# Consolidated Financial Results for the Nine Months of the Fiscal Year Ending March 31, 2021 <under IFRS>

February 12, 2021

Company Name: Olympus Corporation
Code Number: 7733
(URL: https://www.olympus.co.jp/)
Stock Exchange Listing: First Section of Tokyo Stock Exchange
Representative: Yasuo Takeuchi, Director, Representative Executive Officer, President and CEO
Contact: Takayuki Aoyagi, Vice President, Accounting Department
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| | |
|---|---|
| Scheduled date to submit the Quarterly Securities Report: | February 12, 2021 |
| Scheduled date to commence dividend payments: | – |
| Presentation of supplementary material on quarterly financial results: | Yes |
| Holding of quarterly financial results presentation meeting: | Yes (for analysts and institutional investors) |

(Figures are rounded off to the nearest million yen)

## 1. Consolidated Financial Results for the Nine Months of the Fiscal Year Ending March 31, 2021 (From April 1, 2020 to December 31, 2020)

(1) Consolidated Results of Operations (cumulative) (% indicate changes from the same period of the previous fiscal year)

| | Revenue | | Operating profit | | Profit before tax | | Profit | |
|---|---|---|---|---|---|---|---|---|
| Nine months ended | (¥ million) | % | (¥ million) | % | (¥ million) | % | (¥ million) | % |
| December 31, 2020 | 513,584 | (8.5) | 64,734 | (23.6) | 61,918 | (23.1) | 1,645 | (97.2) |
| December 31, 2019 | 561,335 | – | 84,680 | – | 80,520 | – | 59,141 | 814.5 |

| | Profit attributable to owners of parent | | Total comprehensive income | | Basic earnings per share | Diluted earnings per share |
|---|---|---|---|---|---|---|
| Nine months ended | (¥ million) | % | (¥ million) | % | (¥) | (¥) |
| December 31, 2020 | 1,624 | (97.3) | (3,247) | – | 1.26 | 1.26 |
| December 31, 2019 | 59,138 | 806.1 | 58,617 | – | 44.76 | 44.74 |

Note: The Imaging Business has been classified as a discontinued operation from the second quarter of the fiscal year ending March 31, 2021. Due to this, the amounts presented for revenue, operating profit and profit before tax are the amounts from continuing operations from which the discontinued operation has been excluded. The amounts presented for profit and profit attributable to owners of parent are aggregates of continuing operations and discontinued operation. As the businesses have been similarly reclassified in the nine months ended December 31, 2019, changes from the same period of the previous fiscal year are not presented.

(2) Consolidated Financial Position

| | Total assets | Total equity | Equity attributable to owners of parent | Ratio of equity attributable to owners of parent to total assets |
|---|---|---|---|---|
| As of | (¥ million) | (¥ million) | (¥ million) | % |
| December 31, 2020 | 1,105,221 | 355,837 | 354,775 | 32.1 |
| March 31, 2020 | 1,015,663 | 371,958 | 370,747 | 36.5 |

## 2. Dividends

| | Annual dividends | | | | |
|---|---|---|---|---|---|
| | First quarter | Second quarter | Third quarter | Year-end | Total |
| | (¥) | (¥) | (¥) | (¥) | (¥) |
| Fiscal year ended March 31, 2020 | – | – | – | 10.00 | 10.00 |
| Fiscal year ending March 31, 2021 | – | – | – | | |
| Fiscal year ending March 31, 2021 (Forecast) | | | | 10.00 | 10.00 |

Note: Revisions of the forecast most recently announced: No

## 3. Forecast of Consolidated Financial Results for the Fiscal Year Ending March 31, 2021 (From April 1, 2020 to March 31, 2021)

(% indicate changes from the same period of the previous fiscal year)

| | Revenue | | Operating profit | | Profit before tax | | Profit attributable to owners of parent | | Basic earnings per share |
|---|---|---|---|---|---|---|---|---|---|
| | (¥ million) | % | (¥ million) | % | (¥ million) | % | (¥ million) | % | (¥) |
| Full year | 720,000 | – | 79,500 | – | 75,500 | – | 8,500 | – | 6.61 |

Note: Revisions of the forecast most recently announced: Yes

The Imaging Business has been classified as a discontinued operation from the second quarter of the fiscal year ending March 31, 2021. Due to this, the amounts presented for revenue, operating profit and profit before tax in the forecast of financial results for the fiscal year ending March 31, 2021 are the amounts from continuing operations. The amounts presented for profit attributable to owners of parent are aggregates of continuing operations and discontinued operation. Changes from the same period of the previous fiscal year are not presented.

## * Notes

(1) Changes in significant subsidiaries during the nine months under review (changes in specified subsidiaries resulting in the changes in scope of consolidation): No

(2) Changes in accounting policies and changes in accounting estimates

1) Changes in accounting policies required by IFRS: No
2) Changes in accounting policies due to other reasons: No
3) Changes in accounting estimates: No

(3) Total number of issued shares (common stock)

1) Total number of issued shares at the end of the period (including treasury shares)

| | |
|---|---|
| As of December 31, 2020 | 1,370,914,963 shares |
| As of March 31, 2020 | 1,370,914,963 shares |

2) Total number of treasury shares at the end of the period

| | |
|---|---|
| As of December 31, 2020 | 85,301,031 shares |
| As of March 31, 2020 | 85,329,780 shares |

3) Average number of shares during the period (cumulative from the beginning of the fiscal year)

| | |
|---|---|
| Nine months ended December 31, 2020 | 1,285,599,237 shares |
| Nine months ended December 31, 2019 | 1,321,186,502 shares |

* Quarterly financial results reports are exempt from quarterly reviews conducted by certified public accountants or an audit corporation.

* Proper use of the forecast of financial results, and other special matters

(Caution concerning forward-looking statements)

The forward-looking statements, including forecast of financial results, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable. Accordingly, the Company cannot make promises to achieve such forecasts. Actual business and other results may differ substantially due to various factors. Please refer to the section of “Explanation of Forecast of Consolidated Financial Results and Other Forward-looking Statements” on page 6 of the attached material for the conditions that form the assumptions for the forecast and cautions concerning the use thereof.

