To Shareholders

Internet Disclosure for Notice Regarding the Convocation of the General Meeting of Shareholders For the 152nd Term

July 8, 2020

OLYMPUS CORPORATION

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

I. Matters Concerning Subscription Rights to Shares, etc.

1. Summary of Subscription Rights to Shares

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

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

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

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

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

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

Issue number	Category	Number of subscription rights to shares	Class and number of shares to be issued upon exercise of subscription rights to shares	Number of holders
The first subscription rights to shares	Directors (excluding Outside Directors, and including Executive Officers)	123	Common stock 49,200 shares	6
The second subscription rights to shares	Directors (excluding Outside Directors, and including Executive Officers)	123	Common stock 49,200 shares	6
The third subscription rights to shares	Directors (excluding Outside Directors, and including Executive Officers)	127	Common stock 50,800 shares	6
The fourth subscription rights to shares	Directors (excluding Outside Directors, and including Executive Officers)	131	Common stock 52,400 shares	6

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

II. Framework to Ensure Fairness of Operations

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

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

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

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

(2) The Company shall establish the Compliance Committee chaired by an Outside Director as a body to supervise and improve the compliance system of the Olympus Group. It shall also establish a compliance promotion system by appointing an officer in charge of compliance (“Chief Compliance Officer”) and establishing a function in charge of group-wide compliance. The function in charge of group-wide compliance shall be responsible for activities toward the improvement of the group compliance system based on the Global Compliance Management System. Furthermore, it shall continuously conduct education of employees and measures relating to assessment. It shall establish a compliance helpline inside and outside the Company for consultation or provision of information on compliance related issues so that any employee, when suspecting there is or may be a violation of laws and regulations, etc., may make a report.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(2) In case any material compliance issue arises in the Olympus Group, the Chief Compliance Officer shall make reports on details and other matters to the Board of Directors in accordance with the Rules for Compliance Helpline Operation. Reports on details of issues reported and results of investigations shall also be made regularly to the Audit Committee.

(3) The internal audit function of the Company shall regularly report the status of internal audit in the Olympus Group to the Audit Committee of the Company. In addition, the Chief Compliance Officer shall report the status concerning compliance to the Audit Committee as necessary.

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

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

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

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

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

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

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

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

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

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

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

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

- In response to the transition to a company with Nominating Committee, etc. in June 2019, the Company has established the “Basic Management Policies,” basic policies under which the Board of Directors monitors the performance of duties of Directors and Executive Officers. Moreover, the Company has established the Olympus Global Code of Conduct and in addition established and revised internal corporate regulations.
- The Compliance Committee held five meetings to report the status of the compliance related activities. The Global Compliance Committee held four meetings. The Company also conducted compliance training for employees.
- The Company receives reports at any time through a whistleblowing system established in each region and reports on individual cases and results of investigations to the Audit Committee, while communicating the existence of the system and raising awareness. In addition, the Company has launched the Global Whistleblowing Desk, which receives reports 24 hours a day and in multiple languages, for all stakeholders.
- The Company conducted a review of its whole CSR activities to strengthen and promote ESG initiatives by integrating CSR into management under the business transformation plan “Transform Olympus.”
- The internal audit function of the Company made reports on the audit plan, audit implementation status and others based on the Internal Audit Regulations to President, the Board of Directors and the Audit Committee. In addition, the Company also reported on the status of preparation for internal control of financial report and its operation in accordance with the internal control implementation policy. Moreover, the result of the audit was reported to the President, the Board of Directors, and the Audit Committee.
- The Company dispatched Directors and Audit & Supervisory Board Members to major subsidiaries, and deliberated important matters of subsidiaries in accordance with internal control rules which are Olympus global rules, and internal control rules of respective locations.
- The Company performed investigation on transactions of the Company and its subsidiaries in accordance with the rules for eliminating of antisocial forces.

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

- The Company prepared and saved minutes of the Board of Directors’ meetings, Annual Securities Report and other regulations, etc. in accordance with internal rules on document management.

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

- The Company shall make a proposal to the Board of Directors for resolution of significant matters of the Olympus Group, such as corporate strategies and business plans, following sufficient deliberations at meetings of the Group Executive Committee. The Company regularly held the meetings of the Group

Executive Committee and the Board of Directors. The Company also performed business risk management of the Group by due operations of approval procedures using the electric approval system.

