years.

Goodwill mainly represents a rational estimate of the expected future excess earning power. Furthermore, the amount of goodwill recognized does not include the amount that is expected to be deductible for tax purposes.

(4) Contingent consideration

The Contingent consideration is set to be paid based on the achievement levels of designated performance metrics for FH ORTHO after the business combination, and the payment limit is €2,550 thousand. Its fair value is calculated considering forecasts of future financial results and the time value of money.

In terms of hierarchical level, the fair value of the Contingent consideration is level 3. The amount of change in fair value of the Contingent consideration includes the recording of the part based on changes in the time value of money as "Finance costs" and the part based on changes other than the time value of money as "Other income" or "Other expenses."

(5) Impacts on the Olympus Group

The Company omits making a description concerning profit or loss information of the said business combination on and after the acquisition date as well as profit or loss information under the assumption that the said business combination was conducted at the beginning of the fiscal year under review. This is because the amount of impact on consolidated statements of profit or loss due to such information is not material.

The independent auditor has not audited profit or loss information under the assumption that the said business combination was conducted at the beginning of the fiscal year.

(Acquisition of Veran Medical Technologies, Inc.)

(1) Outline of business combination

1) Name and description of acquired business

Name of acquired business	Veran Medical Technologies, Inc. (hereinafter, "VMT")
Description of business	Manufacturing and sales of pulmonary medical devices

2) Primary reason for business combination

VMT's electromagnetic navigation system supports the insertion of bronchoscopes and devices into the finely branching bronchial periphery, the identification of the location of lesions in the bronchial periphery, and tissue biopsy in the lesions. By combining VMT's electromagnetic navigation system with the Company's existing pulmonary devices such as our bronchoscopes and radial endobronchial ultrasound (EBUS), the Company expects even greater results in smoothly accessing lesions and diagnosing and determining the stage of lung cancer in patients. Through this acquisition, not only will the Company strengthen the product lineup in its Respiratory Business, but will also greatly strengthen its North American sales network with the addition of VMT's highly experienced sales staff. By enhancing competitiveness in the pulmonary market, the Company will further contribute to early diagnosis and minimally invasive therapies for bronchial disease.

3) Percentage of voting equity interest acquired

100%

4) Acquisition date

December 29, 2020

5) How we obtained control of the acquiree

Cash consideration for the acquisition of shares

(2) Acquisition-related expense

The acquisition-related expense of ¥440 million (\$3,964 thousand) has been recognized in "Selling, general and administrative expenses."

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

	Millions of yen	Thousands of U.S. dollars
	Amount	Amount
Fair value of consideration paid		
Cash	¥31,050	\$279,730
Contingent consideration	1,461	13,162
Total	¥32,511	\$292,892
Fair value of assets acquired and liabilities assumed		
Cash and cash equivalents	¥ 433	\$ 3,901
Trade and other receivables	506	4,559
Inventories	2,259	20,351
Property, plant and equipment	41	369
Intangible assets	14,647	131,955
Other assets	210	1,891
Deferred tax assets	1,612	14,523
Trade and other payables	(128)	(1,153)
Other liabilities	(587)	(5,288)
Deferred tax liabilities	(2,586)	(23,297)
Fair value of assets acquired and liabilities assumed, net	16,407	147,811
Goodwill	16,104	145,081
Total	¥32,511	\$292,892

Based on the fair value of consideration paid on the acquisition date, the Company has conducted an acquisition cost allocation to the assets acquired and liabilities assumed. However, as this allocation is not yet complete, the above values represent provisional fair values based on the best estimates at present. In the event the Company can receive and evaluate additional information relating to facts and conditions present at the acquisition date, it may adjust the above values within a period of one year from the acquisition date.

Regarding the facts and circumstances that existed as of the acquisition date, because the information necessary to calculate the allocation of consideration paid was available in the fiscal year ended March 31, 2021, the allocation amount of consideration paid has been revised. As a result, adjustments were made to assets and liabilities amounts as of the acquisition date from their initial provisional amounts.

The major adjustments made comprise a decrease in Contingent consideration of ¥1,127 million (\$10,153 thousand), an increase in inventories of ¥828 million (\$7,459 thousand), an increase in intangible assets of ¥14,647 million (\$131,955 thousand), and an increase in deferred tax liabilities of ¥2,586 million (\$23,297 thousand). As a result, goodwill decreased by ¥14,425 million (\$129,955 thousand).

Goodwill mainly represents a rational estimate of the expected future excess earning power. Furthermore, the amount of goodwill recognized does not include the amount that is expected to be deductible for tax purposes.

Data Section

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(4) Contingent consideration

The Contingent consideration is set to be paid based on the achievement levels of designated performance metrics for VMT after the business combination, and the payment limit is US\$40,000 thousand. In terms of hierarchical level, the fair value of the Contingent consideration is level 3.