# Attached Material
# Contents

# 1. Qualitative Information Regarding Settlement of Accounts for the Nine Months

## (1) Explanation of Results of Operations

Overall

(Millions of yen)

| | Nine months ended December 31, 2019 | Nine months ended December 31, 2020 | Increase (Decrease) | Increase (Decrease) Ratio (%) |
|---|---|---|---|---|
| Revenue | 561,335 | 513,584 | (47,751) | (8.5) |
| Operating profit (loss) | 84,680 | 64,734 | (19,946) | (23.6) |
| Profit (loss) from continuing operations | 65,545 | 53,932 | (11,613) | (17.7) |
| Profit (loss) from discontinued operations | (6,404) | (52,287) | (45,883) | – |
| Profit (loss) | 59,141 | 1,645 | (57,496 | (97.2) |
| Profit (loss) attributable to owners of parent | 59,138 | 1,624 | (57,514) | (97.3) |
| Exchange rate (Yen/U.S. dollar) | 108.67 | 106.11 | (2.56) | – |
| Exchange rate (Yen/Euro) | 121.05 | 122.38 | 1.33 | – |
| Exchange rate (Yen/Renminbi) | 15.60 | 15.44 | (0.16) | – |

While economic activities are gradually reopening after shutdowns due to the global spread of the novel coronavirus disease (COVID-19), the global economy continued to face extremely challenging conditions including a second wave of infection in the nine months ended December 31, 2020. The Japanese economy also faced challenging conditions, as was the case for the global economy, due to the impact of COVID-19, despite showing signs of recovery in exports and a diminished effect of COVID-19 on corporate earnings.

Under such circumstances, the Olympus Group announced its business transformation plan "Transform Olympus" in 2019, aiming to develop itself as a truly global medtech company, and a medium- and long-term management strategy based on "Transform Olympus," and based on the management strategy, the Group has been carrying out activities toward sustainable growth.

The Company has set "selection of and concentration on the corporate portfolio" as one of the core components for business growth and enhanced profitability in this management strategy. As a policy to implement this strategy, on September 30, 2020, the Company divested its Imaging Business to a newly established wholly owned subsidiary of the Company (the "New Imaging Company") through an absorption-type split. In addition, the Company concluded a final agreement with Japan Industrial Partners, Inc. ("JIP") concerning the transferal of 95% of the shares of the New Imaging Company to OJ Holdings, Ltd., a special purpose company established by JIP. Based on this agreement, on January 1, 2021, the Company completed the transferal of the shares in question. Due to this, the Imaging Business has been classified as a discontinued operation from the second quarter of the fiscal year ending March 31, 2021. As a result, a portion of the Condensed Consolidated Statements of Profit or Loss, Condensed Consolidated Statements of Cash Flows and Significant Notes Thereto for the nine months ended December 31, 2019 have been reclassified in line with the presentation style for the nine months ended December 31, 2020. Furthermore, on December 18, 2020, to realize the management strategy amid a challenging external environment, the Company announced the implementation of a career support for external opportunity to (i) promote an external career opportunity for employees wishing to leverage their skills to use outside Olympus group, (ii) recruit and promote people who can be active moving forward to the right positions, and (iii) achieve the profitability befitting a global medtech company.

Revenue of the Olympus Group's continuing operations for the nine months ended December 31, 2020 decreased to ¥513,584 million (down 8.5% year on year) due to the decline in revenue in all our businesses due to factors such as limits on sales promotion activities because of COVID-19. Regarding operating profit (loss) of continuing operations, we recorded ¥64,734 million (down 23.6% year on year), due to decreased revenue in all our businesses, despite a reduction in selling, general and administrative expenses. Profit attributable to owners of parent, the aggregate of continuing operations and discontinued operation, totaled ¥1,624 million (down 97.3% year on year) due to the recording of approximately ¥50,000 million in loss associated with the concluding of the transfer agreement concerning the Imaging Business and related business restructuring expenses in addition to a decrease in operating profit.

Furthermore, we have recognized an impact on the Company's consolidated results in the nine months ended December 31, 2020 due to COVID-19 of approximately ¥39,000 million in revenue of continuing operations and approximately ¥3,000 million in operating profit of continuing operations.

Regarding foreign exchange, the yen depreciated against the euro, on the other hand, it appreciated against the U.S. dollar and the renminbi compared to the same period of the previous fiscal year. The average exchange rate during the period was ¥106.11 against the U.S. dollar (¥108.67 in the same period of the previous fiscal year), ¥122.38 against the euro (¥121.05 in the same period of the previous fiscal year) and ¥15.44 against the renminbi (¥15.60 in the same period of the previous fiscal year) which caused revenue and operating profit to down by ¥8,425 million and ¥5,639 million, respectively, year on year.

Endoscopic Solutions Business

(Millions of yen)

| | Nine months ended December 31, 2019 | Nine months ended December 31, 2020 | Increase (Decrease) | Increase (Decrease) Ratio (%) |
|---|---|---|---|---|
| Revenue | 315,123 | 294,489 | (20,634) | (6.5) |
| Operating profit (loss) | 91,580 | 76,753 | (14,827) | (16.2) |

Consolidated revenue in the Endoscopic Solutions Business amounted to ¥294,489 million (down 6.5% year on year), while operating profit amounted to ¥76,753 million (down 16.2% year on year).

In April 2020 in Europe and Asia, and in July in Japan, we introduced the new flagship endoscopic system “EVIS X1,” but due to the impact of COVID-19, postponement or discontinuation of gastrointestinal endoscopy was recommended by each academic society, the number of procedures decreased, and there were restrictions on sales promotion activities such as restriction of visits to medical institutions or postponement/cancellation of business negotiations. As a result, revenue in the Endoscopic Solutions Business declined.

Operating profit in the Endoscopic Solutions Business decreased mainly due to decreased revenue and the recording of expenses related to the voluntary recall of endoscopic products in the second quarter of the fiscal year ending March 31, 2021 in cost of sales despite the progress in cost efficiency.

Therapeutic Solutions Business

(Millions of yen)

| | Nine months ended December 31, 2019 | Nine months ended December 31, 2020 | Increase (Decrease) | Increase (Decrease) Ratio (%) |
|---|---|---|---|---|
| Revenue | 163,589 | 146,142 | (17,447) | (10.7) |
| Operating profit (loss) | 22,537 | 20,332 | (2,205) | (9.8) |

Consolidated revenue in the Therapeutic Solutions Business amounted to ¥146,142 million (down 10.7% year on year), while operating profit amounted to ¥20,332 million (down 9.8% year on year).

Due to the impact of COVID-19, postponement of surgery was recommended by each academic society, the number of procedures decreased, and there were restrictions on sales promotion activities such as restriction of visits to medical institutions or postponement/cancellation of business negotiations. As a result, revenue in the Therapeutic Solutions Business declined.