- The Company worked to manage risks for the entire Olympus Group by providing necessary educational training programs and holding meeting bodies. In addition, each Business unit and Functional division conducted risk assessments and provided drills to ensure quick response in case of a disaster.
- The Company held six Global Committee meetings a year to implement the governance of information security in the Olympus Group.

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

- The Company made reports on the status of execution of Executive Officers' duties to the Board of Directors. The Company also formulated business plans for the next fiscal year. During the fiscal year under review the Company held 18 meetings of the Board of Directors.

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

- The Company received reports on actual results from subsidiaries every month and conducted quarterly and annual reviews, and made reports to the Group Executive Committee and the Audit Committee. In addition, the Company has dispatched Directors and Audit & Supervisory Board Members to major subsidiaries.

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

- The Company has established the office of Audit Committee and has allocated two dedicated employees and one non-dedicated employee. In addition, the Company shall ensure independence from execution based on the regulations, and ensure effectiveness of directions from the Audit Committee to such employees.

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

- The Company made arrangements so that the Audit Committee can exchange opinions with Directors, Executive Officers, Corporate Officers, employees, and accounting auditors as necessary. In addition, the Company secures opportunities for Audit Committee Members to attend the Group Executive Committee and the Global Audit Committee. The Company further made reports on the status relating to compliance, internal reporting and results of investigation to the Audit Committee. The company held 17 meetings of the Audit Committee in the fiscal year.

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

- The Company has established rules concerning the framework supporting duties of Audit Committee Members and the Audit Committee. The Company has been strictly prohibited from unfairly treating anyone who made a report to the Audit Committee for the reason of making such report, and the rules have been complied with.

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

- The Company reimbursed required expenses as appropriate upon request from Audit Committee Members.

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

- The Company secured opportunities for the Audit Committee to exchange opinions with Directors, Executive Officers, Corporate Officers and employees as necessary upon request from the Audit Committee and improved effectiveness of audit performed by the Audit Committee. The Company also secures opportunities for the Audit Committee Members to attend the Group Executive Committee and the Global Audit Committee. In addition, the Company's Audit Committee held liaison meetings with Audit & Supervisory Board Members of subsidiaries and affiliates and also held face-to-face meetings with Audit & Supervisory Board Members of the subsidiaries.

IV. Basic Policy on Control of Company

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

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

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

V. Consolidated Statement of Changes in Equity (April 1, 2019 to March 31, 2020)

(Millions of yen)

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

VI. Notes to Consolidated Financial Statements

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

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

2. Scope of consolidation
   Status of consolidated subsidiaries
   Number of consolidated subsidiaries: 90
   Names of principal consolidated subsidiaries:
   Olympus Corporation of the Americas, Olympus Europa Holding SE, Olympus Corporation of Asia Pacific Limited, Olympus (China) Co., Ltd.
   Change in scope of consolidation
   Newly added consolidated subsidiaries: 2
   Olympus Global Insurance, Inc. and one other company have been included in consolidated subsidiaries in conjunction with the new establishment of these companies in the fiscal year under review.
   Excluded companies: 3
   Olympus Biotech International Ltd. and 2 other companies have been excluded from consolidated subsidiaries due to their liquidation during the fiscal year under review.

3. Application of the equity method
   Status of affiliated companies accounted for under the equity method
   Number of affiliated companies accounted for under the equity method: 2
   Names of principal affiliated companies:
   Sony Olympus Medical Solutions Inc.

4. Items concerning accounting policies
   (1) Financial assets
   (i) Initial recognition and measurement
   The Olympus Group initially recognizes trade and other receivables on the day when they are incurred, and other financial assets at the transaction date when the Olympus Group becomes a party to the contract for the financial assets. At the initial recognition, financial assets are measured at fair value plus transaction expenses, except for those measured at fair value through profit or loss.
   (ii) Classification and subsequent measurement
   The Olympus Group classifies the financial assets at initial recognition as financial assets measured at

amortized cost, financial assets measured at fair value through other comprehensive income or financial assets measured at fair value through profit or loss.

(Financial assets measured at amortized cost)

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

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

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

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

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

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

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

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

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

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

(iii) Impairment of financial assets

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

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

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

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

(iv) Derecognition

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

(2) Derivatives and hedge accounting

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

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

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

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

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

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

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

(3) Inventories

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

(4) Property, plant and equipment

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

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

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

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

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

(5) Goodwill

Goodwill is carried at cost less any accumulated impairment losses.