(5) Impacts on the Olympus Group

The Company omits making a description concerning profit or loss information of the said business combination on and after the acquisition date as well as profit or loss information under the assumption that the said business combination was conducted at the beginning of the fiscal year under review. This is because the amount of impact on consolidated statements of profit or loss due to such information is not material.

The independent auditor has not audited profit or loss information under the assumption that the said business combination was conducted at the beginning of the fiscal year.

(Acquisition of Quest Photonic Devices B.V.)

(1) Outline of business combination

1) Name and description of acquired business

Name of acquired business	Quest Photonic Devices B.V. (hereinafter, "Quest")
Description of business	Development, manufacturing, and sales of medical devices

2) Primary reason for business combination

Quest is a company that develops, manufactures, and commercializes cutting-edge fluorescence imaging systems (FIS) and contributes to innovation in imaging technology in the surgical field. It is strong in the development of imaging technologies using various light wavelengths. It provides a broad range of medical imaging devices, starting with the Spectrum® imaging system used in FIS-guided laparotomy and laparoscopy, devices for photodynamic therapy, and so on.

The Company has already introduced 4K and 3D technologies in the surgical endoscope imaging field. This acquisition will contribute to more precise and safer surgical procedures by strengthening our FIS technology and product lineup.

3) Percentage of voting equity interest acquired

100%

4) Acquisition date

February 9, 2021

5) How we obtained control of the acquiree

Cash consideration for the acquisition of shares

(2) Acquisition-related expense

The acquisition-related expense of ¥69 million (\$622 thousand) has been recognized in "Selling, general and administrative expenses."

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

	Millions of yen	Thousands of U.S. dollars
	Amount	Amount
Fair value of consideration paid		
Cash	¥ 4,684	\$42,198
Contingent consideration	1,290	11,622
Total	¥ 5,974	\$53,820
Fair value of assets acquired and liabilities assumed		
Cash and cash equivalents	¥ 301	\$ 2,712
Trade and other receivables	53	477
Inventories	197	1,775
Other current assets	24	216
Property, plant and equipment	204	1,838
Intangible assets	569	5,126
Other financial assets (non-current)	45	405
Deferred tax assets	32	288
Trade and other payables	(21)	(189)
Bonds and borrowings (current)	(39)	(351)
Provisions	(1)	(9)
Other current liabilities	(314)	(2,829)
Bonds and borrowings (non-current)	(1,035)	(9,324)
Other non-current liabilities	(22)	(198)
Fair value of assets acquired and liabilities assumed, net	(7)	(63)
Goodwill	5,981	53,883
Total	¥ 5,974	\$53,820

Based on the fair value of consideration paid on the acquisition date, the Company has allocated the assets acquired and liabilities assumed. However, as this allocation is not yet complete, the above values represent provisional fair values based on the best estimates at present. In the event we can receive and evaluate additional information relating to facts and circumstances that existed as of the acquisition date, we may adjust the above values for a period of one year from the acquisition date.

Goodwill mainly represents a rational estimate of the expected future excess earning power. Furthermore, the amount of goodwill recognized does not include the amount that is expected to be deductible for tax purposes.

(4) Contingent consideration

The Contingent consideration is a payment to the previous shareholders of Quest as a milestone payment subject to the obtaining of approval for development made mainly by Quest, and the payment is calculated by taking into consideration the possibility of obtaining the approval for the development and time value of money. The payment limit is €14,000 thousand.

In terms of hierarchical level, the fair value of the Contingent consideration is level 3. The amount of change in fair value of the Contingent consideration includes the recording of the part based on changes in the time value of money as "Finance costs" and the part based on changes other than the time value of money as "Other income" or "Other expenses."

(5) Impacts on the Olympus Group

The Company omits making a description concerning profit or loss information of the said business combination on and after the acquisition date as well as profit or loss information under the assumption that the said business combination was conducted at the beginning of the fiscal year under review. This is because the amount of impact on consolidated statements of profit or loss due to such information is not material.

The independent auditor has not audited profit or loss information under the assumption that the said business combination was conducted at the beginning of the fiscal year.

41. Discontinued Operations

(1) Outline of discontinued operations

The Company concluded a share transfer agreement on September 30, 2020, concerning the divestiture of the Imaging Business of the Company with OJ Holdings, Ltd., a special purpose company established by Japan Industrial Partners, Inc. Accordingly, the profit (loss) of the Imaging Business is presented in discontinued operations for the fiscal year ended March 31, 2021 and restated for the fiscal year ended March 31, 2020. Furthermore, the transfer of the Imaging Business was completed on January 1, 2021. For details, please see "Loss of control" in Note "34. Cash Flow Information."

(2) Profit (loss) of discontinued operations

Profit (loss) of discontinued operations is as follows.