Operating profit in the Therapeutic Solutions Business decreased mainly due to the recording of expenses related to the voluntary recall of devices in the nine months ended December 31, 2020 in cost of sales in addition to decreased revenue and a decline in operating levels at manufacturing bases due to the impact of COVID-19 despite the progress in cost efficiency.

Scientific Solutions Business

(Millions of yen)

| | Nine months ended December 31, 2019 | Nine months ended December 31, 2020 | Increase (Decrease) | Increase (Decrease) Ratio (%) |
|---|---|---|---|---|
| Revenue | 76,636 | 66,941 | (9,695) | (12.7) |
| Operating profit (loss) | 8,009 | 2,956 | (5,053) | (63.1) |

Consolidated revenue in the Scientific Solutions Business amounted to ¥66,941 million (down 12.7% year on year), while operating profit amounted to ¥2,956 million (down 63.1% year on year).

The electrical component and semiconductor markets in China have been on a recovery trend. However, overall, in addition to a reduced desire for capital investment in the aviation industry, restrictions on sales promotion activities including restrictions on visits to clients and delays and cancellations of business negotiations due to COVID-19 led to decreased revenue in the Scientific Solutions Business.

Operating profit in the Scientific Solutions Business decreased mainly due to decreased revenue and a decline in operating levels at manufacturing bases due to the impact of COVID-19 despite the progress in cost efficiency.

Others

(Millions of yen)

| | Nine months ended December 31, 2019 | Nine months ended December 31, 2020 | Increase (Decrease) | Increase (Decrease) Ratio (%) |
|---|---|---|---|---|
| Revenue | 5,987 | 6,012 | 25 | 0.4 |
| Operating profit (loss) | (1,924) | (1,531) | 393 | – |

Consolidated revenue in other businesses amounted to ¥6,012 million (up 0.4% year on year), while operating loss amounted to ¥1,531 million (compared with an operating loss of ¥1,924 million in the same period of the previous fiscal year).

Due to the impact of COVID-19, revenue decreased in the animal-related business and the imaging component business following restrictions on sales promotions activities, but with the addition of sales of ¥656 million from FH ORTHO SAS, which became a subsidiary in November 2020, revenue increased.

Operating profit (loss) in other businesses improved due to cost reductions following the completion of some development themes.

(2) Financial Position

As of the end of the third quarter under review, total assets increased by ¥89,558 million compared to the end of the previous fiscal year to ¥1,105,221 million. This was mainly due to an increase of ¥44,194 million in other current financial assets due to factors such as payments into time deposits with maturities over three months and an increase of ¥34,610 million in goodwill from the acquisition of subsidiaries and other factors. On the other hand, trade and other receivables in current assets decreased ¥13,085 million due to a decrease in trade receivables, and retirement benefit asset decreased ¥10,923 million as a result of the impact of implementing a pension buy-in for the primary pension plan for the Olympus Group’s subsidiaries located in the U.K. in the first quarter of the fiscal year ending March 31, 2021. Due to the pension buy-in, a portion of plan assets held have been contributed to the insurance company, and the Olympus Group concluded an insurance agreement with the insurance company that ensures the receipt of an amount of money equivalent to pension benefits for pensioners in the future.

Total liabilities increased in comparison to the end of the previous fiscal year by ¥105,679 million to ¥749,384 million. This is primarily because of a ¥133,275 million increase in bonds and borrowings in non-current liabilities due to the impact of financing through long-term borrowings and bond issuances in order to secure on-hand liquidity in light of the impact of COVID-19 on business results. On the other hand, trade and other payables decreased by ¥12,085 million due to the impact of the decrease of notes and accounts payable - trade, bonds and borrowings in current liabilities decreased by ¥54,699 million due to the impact of the redemption of commercial papers.

Total equity decreased in comparison to the end of the previous fiscal year by ¥16,121 million to ¥355,837 million. This is primarily because of a ¥17,097 million decrease in retained earnings due to dividends from surplus and the impact of implementing a pension buy-in for the primary pension plan for the Olympus Group’s subsidiaries located in the U.K. in the first quarter of the fiscal year ending March 31, 2021, despite the recording of profit attributable to owners of parent.

As a result of the foregoing, equity attributable to owners of parent to total assets decreased from 36.5% as of the end of the previous fiscal year to 32.1%.

In the second quarter of the fiscal year ending March 31, 2021, the Company concluded a share transfer agreement related to the divestiture of the Imaging Business with OJ Holdings, Ltd., a special purpose company established by Japan Industrial Partners, Inc. Due to this, assets and liabilities related to the Company’s Imaging Business have been classified into a disposal group classified as held for sale from the second quarter of the fiscal year ending March 31, 2021. Due to this impact, assets held for sale increased by ¥18,753 million, and liabilities directly related to assets held for sales increased by ¥20,806 million.

## (3) Cash Flows

Cash and cash equivalents at the end of the third quarter under review reached ¥187,686 million, an increase of ¥24,969 million compared to the end of the previous fiscal year. The following are the cash flows for the nine months ended December 31, 2020.

Cash flows from operating activities

Net cash provided by operating activities for the nine months ended December 31, 2020 was ¥89,022 million (compared with ¥105,739 million provided for the nine months ended December 31, 2019). Cash flows from operating activities increased due to the recording of ¥61,918 million in profit before tax, and an adjustment for non-expense items such as ¥44,491 million in depreciation and amortization and ¥44,656 million in loss on sale of Imaging Business, despite negative factors stemming from ¥52,083 million in loss from discontinued operations and ¥20,645 million in income taxes paid.

Cash flows from investing activities

Net cash used in investing activities for the nine months ended December 31, 2020 was ¥115,010 million (compared with ¥45,037 million used for the nine months ended December 31, 2019). The main uses of cash included ¥26,976 million in purchase of property, plant and equipment, ¥14,261 million in purchase of intangible assets, ¥40,004 million in payments into time deposits and ¥40,075 million in payments for acquisition of subsidiaries.

Cash flows from financing activities

Net cash provided by financing activities for the nine months ended December 31, 2020 was ¥51,971 million (compared with ¥28,960 million used for the nine months ended December 31, 2019). Factors mainly included ¥99,180 million in proceeds from long-term borrowings and ¥49,757 million in proceeds from issuance of bonds. On the other hand, decreasing factors mainly included ¥71,968 million in decrease in short-term borrowings and commercial papers due to the impact of the redemption of commercial papers, and ¥12,856 million in dividends paid. Regarding proceeds from long-term borrowings and proceeds from issuance of bonds, this was because financing was carried out in order to secure on-hand liquidity in light of the impact of COVID-19 on business results.