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

(6) Intangible assets

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

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

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

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

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

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

(7) Leases

(i) Leases as lessee

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

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

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

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

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

(ii) Leases as lessor

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

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

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

(8) Impairment of non-financial assets

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

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

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

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

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

(9) Provisions

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

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

(10) Employee benefits accruals

(i) Post-employment benefits

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

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

Discount rate used for discounting to the present value of defined benefit obligations is determined by reference to market yields on high quality corporate bonds of which currency and due date are consistent with those of the post-employment benefit obligations.

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

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

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

(ii) Short-term employee benefits

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

(iii) Other long-term employee benefits

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

(11) Revenue

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

Step 1: Identify the contract with the customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

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

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

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

Changes in accounting policies

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

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

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

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

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

(Millions of yen)

Operating lease agreements on March 31, 2019	44,262
Operating lease agreements on March 31, 2019 (after discounting with the incremental borrowing rate)	42,232
Finance lease obligations (March 31, 2019)	9,035
Short-term leases and low-value leases	(896)
Options to extend or terminate the lease that the lessee is reasonably certain to exercise	13,539
Lease agreements entered into before the lease commencement date (Executing date)	(19,896)
Others	3,520
Lease liabilities as of April 1, 2019	47,534

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

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

Notes to Consolidated Statement of Financial Position

1. Allowance for doubtful accounts directly deducted from assets
   (1) Current assets ¥6,506 million
   (2) Non-current assets ¥9,682 million

   The amount of ¥7,211 million of allowance for doubtful accounts is the amount expected to be unrecoverable with respect to ¥7,211 million of long-term accounts receivable-other that is commission fees related to Receiver Funds and is included as an excess amount in "trade and other receivables" of non-current assets. Although these fees were paid to the external partners of multiple Receiver Funds, the Company has requested payment from these external partners of Receiver Funds because the fees were not agreed.

2. Accumulated depreciation for property, plant and equipment and accumulated impairment losses
   ¥346,443 million

3. Contingent liabilities

   Liabilities for guarantees

Guaranteed party	Description of guarantee	Amount
Employees	Housing fund loans, etc.	¥5 million
Total		¥5 million

Notes to Consolidated Statement of Changes in Equity

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

   Common stock 1,370,914,963 shares

   Note: The Company conducted a four-for-one share split of common stock on April 1, 2019.

2. Items concerning dividends

   (1) Paid dividends

Resolution	Class of shares	Total dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
General Meeting of Shareholders held on June 25, 2019	Common stock	10,243	30	March 31, 2019	June 26, 2019

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

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

No items to report

It is noted that the record date of the year-end dividend for the current fiscal year has been changed from the conventional date of March 31, 2020 to May 31, 2020. Accordingly, the Company has made the following proposition for the dividends as one of the agendas for the General Meeting of Shareholders to be held on July 30, 2020.

Class of shares	Total dividends (Millions of yen)	Source of dividends	Dividend per share (Yen)	Record date	Effective date
Common stock	12,856	Retained earnings	10	May 31, 2020	July 31, 2020

3. Class and number of potential shares resulting from the exercise of subscription rights to shares (excluding shares for which the exercise period has not commenced) as of March 31, 2020

   Common stock 563,600 shares

   Note: The Company conducted a four-for-one share split of common stock on April 1, 2019.

Notes to Financial Instruments

1. Items concerning status of financial instruments

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

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

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

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

2. Items concerning fair value of financial instruments

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

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

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

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

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

   (1) Financial instruments measured at fair value

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

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

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

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

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

The breakdown of major financial instruments measured at fair value by fair value measurement level as of March 31, 2020 is as follows.

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets measured at fair value through profit or loss				
Derivative assets	–	1,455	–	1,455
Equity securities	–	–	845	845
Financial assets measured at fair value through other comprehensive income				
Equity securities	14,423	–	813	15,236
Financial liabilities				
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities	–	1,960	–	1,960
Consideration with conditions	–	–	163	163

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

(Millions of yen)

	Fiscal year ended March 31, 2020
Balance at the beginning of the year	1,774
Gains and losses (Note)	
Profit or loss	(129)
Other comprehensive income	(185)
Purchases	229
Sales	(6)
Other	(25)
Balance at the end of the year	1,658

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

Gains or losses recognized in profit or loss, which related to the financial instruments held at the end of the current fiscal year, are ¥(20) million for the current fiscal year.

