Independent Auditor's Report

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Independent Auditor's Report

The Board of Directors
Olympus Corporation

Opinion

We have audited the accompanying consolidated financial statements of Olympus Corporation and its consolidated subsidiaries (the Group), which comprise the consolidated statement of financial position as at March 31, 2021, and the consolidated statements of profit or loss, comprehensive income, changes in equity, and cash flows for the year then ended, and notes to the consolidated financial statements, all expressed in Japanese yen.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

Accounting treatment for divestiture of the imaging business	
Description of Key Audit Matter	**Auditor's Response**
As described in Note 34(5) and 41 of the Consolidated Financial Statements, based on the share transfer agreement concluded with OJ Holdings, Ltd., a special purpose company established by Japan Industrial Partners, Inc. on September 30, 2020, the Company completed the transfer of 95% of its shares held in OM Digital Solutions Corporation (95% of total issued shares) on January 1, 2021. As a result of this transfer, the Company recorded a loss on sale of the Imaging Business of ¥44,794 million (expenses borne in accordance with the transfer agreement of ¥28,618 million, loss on sale of inventories of ¥14,910 million and loss on sale of fixed asset, etc. of ¥1,266 million) as Other expenses of profit (loss) of discontinued operations. Since the amount of the loss was significant, the assets and liabilities that were subject to sale were held by Japan and foreign subsidiaries such as Germany, Vietnam, and Hong Kong together with assets and liabilities other than the imaging business, and a carve out process included the classification and accumulation of the assets and liabilities that were subject to be sold and calculation of transfer cost, we determined this matter to be a key audit matter.	In consideration of the accounting treatment for the sale of the imaging business, we and component auditors performed the following audit procedures, among others: ● To understand the economic rationality and the business strategy that the Company considered at the divestiture, we reviewed the minutes and the materials of the meeting of the Board of directors. ● We reviewed the share transfer agreement signed between the Company and OJ Holdings, Ltd. ● To understand the details and background of the divestiture, we inquired of the management. ● To understand the process of the classification and accumulation of the assets and liabilities to be sold, we reviewed the related materials prepared by the Company. ● To evaluate that the amount of assets and liabilities sold was calculated accurately and without omission, we compared assets and liabilities classified and accumulated as those that were subject to be sold with the contents of share transfer agreement. ● We compared the estimated amount of losses recorded at the time of signing of the share transfer agreement in accordance with the provisions of onerous contract under IAS 37 with the fixed amount at the time of completion of the transfer.

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Evaluation of the goodwill of the Therapeutic solutions segment	
Description of Key Audit Matter	Auditor's Response
As described in Note 16(2) of the Consolidated Financial Statements, the Company performed an impairment test for the goodwill related to the Therapeutic solutions segment (cash generating unit). As of March 31, 2021, the amount of goodwill for the Therapeutic solutions segment was ¥101,981 million (8.6% of total consolidated assets). This includes the preliminary assessed goodwill of ¥16,104 million (Consideration for acquisition is ¥32,511 million) from the acquisition of Veran Medical Technologies, Inc. (hereinafter referred to as VMT) disclosed in Note 40 of the Consolidated Financial Statements. In performing the impairment test for Therapeutic solutions segment, the Company measures the recoverable amount based on value in use. Value in use is measured by discounting estimated future cash flows which is based on the business plan approved by management up to the five years limit and considering a growth rate for the period after the term of the business plan to present value. The main assumptions in the calculation of the value in use are as follows. ・ Growth rate and operating profit ratio in the business plan ・ Growth rate for the period after the term of the business plan ・ Discount rate	In consideration of the evaluation of the goodwill of the Therapeutic solutions segment, we performed the following audit procedures, among others: ● We involved our valuation specialist to evaluate the method of measurement of value in use. ● To understand the premise of the growth rate and operating profit margin in the business plan up to the five years limit, we inquired of management. We compared these assumptions with the prior year actual results, market forecasts and available external data. ● We compared the growth rate for the period after the term of the business plan with market forecasts and the available external data. ● Regarding the discount rate, we involved our valuation specialist to evaluate the reasonableness of the calculation method and the reliability of external data used as the basis of calculation. ● To understand the economic rationality of the consideration for acquisition of VMT and evaluate the reasonableness of the goodwill determined on the acquisition that was allocated to the Therapeutic solutions segment, we performed the following procedures, among others. ・To understand the economic rationality of acquisition and the Company's business strategy, we reviewed the minutes and the materials of the meeting of the Board of directors.

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These main assumptions include uncertainties associated with management's estimates and have a significant impact on the calculation of value in use. In particular, the growth rate and the operating profit ratio in the business plan are based on growth by spread of procedures and expansion of the portfolio of the treatment tools and devices. However, these are affected by external environment, such as regulations on medical devices in the countries and regions where the Company operates the therapeutic device business, and competition with other companies' products. In addition, since the amount of goodwill in the Therapeutic solutions segment increased due to the acquisition of VMT in the current consolidated fiscal year, we determined this matter to be a key audit matter.	・To understand the Company's evaluation process of the business value of VMT at acquisition, we involved our valuation specialist and they evaluated the Company's method and discount rate and reviewed the materials of future scenarios for determining growth rate. ・We reviewed materials of management meetings of the Therapeutic solutions segment including VMT's business.

Responsibilities of Management, the Audit Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by IFRSs, matters related to going concern.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

・ Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

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- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with IFRSs.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

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Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2021 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2(3) to the consolidated financial statements.

Ernst & Young ShinNihon LLC
Tokyo, Japan

June 21, 2021

原科博文

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