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Revenue	¥42,180	¥ 21,062	\$ 189,748
Cost of sales	25,388	14,715	132,568
Gross profit	16,792	6,347	57,180
Selling, general and administrative expenses	23,852	13,633	122,820
Share of profit (loss) of investments accounted for using equity method	—	—	—
Other income	46	75	676
Other expenses (Note)	1,717	44,898	404,486
Operating loss	(8,731)	(52,109)	(469,450)
Finance income	177	0	0
Finance costs	265	367	3,307
Loss before tax	(8,819)	(52,476)	(472,757)
Income taxes	108	205	1,847
Loss from discontinued operations	¥ (8,927)	¥(52,681)	\$(474,604)

Note: Regarding business assets in the Imaging Business, other expenses in the fiscal year ended March 31, 2020, include ¥1,518 million of impairment losses from writing down the relevant business assets to their recoverable value as the revenue projected at the time the assets were acquired is now not expected due to changes in the market environment, etc. For details on impairment losses, please see Note 16 "Impairment of Non-financial Assets."

Other expenses in the fiscal year ended March 31, 2021 include a loss on sale of the Imaging Business of ¥44,794 million (\$403,550 thousand) (expenses borne in accordance with the transfer agreement of ¥28,618 million (\$257,820 thousand), loss on sale of inventories of ¥14,910 million (\$134,324 thousand) and loss on sale of fixed asset, etc. of ¥1,266 million (\$11,405 thousand)).

(3) Cash flows of discontinued operations

Cash flows of discontinued operations are as follows.

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Cash flows of discontinued operations			
Net cash used in operating activities	¥(5,460)	¥ (2,999)	\$ (27,018)
Net cash used in investing activities	(2,430)	(28,686)	(258,432)
Net cash used in financing activities	(44)	(68)	(613)

42. Contingent Liabilities

Liabilities for guarantees

The Olympus Group has the following guarantees:

	Millions of yen		Thousands of U.S. dollars
	2020	2021	2021
Employees (mortgages)	¥5	¥3	\$27
Total	¥5	¥3	\$27

(Guarantee obligations of employees' mortgages)

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

43. Significant Subsequent Events

(Business combination through acquisition)

(1) Overview of business combination

1) Name and description of acquired business

Name of acquired business: Medi-Tate Ltd. (hereinafter "Medi-Tate")

Description of business: Research and development, and manufacturing of products for the Therapeutic Solutions Business

2) Primary reason for business combination

Medi-Tate is a medical equipment manufacturer engaged in research and development, and manufacturing of minimally invasive therapy devices for benign prostatic hyperplasia (hereinafter "BPH"). The Company will contribute to making minimally invasive therapies for diversified prostatic diseases more widespread and improving patients' QOL, and further strengthen business competitiveness in the field of urinary organs by adding minimally invasive therapy devices for BPH possessed by Medi-Tate to its product portfolio.

3) Percentage of voting equity interest acquired

100%

4) Acquisition date

May 27, 2021

5) How we obtained control of the acquire and percentage of voting equity interests acquired

The Company owned 18.46% of voting shares of Medi-Tate through Olympus Winter & Ibe GmbH, a consolidated subsidiary of the Company, immediately before the acquisition date. However, on the acquisition date, the Company additionally acquired 81.54% of shares of the said company through Olympus Winter & Ibe GmbH in exchange for cash, making the said company a wholly-owned subsidiary.

(2) Contingent consideration

US\$240 million

The Contingent consideration is included in the consideration for the acquisition, and the maximum possible value for the Contingent consideration calculated based on the agreement is listed.

Because the initial accounting of the business combination has not been completed as of the approval date of the Consolidated Financial Statements, the fair value of assets acquired and liabilities assumed as of the date of the business combination and major breakdowns thereof, goodwill, acquisition-related expenses, detailed information related to impacts on the Olympus Group have not been disclosed.

Because Medi-Tate was an associate of the Olympus Group immediately before the acquisition date, investment in Medi-Tate was previously accounted for under the equity method. Therefore, this is a business combination achieved in stages, and gains or losses on fair value measurement of the previously held investment in Medi-Tate (gains or losses on acquisition in stages) will arise in the fiscal year ending March 31, 2022. However, since the initial accounting for the business combination has not been completed, this information has not been disclosed.

(Cancellation of treasury shares)

At the meeting of the Board of Directors held on May 7, 2021, the Company resolved the cancellation of treasury shares as provided for under Article 178 of the Companies Act, and the cancellation of treasury shares was completed on June 4, 2021. The details are as follows:

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

(Conclusion of a subsidiary share transfer agreement)

The Company concluded an agreement to transfer all shares of Olympus Systems Corporation, a consolidated subsidiary of the Company, to Accenture Japan Ltd. as of May 28, 2021.

The transfer of shares based on the share transfer agreement will be completed by the end of August 2021.