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

(Millions of yen)

	Fiscal year ended March 31, 2020
Balance at the beginning of the year	584
Business combinations	163
Settlement	(571)
Change in fair value	–
Other	(13)
Balance at the end of the year	163

(2) Financial instruments measured at amortized cost

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

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

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

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

(Other financial assets and other financial liabilities)

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

(Bonds and borrowings)

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

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

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

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

(Millions of yen)

	Amount recorded in the consolidated statement of financial position	Fair value	Variance
Financial assets			
Lease receivables	36,891	36,819	(72)
Financial liabilities			
Bonds	69,737	69,513	(224)
Borrowings	116,036	118,053	2,017

Notes to Revenue Recognition

Endoscopic Solutions Business

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

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

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

Lease transactions for medical devices as the lessor are recorded in accordance with Notes to Consolidated Financial Statements "4. Items concerning accounting policies: (7) Leases." The Company receives lease fees concerning leasing contracts based on payment conditions specified in individual contracts.

Therapeutic Solutions Business

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

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

Scientific Solutions Business

The Scientific Solutions Business sells microscopes, industrial videoscopes, ultrasonic flaw detectors, etc. to customers who are mainly research institutions and medical institutions in Japan and overseas.

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

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

Imaging Business

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

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

Other Businesses

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

Notes to Per-Share Information

1.	Equity attributable to owners of parent per share	¥288.39
2.	Basic earnings per share	¥39.37

Note: The Company conducted a four-for-one share split of common stock on April 1, 2019. Equity attributable to owners of parent per share and basic earnings per share reflect the share split.

Notes to Significant Subsequent Events

(Corporate separation)

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

1. Overview of transactions

(i) Name and description of business involved in corporate separation

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

(ii) Effective date of corporate separation

April 1, 2020

(iii) Legal form of corporate separation

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

(iv) Name of company after corporate separation

Olympus Medical Systems Corp.

2. Description of transaction including purpose of the transaction

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

(Substantial borrowings)

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

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

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

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

Other Notes

1. Other income and other expenses
   (1) Other income
   No significant transactions

   (2) Other expenses
   Major items of other expenses are as follows.
   (Business structure improvement expenses)
   The Company recorded ¥3,954 million for the cost related to promote the business transformation plan "Transform Olympus" in "Other expenses."

   (Impairment losses)
   Regarding business assets related to a portion of products in the Endoscopic Solutions Business that are no longer expected to be used in the future and business assets in the Imaging Business, as the revenue projected at the time the assets were acquired is now not expected due to changes in the market environment, values have been written down to the collectable amount, and impairment losses of ¥1,522 million and ¥1,518 million have been recognized, respectively, as "Other expenses."

2. Provision pertaining to response to the duodenoscope market
   Against the backdrop of acquiring legal authorization for new products with detachable tip caps for duodenoscopes in America, 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.
   As expenses pertaining to this response to the market, the Company recorded ¥10,368 million in cost of sales in the Endoscopic Solutions Business as a provision in the fiscal year under review.

3. Impact of COVID-19
   With regard to the impact of the spread of COVID-19, although the situation varies across regions, the Company, at this time, assumes that the COVID-19 crisis will gradually be over in general from the third quarter of the fiscal year ending March 31, 2021 onwards and that operating activities of the Company will also be normalized thereafter. Based on such assumptions, the Company makes accounting estimates related to impairment test for fixed assets including goodwill, assessment of recoverability of deferred tax assets, etc.

VII. Non-Consolidated Statement of Changes in Net Assets (April 1, 2019 to March 31, 2020)

(Millions of yen)

Items	Shareholders' equity						
	Share capital	Capital surplus			Retained earnings		
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings: Reserve for advanced depreciation	Other retained earnings: Retained earnings carried forward	Total retained earnings
Balance at April 1, 2019	124,606	91,026	4	91,030	1,161	252,223	253,384
Changes during the year							
Issuance of new shares	37	37		37			
Dividends from surplus						(10,243)	(10,243)
Profit						9,861	9,861
Acquisition of treasury shares							
Disposal of treasury shares			(3)	(3)			
Reversal of reserve for advanced depreciation					(39)	39	–
Net changes in items other than shareholders' equity							
Net changes during the year	37	37	(3)	34	(39)	(343)	(382)
Balance at March 31, 2020	124,643	91,063	1	91,064	1,122	251,880	253,002