## (4) Explanation of Forecast of Consolidated Financial Results and Other Forward-looking Statements

The forecast of consolidated financial results for the fiscal year ending March 31, 2021 has been revised from the forecast announced in the "Consolidated Financial Results for the Six Months of the Fiscal Year Ending March 31, 2021," which was released on November 13, 2020.

In the second half, the consolidated financial results of the third quarter under review, have been progressed to exceed the assumptions of previously announced forecast figures as a result of recovery of the sales of the Endoscopic Solutions Business and achievements in cost-cutting measures. We are expecting the business environment to continue to gradually recover for the remaining period until the end of the fiscal year and plan to continue to implement measures for cost reductions, etc. Accordingly, we have revised the forecast of consolidated financial results as follows. In our revised forecast, we have factored in costing estimates of approximately ¥12,000 million mainly for special additional payment, which has arisen from the implementation of a career support for external opportunity announced last December.

The Imaging Business has been classified as a discontinued operation from the second quarter of the fiscal year ending March 31, 2021. Due to this, the amounts presented for revenue, operating profit and profit before tax in the forecast of financial results for the fiscal year ending March 31, 2021 are only the amounts of continuing operations, excluding the Imaging Business. On the other hand, the amounts presented for profit attributable to owners of parent and basic earnings per share include profit (loss) of discontinued operations. Foreign exchange rates for the fiscal year ending March 31, 2021, which are a precondition for the forecast, are expected to be ¥105 per U.S. dollar, ¥123 per euro and ¥16 per renminbi.

(Millions of yen)

| | Revenue | Operating profit | Profit before tax | Profit attributable to owners of parent | Basic earnings per share |
|---|---|---|---|---|---|
| Previous Forecast (A) | 697,000 | 60,500 | 58,500 | (5,500) | ¥(4.28) |
| Revised Forecast (B) | 720,000 | 79,500 | 75,500 | 8,500 | ¥6.61 |
| Increase (Decrease) (B-A) | 23,000 | 19,000 | 17,000 | 14,000 | – |
| Increase (Decrease) ratio (%) | 3.3 | 31.4 | 29.1 | – | – |

## 2. Condensed Consolidated Financial Statements and Significant Notes Thereto

### (1) Condensed Consolidated Statements of Financial Position

(Millions of yen)

| | As of March 31, 2020 | As of December 31, 2020 |
|---|---|---|
| **ASSETS** | | |
| Current assets | | |
| Cash and cash equivalents | 162,494 | 163,420 |
| Trade and other receivables | 143,062 | 129,977 |
| Other financial assets | 3,424 | 47,618 |
| Inventories | 167,596 | 159,457 |
| Income taxes receivable | 3,521 | 9,426 |
| Other current assets | 20,336 | 19,010 |
| Subtotal | 500,433 | 528,908 |
| Assets held for sale | 6,274 | 25,027 |
| Total current assets | 506,707 | 553,935 |
| Non-current assets | | |
| Property, plant and equipment | 202,134 | 207,641 |
| Goodwill | 98,328 | 132,938 |
| Intangible assets | 74,792 | 78,860 |
| Retirement benefit asset | 31,111 | 20,188 |
| Investments accounted for using equity method | 2,267 | 3,208 |
| Trade and other receivables | 19,685 | 20,747 |
| Other financial assets | 27,266 | 30,431 |
| Deferred tax assets | 51,156 | 55,725 |
| Other non-current assets | 2,217 | 1,548 |
| Total non-current assets | 508,956 | 551,286 |
| Total assets | 1,015,663 | 1,105,221 |

(Millions of yen)

| | As of March 31, 2020 | As of December 31, 2020 |
|---|---|---|
| **LIABILITIES AND EQUITY** | | |
| Liabilities | | |
| Current liabilities | | |
| Trade and other payables | 59,557 | 47,472 |
| Bonds and borrowings | 81,018 | 26,319 |
| Other financial liabilities | 20,188 | 21,842 |
| Income taxes payable | 11,276 | 7,834 |
| Provisions | 20,598 | 34,305 |
| Other current liabilities | 136,912 | 132,819 |
| Subtotal | 329,549 | 270,591 |
| Liabilities directly associated with assets held for sale | 4,221 | 25,027 |
| Total current liabilities | 333,770 | 295,618 |
| Non-current liabilities | | |
| Bonds and borrowings | 199,897 | 333,172 |
| Other financial liabilities | 30,733 | 41,973 |
| Retirement benefit liability | 49,607 | 50,357 |
| Provisions | 7,281 | 5,332 |
| Deferred tax liabilities | 13,147 | 9,395 |
| Other non-current liabilities | 9,270 | 13,537 |
| Total non-current liabilities | 309,935 | 453,766 |
| Total liabilities | 643,705 | 749,384 |
| Equity | | |
| Share capital | 124,643 | 124,643 |
| Capital surplus | 91,157 | 91,250 |
| Treasury shares | (98,135) | (98,076) |
| Other components of equity | (22,751) | (21,853) |
| Other components of equity related to disposal group held for sale | – | 75 |
| Retained earnings | 275,833 | 258,736 |
| Total equity attributable to owners of parent | 370,747 | 354,775 |
| Non-controlling interests | 1,211 | 1,062 |
| Total equity | 371,958 | 355,837 |
| Total liabilities and equity | 1,015,663 | 1,105,221 |

## (2) Condensed Consolidated Statements of Profit or Loss

(Millions of yen)

| | Nine months ended December 31, 2019 | Nine months ended December 31, 2020 |
|---|---|---|
| Continuing operations | | |
| Revenue | 561,335 | 513,584 |
| Cost of sales | 193,740 | 190,090 |
| Gross profit | 367,595 | 323,494 |
| Selling, general and administrative expenses | 278,188 | 250,177 |
| Share of profit (loss) of investments accounted for using equity method | 316 | 207 |
| Other income | 1,524 | 4,251 |
| Other expenses | 6,567 | 13,041 |
| Operating profit | 84,680 | 64,734 |
| Finance income | 1,476 | 836 |
| Finance costs | 5,636 | 3,652 |
| Profit before tax | 80,520 | 61,918 |
| Income taxes | 14,975 | 7,986 |
| Profit from continuing operations | 65,545 | 53,932 |
| Discontinued operations | | |
| Loss from discontinued operations | (6,404) | (52,287) |
| Profit | 59,141 | 1,645 |
| | | |
| Profit attributable to: | | |
| Owners of parent | 59,138 | 1,624 |
| Non-controlling interests | 3 | 21 |
| Profit | 59,141 | 1,645 |
| | | |
| Earnings per share | | |
| Basic earnings (loss) per share | | |
| Continuing operations | ¥49.61 | ¥41.93 |
| Discontinued operations | ¥(4.85) | ¥(40.67) |
| Basic earnings per share | ¥44.76 | ¥1.26 |
| Diluted earnings (loss) per share | | |
| Continuing operations | ¥49.59 | ¥41.91 |
| Discontinued operations | ¥(4.85) | ¥(40.65) |
| Diluted earnings per share | ¥44.74 | ¥1.26 |