Items	Shareholders' equity		Valuation and translation adjustments		Subscription rights to shares	Total net assets
	Treasury shares	Total shareholders' equity	Net unrealized holding gains (losses) on available-for-sale securities, net of taxes	Total valuation and translation adjustments		
Balance at April 1, 2019	(4,764)	464,256	6,631	6,631	524	471,411
Changes during the year						
Issuance of new shares		74				74
Dividends from surplus		(10,243)				(10,243)
Profit		9,861				9,861
Acquisition of treasury shares	(93,381)	(93,381)				(93,381)
Disposal of treasury shares	10	7			(7)	0
Reversal of reserve for advanced depreciation		–				–
Net changes in items other than shareholders' equity			(1,503)	(1,503)		(1,503)
Net changes during the year	(93,371)	(93,682)	(1,503)	(1,503)	(7)	(95,192)
Balance at March 31, 2020	(98,135)	370,574	5,128	5,128	517	376,219

VIII. Notes to Non-Consolidated Financial Statements

Notes to Items Related to Important Accounting Policies

1. Asset valuation principles and methods

(1) Securities

(i) Held-to-maturity securities	Amortized cost method
(ii) Investment securities in subsidiaries and affiliates	Cost method based on the moving-average method
(iii) Available-for-sale securities	
Items with market value	Market value method by fair market value on the account settlement date (the net unrealized gains and losses on these securities are reported as a separate component of net assets, and the cost of sales is calculated by the moving-average method)
Items without market value	Cost method based on the moving-average method Contributions to limited liability partnerships engaged in investment business and similar partnerships (contributions deemed as securities as per Article 2, Paragraph 2 of the Financial Instruments and Exchange Act) are reported using a method that treats the amount (net) equivalent to the equity ownership portion based on the latest available financial statements depending on the reporting date stipulated in the partnership agreement.

(2) Claims and liabilities from derivatives transactions	Market value method
(3) Inventories	Reported using the moving-average method (for the value stated in the balance sheet, the book value is written down based on the decreased profitability)

2. Depreciation and amortization method for fixed assets

(1) Property, plant and equipment (excluding lease assets)

Straight-line method

(a) Vehicles, tools and fixtures	Based on useful lives as per the Corporation Tax Act
(b) Other property, plant and equipment	Based on useful lives prescribed by the Company determined in accordance with estimated functional useful years

(2) Intangible assets (excluding lease assets)

Straight-line method

Based on useful lives as per the Corporation Tax Act

Software for internal use is reported using the usable period within the Company (3 to 5 years).

(3) Lease assets

Finance lease assets not involving the transfer of ownership

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

3. Accounting principles for allowances and provisions

(1) Allowance for doubtful accounts

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

(2) Provision for product warranties

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

(3) Provision for retirement benefits

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

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

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

(4) Provision for loss on business liquidation

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

(5) Provision for points

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

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

(1) Treatment method for important deferred assets

Stock issuance expense and bond issuance expense

Total expense recorded at the time of occurrence

(2) Hedge accounting methods

(a) Hedge accounting methods

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

(b) Hedging instruments and hedged items

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

(c) Hedging policy

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

(d) Method of assessing hedge effectiveness

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

(3) Treatment of consumption taxes

Treated using the tax exclusive method.

(4) Application of the consolidated tax payment system

The consolidated tax payment system is adopted.

Notes to Non-Consolidated Balance Sheet

1. Accumulated depreciation for property, plant and equipment ¥146,553 million

2. Contingent liabilities
   Liabilities for guarantees ¥2,420 million
   The above amount includes ¥2,415 million in contracted guarantees to subsidiaries and affiliates.

3. Short-term monetary claims to subsidiaries and affiliates ¥83,518 million

4. Long-term monetary claims to subsidiaries and affiliates ¥338 million

5. Short-term monetary liabilities to subsidiaries and affiliates ¥91,950 million

6. Discounted bills of exchange for export ¥73 million

7. Allowance for doubtful accounts
   ¥7,211 million of allowance for doubtful accounts is the amount expected to be unrecoverable with respect to ¥7,211 million that is commission fees related to Receiver Funds, and included as an excess amount in Long-term accounts receivable-other under Investments and other assets. Although these fees were paid to the external partners of multiple Receiver Funds, the Company has requested payment from these external partners of Receiver Funds because the fees were not agreed.

Notes to Non-Consolidated Statement of Income

Total transactions with subsidiaries and affiliates	
Amounts resulting from business transactions	
Revenue	¥299,983 million
Net purchases	¥206,024 million
Other business transactions	¥48,071 million
Amount resulting from non-business transactions	¥27,667 million

Notes to Non-Consolidated Statement of Changes in Net Assets

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

   Common stock 1,370,914,963 shares

   The number of common stock outstanding at the end of the current fiscal year increased by 61,567 shares as a result of the issuance of new shares for restricted share remuneration.