## (3) Condensed Consolidated Statements of Comprehensive Income

(Millions of yen)

| | Nine months ended December 31, 2019 | Nine months ended December 31, 2020 |
|---|---|---|
| Profit | 59,141 | 1,645 |
| Other comprehensive income | | |
| Items that will not be reclassified to profit or loss | | |
| Financial assets measured at fair value through other comprehensive income | 2,427 | 3,051 |
| Remeasurements of defined benefit plans | (326) | (7,098) |
| Total of items that will not be reclassified to profit or loss | 2,101 | (4,047) |
| Items that may be reclassified to profit or loss | | |
| Exchange differences on translation of foreign operations | (2,865) | (872) |
| Cash flow hedges | 322 | 129 |
| Share of other comprehensive income of associates accounted for using equity method | (82) | (102) |
| Total of items that may be reclassified to profit or loss | (2,625) | (845) |
| Total other comprehensive income | (524) | (4,892) |
| Comprehensive income | 58,617 | (3,247) |
| | | |
| Comprehensive income attributable to: | | |
| Owners of parent | 58,614 | (3,268) |
| Non-controlling interests | 3 | 21 |
| Comprehensive income | 58,617 | (3,247) |

## (4) Condensed Consolidated Statements of Changes in Equity

Nine months ended December 31, 2019

(Millions of yen)

| | Equity attributable to owners of parent | | | | | | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|
| | Share capital | Capital surplus | Treasury shares | Other components of equity | Retained earnings | Total | | |
| Balance at April 1, 2019 | 124,606 | 91,310 | (4,764) | (8,234) | 238,275 | 441,193 | 1,194 | 442,387 |
| Profit | | | | | 59,138 | 59,138 | 3 | 59,141 |
| Other comprehensive income | | | | (524) | | (524) | – | (524) |
| Comprehensive income | – | – | – | (524) | 59,138 | 58,614 | 3 | 58,617 |
| Purchase of treasury shares | | | (93,380) | | | (93,380) | | (93,380) |
| Disposal of treasury shares | | (2) | 2 | | | 0 | | 0 |
| Dividends from surplus | | | | | (10,243) | (10,243) | (125) | (10,368) |
| Transfer from other components of equity to retained earnings | | | | (178) | 178 | – | | – |
| Share-based payment transactions | 37 | (24) | | | | 13 | | 13 |
| Equity transactions with non-controlling interests | | (158) | | | | (158) | 158 | – |
| Total transactions with owners | 37 | (184) | (93,378) | (178) | (10,065) | (103,768) | 33 | (103,735) |
| Balance at December 31, 2019 | 124,643 | 91,126 | (98,142) | (8,936) | 287,348 | 396,039 | 1,230 | 397,269 |

Nine months ended December 31, 2020

(Millions of yen)

| | Equity attributable to owners of parent | | | | | | | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|
| | Share capital | Capital surplus | Treasury shares | Other components of equity | Other components of equity related to disposal group held for sale | Retained earnings | Total | | |
| Balance at April 1, 2020 | 124,643 | 91,157 | (98,135) | (22,751) | – | 275,833 | 370,747 | 1,211 | 371,958 |
| Profit | | | | | | 1,624 | 1,624 | 21 | 1,645 |
| Other comprehensive income | | | | (4,892) | | | (4,892) | | (4,892) |
| Comprehensive income | – | – | – | (4,892) | – | 1,624 | (3,268) | 21 | (3,247) |
| Purchase of treasury shares | | | (1) | | | | (1) | | (1) |
| Disposal of treasury shares | | (29) | 29 | | | | 0 | | 0 |
| Dividends from surplus | | | | | | (12,856) | (12,856) | (170) | (13,026) |
| Transfer from other components of equity to retained earnings | | | | 5,865 | | (5,865) | – | | – |
| Share-based payment transactions | | 122 | 31 | | | | 153 | | 153 |
| Transfer to other components of equity related to disposal group held for sale | | | | (75) | 75 | | – | | – |
| Total transactions with owners | – | 93 | 59 | 5,790 | 75 | (18,721) | (12,704) | (170) | (12,874) |
| Balance at December 31, 2020 | 124,643 | 91,250 | (98,076) | (21,853) | 75 | 258,736 | 354,775 | 1,062 | 355,837 |

## (5) Condensed Consolidated Statements of Cash Flows

(Millions of yen)

| | Nine months ended December 31, 2019 | Nine months ended December 31, 2020 |
|---|---|---|
| Cash flows from operating activities | | |
| Profit before tax | 80,520 | 61,918 |
| Profit (loss) before tax from discontinued operations | (6,329) | (52,083) |
| Depreciation and amortization | 50,524 | 44,491 |
| Interest and dividend income | (1,516) | (865) |
| Interest expenses | 2,922 | 3,050 |
| Loss on sale of Imaging Business | – | 44,656 |
| Share of loss (profit) of investments accounted for using equity method | (316) | (207) |
| Decrease (increase) in trade and other receivables | 11,444 | 15,114 |
| Decrease (increase) in inventories | (15,011) | (2,179) |
| Increase (decrease) in trade and other payables | (3,194) | (10,582) |
| Increase (decrease) in retirement benefit liability | (203) | 1,896 |
| Decrease (increase) in retirement benefit asset | 329 | (2,739) |
| Increase (decrease) in provisions | 2,371 | 8,136 |
| Other | (1,450) | 644 |
| Subtotal | 120,091 | 111,250 |
| Interest received | 1,091 | 530 |
| Dividends received | 425 | 335 |
| Interest paid | (2,895) | (2,448) |
| Income taxes paid | (12,973) | (20,645) |
| Net cash provided by operating activities | 105,739 | 89,022 |
| Cash flows from investing activities | | |
| Payments into time deposits | – | (40,004) |
| Purchase of property, plant and equipment | (28,526) | (26,976) |
| Proceeds from sale of property, plant and equipment | 140 | 1,540 |
| Purchase of intangible assets | (17,376) | (14,261) |
| Purchase of investments in associates | – | (1,078) |
| Payments for loans receivable | (799) | (451) |
| Collection of loans receivable | 642 | 696 |
| Proceeds from sales of investments | 1,727 | 3,543 |
| Purchase of acquisition of subsidiaries | – | (40,075) |
| Payments for acquisition of business | (462) | – |
| Proceeds from sale of businesses | – | 2,122 |
| Other | (383) | (66) |
| Net cash used in investing activities | (45,037) | (115,010) |