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

   Common stock 85,329,780 shares

   The number of treasury shares of common stock at the end of the current fiscal year increased by 1,652 shares as a result of the purchase of shares constituting less than one unit, increased by 80,153,100 shares as a result of acquisition of treasury shares, decreased by 8,800 shares as a result of the exercise of stock options and increased by 13,748 shares as a result of acquisition without charge from retired Directors and Corporate Officers who were under the performance-linked share-based remuneration plan.

Notes to Tax Effect Accounting

Breakdown of deferred tax assets and liabilities by main cause

Deferred tax assets	
Inventories	¥6,805 million
Prepaid expenses	¥10,993 million
Accrued bonuses	¥3,232 million
Property, plant and equipment	¥4,753 million
Intangible assets	¥4,543 million
Denial of loss on valuation of investment securities	¥2,675 million
Denial of loss on valuation of investment securities in subsidiaries and affiliates	¥8,300 million
Denial of provision of allowance for doubtful accounts	¥4,347 million
Loss carry forward	¥15,215 million
Other	¥2,954 million
Subtotal of deferred tax assets	¥63,817 million
Valuation allowance related to loss carry forward	¥(14,473) million
Valuation allowance related to deductible temporary differences	¥(15,949) million
Total deferred tax assets	¥33,395 million
Deferred tax liabilities	
Net unrealized holding gains (losses) on available-for-sale securities, net of taxes	¥(1,556) million
Reserve for advanced depreciation	¥(495) million
Prepaid pension expenses	¥(5,646) million
Other	¥(145) million
Total deferred tax liabilities	¥(7,842) million
Net deferred tax assets	¥25,553 million

Notes to Transactions with Related Party

No items to report

Notes to Per-Share Information

1. Net assets per share	¥292.24
2. Earnings per share	¥7.51

Notes to Significant Subsequent Events

(Transactions under common control)

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

1. Overview of transactions

(i) Name and description of business involved in combination

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

(ii) Date of business combination

April 1, 2020

(iii) Legal form of business combination

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

(iv) Name of company after combination

Olympus Medical Systems Corp.

2. Description of transaction including purpose of the transaction

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

3. Outline of accounting treatment applied

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

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

(Substantial borrowings)

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

1.	(i)	Source of borrowings	Syndicated loan facility arranged by Sumitomo Mitsui Banking Corporation
	(ii)	Amount of borrowings	¥50.0 billion
	(iii)	Interest rate	0.32% (fixed)
	(iv)	Drawdown date	May 22, 2020
	(v)	Repayment date	April 30, 2025
	(vi)	Repayment method	Lump-sum repayment upon maturity
	(vii)	Collateral / guarantee	None
2.	(i)	Source of borrowings	Syndicated loan facility arranged by MUFG Bank, Ltd.
	(ii)	Amount of borrowings	¥40.0 billion
	(iii)	Interest rate	Variable rate (TIBOR base rate plus spread)
	(iv)	Drawdown date	May 29, 2020
	(v)	Repayment date	May 31, 2024
	(vi)	Repayment method	Lump-sum repayment upon maturity
	(vii)	Collateral / guarantee	None
3.	(i)	Source of borrowings	Mizuho Bank, Ltd.
	(ii)	Amount of borrowings	¥10.0 billion
	(iii)	Interest rate	Variable rate (TIBOR base rate plus spread)
	(iv)	Drawdown date	May 15, 2020
	(v)	Repayment date	May 15, 2024
	(vi)	Repayment method	Lump-sum repayment upon maturity
	(vii)	Collateral / guarantee	None

Notes to Company Subject to Consolidated Dividend Regulations

The Company is subject to consolidated dividend regulations.

Other Notes

(Impairment loss)

Mainly regarding business assets in the Imaging Business, as the revenue projected at the time the assets were acquired is now not expected due to changes in the market environment, book values have been written down to the collectable amount, and the losses of ¥1,555 million have been recorded as “Impairment loss.”

(Impact of COVID-19)

With regard to the impact of the spread of COVID-19, although the situation varies across regions, the Company, at this time, assumes that the COVID-19 crisis will gradually be over in general from the third quarter of the fiscal year ending March 31, 2021 onwards and that operating activities of the Company will also be normalized thereafter. Based on such assumptions, the Company makes accounting estimates related to impairment test for fixed assets, assessment of recoverability of deferred tax assets, etc.