(Millions of yen)

| | Nine months ended December 31, 2019 | Nine months ended December 31, 2020 |
|---|---|---|
| Cash flows from financing activities | | |
| Net increase (decrease) in short-term borrowings and commercial papers | 44,602 | (71,968) |
| Repayments of lease liabilities | (11,851) | (12,096) |
| Proceeds from issuance of bonds | 49,793 | 49,757 |
| Proceeds from long-term borrowings | 39,780 | 99,180 |
| Repayments of long-term borrowings | (48,000) | – |
| Dividends paid | (10,243) | (12,856) |
| Dividends paid to non-controlling interests | (125) | (170) |
| Payments for purchase of treasury shares | (93,380) | (1) |
| Other | 464 | 125 |
| Net cash provided by (used in) financing activities | (28,960) | 51,971 |
| Effect of exchange rate changes on cash and cash equivalents | (1,462) | (1,014) |
| Net increase (decrease) in cash and cash equivalents | 30,280 | 24,969 |
| Cash and cash equivalents at beginning of period | 114,563 | 162,717 |
| Cash and cash equivalents at end of period | 144,843 | 187,686 |

## (6) Notes to Condensed Consolidated Financial Statements

(Notes on premise of going concern)

No items to report

(Reporting entity)

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

The Olympus Group is principally engaged in the manufacturing and sales of endoscopic, therapeutic and scientific, imaging, and other products, but in the second quarter of the fiscal year ending March 31, 2021, following the classification of the Imaging Business as discontinued operations, we have changed our reportable segments. Details are as described in Note "Segment information."

(Basis of preparation)

(1) Statement of the condensed consolidated financial statements' compliance with IFRS

The condensed consolidated financial statements of the Olympus Group have been prepared in accordance with IAS 34. Since the requirements for "Specified Company of Designated International Accounting Standards" set forth in Article 1-2 of the "Regulation on Terminology, Forms, and Preparation Methods of Quarterly Consolidated Financial Statements" are satisfied, the Olympus Group adopts the provisions of Article 93 of the same Regulation. The condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements and should be used in conjunction with the Olympus Group's annual consolidated financial statements as of March 31, 2020.

These condensed consolidated financial statements were approved by Director, Representative Executive Officer, President and CEO Yasuo Takeuchi, and Executive Officer and CFO Chikashi Takeda on February 12, 2021.

(2) Basis of measurement

The Olympus Group's condensed consolidated financial statements have been prepared on an acquisition cost basis, except for specific financial instruments measured at fair value.

(3) Functional currency and presentation currency

The Olympus Group's condensed consolidated financial statements are presented in Japanese yen, which is also the Company's functional currency, and figures are rounded off to the nearest million yen.

(4) Changes in presentation methods

(Changes caused by the classification of the Imaging Business as discontinued operations)

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

Following this transfer, from the second quarter of the fiscal year ending March 31, 2021, we have classified the Imaging Business as discontinued operations. As a result, in line with our presentation format for the nine months ended December 31, 2020, we have partially reorganized the presentation in our Condensed Consolidated Statements of Profit or Loss, Condensed Consolidated Statements of Cash Flows, and the related Notes to Condensed Consolidated Financial Statements for the nine months ended December 31, 2019.

(Condensed Consolidated Statements of Cash Flows)

In the nine months ended December 31, 2019, because "Increase (decrease) in provisions," which had previously been included in "Other" of "Cash flows from operating activities" increased in monetary importance, it has been listed independently from the six months ended September 30, 2020. To reflect this change in the presentation method, we have reorganized our Condensed Consolidated Financial Statements for the nine months ended December 31, 2019.

As a result, in the Condensed Consolidated Statements of Cash Flows for the nine months ended December 31, 2019, ¥921 million presented as "Other" in "Cash flows from operating activities" was reorganized into "Increase (decrease) in provisions" of ¥2,371 million and "Other" of negative ¥1,450 million.

(Significant accounting policies)

The significant accounting policies adopted for the condensed consolidated financial statements of the Olympus Group for the nine months ended December 31, 2020 are the same as those applied for the consolidated financial statements for the previous fiscal year except for the following discontinued operations.

(Discontinued operations)

When businesses which are considered as units controlled by executive decision making have already been sold or fulfill the requirements to be classified as being held for sale, the Olympus Group classifies those businesses as discontinued operations.

(Significant accounting estimates and associated judgments)

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

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

The details of significant accounting estimates and associated judgments in the condensed consolidated financial statements are unchanged from the contents described in the consolidated financial statements for the previous fiscal year.

Furthermore, as stated in the consolidated financial statements for the previous fiscal year, although the effects of the spread of COVID-19 differ by region overall, from an overall perspective, the effects are expected to disappear gradually from the end of the current fiscal year, and we have assumed that the Company’s sales activities will also begin to normalize at that point.

(Segment information)

(1) Overview of reportable segments

The reportable segments of the Olympus Group are the units for which separate financial information is available and according to which reporting is periodically conducted to decide how to allocate management resources and assess business performance.

In the past, the Olympus Group had five reportable segments: “Endoscopic Solutions,” “Therapeutic Solutions,” “Scientific Solutions,” “Imaging Business,” and “Others.” However, from the second quarter of the fiscal year ending March 31, 2021, we have changed to four reportable segments: “Endoscopic Solutions,” “Therapeutic Solutions,” “Scientific Solutions,” and “Others.”

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

For details on discontinued operations, please see Note “Discontinued operations.”

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

| Reportable Segment | Principal products and services |
|---|---|
| Endoscopic Solutions Business | Gastrointestinal endoscopes, surgical endoscopes, endoscopy systems, repair service |
| Therapeutic Solutions Business | Endo-therapy devices, energy devices, urology, gynecology and ENT products |
| Scientific Solutions Business | Biological microscopes, industrial microscopes, industrial endoscopes, non-destructive testing equipment |
| Others | Biomedical materials |

(2) Revenue and business results for reportable segments

Revenue and business results of each reportable segment of the Olympus Group are as follows. The accounting method used for reportable segments is the same as the accounting policies of the Olympus Group that are described in “Significant accounting policies.”

Nine months ended December 31, 2019

(Millions of yen)

| | Reportable Segment | | | | | Adjustment (Note 2) | Amount on condensed consolidated financial statements |
|---|---|---|---|---|---|---|---|
| | Endoscopic | Therapeutic | Scientific | Others | Total | | |
| Revenue | | | | | | | |
| Revenue from outside customers | 315,123 | 163,589 | 76,636 | 5,987 | 561,335 | – | 561,335 |
| Revenue among segments (Note 1) | – | – | 42 | 366 | 408 | (408) | – |
| Total revenue | 315,123 | 163,589 | 76,678 | 6,353 | 561,743 | (408) | 561,335 |
| Operating profit (loss) | 91,580 | 22,537 | 8,009 | (1,924) | 120,202 | (35,522) | 84,680 |
| Finance income | | | | | | | 1,476 |
| Finance costs | | | | | | | 5,636 |
| Profit before tax | | | | | | | 80,520 |
| Other items | | | | | | | |
| Share of profit (loss) of investments accounted for using equity method | 376 | (60) | – | – | 316 | – | 316 |
| Depreciation and amortization | 23,734 | 13,514 | 5,054 | 846 | 43,148 | 6,525 | 49,673 |
| Impairment losses (non-financial assets) | 90 | 381 | – | – | 471 | 223 | 694 |

Notes:
1. Revenue among segments is based on actual market prices.
2. Adjustment for operating profit (loss) is corporate expenses that consist of elimination of transactions among segments as well as general and administrative expenses and fundamental research expenses etc. that are not attributable to reportable segments.

Nine months ended December 31, 2020

(Millions of yen)

| | Reportable Segment | | | | | Adjustment (Note 2) | Amount on condensed consolidated financial statements |
|---|---|---|---|---|---|---|---|
| | Endoscopic | Therapeutic | Scientific | Others | Total | | |
| Revenue | | | | | | | |
| Revenue from outside customers | 294,489 | 146,142 | 66,941 | 6,012 | 513,584 | – | 513,584 |
| Revenue among segments (Note 1) | – | – | 4 | 166 | 170 | (170) | – |
| Total revenue | 294,489 | 146,142 | 66,945 | 6,178 | 513,754 | (170) | 513,584 |
| Operating profit (loss) | 76,753 | 20,332 | 2,956 | (1,531) | 98,510 | (33,776) | 64,734 |
| Finance income | | | | | | | 836 |
| Finance costs | | | | | | | 3,652 |
| Profit before tax | | | | | | | 61,918 |
| Other items | | | | | | | |
| Share of profit (loss) of investments accounted for using equity method | 242 | (35) | – | – | 207 | – | 207 |
| Depreciation and amortization | 22,865 | 9,565 | 5,480 | 521 | 38,431 | 5,685 | 44,116 |
| Impairment losses (non-financial assets) | 65 | 401 | – | – | 466 | – | 466 |

Notes:
1. Revenue among segments is based on actual market prices.
2. Adjustment for operating profit (loss) is corporate expenses that consist of elimination of transactions among segments as well as general and administrative expenses and fundamental research expenses etc. that are not attributable to reportable segments.

(Cash and cash equivalents)

Cash and cash equivalents included in balances at end of period in the Condensed Consolidated Statements of Cash Flows are as follows.

(Millions of yen)

| | Nine months ended December 31, 2019 | Nine months ended December 31, 2020 |
|---|---|---|
| Cash and cash equivalents in the condensed consolidated statements of financial position | 144,697 | 163,420 |
| Cash and cash equivalents included in assets held for sale | 146 | 24,266 |
| Cash and cash equivalents at end of period in the condensed consolidated statements of financial position | 144,843 | 187,686 |

(Assets held for sale and liabilities directly associated with assets held for sale)

Breakdown of assets held for sale and liabilities directly associated with assets held for sale is as follows.

(Millions of yen)

| | As of March 31, 2020 | As of December 31, 2020 |
|---|---|---|
| Assets | | |
| Cash and cash equivalents | 223 | 24,266 |
| Land | 27 | – |
| Buildings and structures | 274 | – |
| Machinery and vehicles | 543 | – |
| Construction in progress | 308 | – |
| Other property, plant and equipment | 19 | 61 |
| Goodwill | 310 | – |
| Other financial assets | 4,482 | 246 |
| Other current assets | 88 | 36 |
| Other non-current assets | – | 418 |
| Total | 6,274 | 25,027 |
| Liabilities | | |
| Provisions | 4,196 | 24,133 |
| Other current liabilities | 25 | 650 |
| Other non-current liabilities | – | 244 |
| Total | 4,221 | 25,027 |

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

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

The Company concluded an agreement with Shenzhen YL Technology Co., Ltd. (hereinafter “YL”) to transfer of all the equity interests in Olympus (Shenzhen) Industrial Ltd. (hereinafter “OSZ”), a consolidated subsidiary in Shenzhen, China and owned by Olympus (China) Co., Ltd., another consolidated subsidiary, to YL (hereinafter the “Equity Interest Transfer”), and the Company had been proceeding with preparations for the Equity Interest Transfer. However, due to nonfulfillment of the final closing clause, the Equity Interest Transfer Agreement with YL was canceled and the Equity Interest Transfer was stopped.

However, the policy to transfer the equity interests in OSZ remains unchanged, and the Company is continuing activities aimed at conducting the transfer. Accordingly, the assets and liabilities of OSZ continue to be classified and presented as part of disposal group held for sale and the transfer is planned to be carried out within one year following the fiscal year closing date.

(Transfer of the Norwalk facility)

Assets classified as assets held for sale at the end of the previous fiscal year are the Therapeutic Solutions Business related assets owned by subsidiaries for which the asset’s sale was determined and scheduled for sale within a year from the fiscal year closing date.

Assets classified as assets held for sale and liabilities directly associated with assets held for sale as of December 31, 2020 are as follows.

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

The Company is continuing to pursue our initiative to transfer our equity interests in Olympus (Shenzhen) Industrial Ltd., a consolidated subsidiary in Shenzhen, China and owned by Olympus (China) Co., Ltd., another consolidated subsidiary. However, as it appears that it will take some time for the transfer, we have temporarily stopped classifying the equity interests as part of the disposal group held for sale in the third quarter under review. Based on the characteristics of the individual assets and liabilities, we have transferred “assets held for sale” to current assets and “liabilities directly related to assets held for sale” to current liabilities.

(Transfer of the Norwalk facility)

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

(Divestiture of Imaging Business)

The Company concluded a share transfer agreement concerning the divestiture of the Imaging Business with special purpose company OJ Holdings, established by Japan Industrial Partners, Inc. on September 30, 2020. Accordingly, from the second quarter of the fiscal year ending March 31, 2021, the assets and liabilities related to the Imaging Business of the Olympus Group have been classified in a disposal group classified as held for sale. Furthermore, the transfer of the Group's Imaging Business was completed on January 1, 2021. For details, please see Note "Subsequent events."

(Provisions)

As a result of conducting voluntary post-market surveillance, we decided to voluntarily recall a Bronchovideoscope model and a Choledochofiberscope model that were subject to that surveillance in light of our quality standards, placing top priority on patient safety. During the nine months ended December 31, 2020, Olympus Medical Systems Corp., the manufacturing subsidiary of the Company legally responsible for manufacturing said products, recorded a provision of ¥5,823 million in the cost of sales of its Endoscopic Solutions Business to cover the costs associated with this market response.

(Discontinued operations)

(1) Outline of discontinued operations

The Company concluded a share transfer agreement concerning the divestiture of the Imaging Business of the Company with special purpose company OJ Holdings, established by Japan Industrial Partners, Inc. on September 30, 2020. Accordingly, the profit (loss) of the Imaging Business is classified as discontinued operations for the nine months ended December 31, 2020 and restated for the nine months ended December 31, 2019. Furthermore, the transfer of the Imaging Business was completed on January 1, 2021. For details, please see Note "Subsequent events."

(2) Profit (loss) of discontinued operations

Profit (loss) of discontinued operations is as follows.

(Millions of yen)

| | Nine months ended December 31, 2019 | Nine months ended December 31, 2020 |
|---|---|---|
| Revenue | 33,736 | 20,915 |
| Cost of sales | 20,385 | 14,640 |
| Gross profit | 13,351 | 6,275 |
| Selling, general and administrative expenses | 18,177 | 13,572 |
| Share of profit (loss) of investments accounted for using equity method | – | – |
| Other income | 40 | 64 |
| Other expenses (Note) | 1,409 | 44,760 |
| Operating profit (loss) | (6,195) | (51,993) |
| Finance income | 42 | 0 |
| Finance costs | 176 | 90 |
| Profit (loss) before tax | (6,329) | (52,083) |
| Income taxes | 75 | 204 |
| Profit (loss) from discontinued operations | (6,404) | (52,287) |

Note: Regarding business assets in the Imaging Business, other expenses in the nine months ended December 31, 2019, include ¥1,376 million of impairment losses from writing down the relevant business assets to their recoverable value as the revenue projected at the time the assets were acquired is now not expected due to changes in the market environment, etc.

Other expenses in the nine months ended December 31, 2020 include loss on sale of Imaging Business of ¥44,656 million (allowance pertaining to expenses in accordance with the transfer agreement of ¥28,136 million, inventories of ¥14,910 million, fixed assets, etc. of ¥1,610 million).

(3) Cash flows of discontinued operations

Cash flows of discontinued operations are as follows.

(Millions of yen)

| Cash flows of discontinued operations | Nine months ended December 31, 2019 | Nine months ended December 31, 2020 |
|---|---|---|
| Net cash provided by operating activities | (3,427) | (2,970) |
| Net cash used in investing activities | (2,023) | (856) |
| Net cash used in financing activities | (35) | (68) |

(Business combinations)

Nine months ended December 31, 2019

No items to report

Nine months ended December 31, 2020

(Acquisition of Arc Medical Design Limited)

(1) Outline of business combination

1) Name and description of acquired business

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

2) Primary reason for business combination

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

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

3) Acquired ratio of holding capital with voting rights

100

4) Acquisition date

August 7, 2020

5) Acquisition method to govern the acquired company

Cash consideration for the acquisition of shares

(2) Acquisition-related expense

The acquisition-related expense of ¥67 million has been booked in “sales, general and administrative expenses.”

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

(Millions of yen)

| | Amount |
|---|---|
| Fair value of consideration paid | |
| Cash | 3,472 |
| Consideration with conditions | 484 |
| Total | 3,956 |
| | |
| Fair value of assets acquired and liabilities undertaken | |
| Cash and cash equivalents | 79 |
| Property, plant and equipment | 0 |
| Intangible assets | 1,239 |
| Other assets | 5 |
| Deferred tax liabilities | (236) |
| Other liabilities | (48) |
| Fair value of assets acquired and liabilities undertaken, net | 1,039 |
| Goodwill | 2,917 |
| Total | 3,956 |

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

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

(4) Consideration with conditions

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

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

(5) Impacts on the Olympus Group

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

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

(Acquisition of FH ORTHO SAS)

(1) Outline of business combination

1) Name and description of acquired business

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

2) Primary reason for business combination

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

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

3) Acquired ratio of holding capital with voting rights

100

4) Acquisition date

November 2, 2020

5) Acquisition method to govern the acquired company

Cash consideration for the acquisition of shares

(2) Acquisition-related expense

The acquisition-related expense of ¥403 million has been booked in "sales, general and administrative expenses."

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

(Millions of yen)

| | Amount |
|---|---|
| Fair value of consideration paid | |
| Cash | 5,557 |
| Consideration with conditions | 194 |
| Total | 5,751 |
| | |
| Fair value of assets acquired and liabilities undertaken | |
| Cash and cash equivalents | 120 |
| Trade and other receivables | 618 |
| Inventories | 2,194 |
| Other current assets | 1,135 |
| Property, plant and equipment | 993 |
| Intangible assets | 507 |
| Deferred tax assets | 472 |
| Trade and other payables | (727) |
| Bonds and borrowings | (3,053) |
| Provisions | (460) |
| Other current liabilities | (747) |
| Retirement benefit liability | (206) |
| Other non-current liabilities | (338) |
| Fair value of assets acquired and liabilities undertaken, net | 508 |
| Goodwill | 5,243 |
| Total | 5,751 |

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

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

(4) Consideration with conditions

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

In terms of hierarchical level, the fair value of the consideration with conditions is level three. The amount of change in fair value of the consideration with conditions includes the recording of the part based on changes in the time value of money as “financial costs” and the part based on changes other than the time value of money as “other income” or “other expenses.”

(5) Impacts on the Olympus Group

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

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

(Acquisition of Veran Medical Technologies, Inc.)

(1) Outline of business combination

1) Name and description of acquired business

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

2) Primary reason for business combination

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

3) Acquired ratio of holding capital with voting rights

100

4) Acquisition date

December 29, 2020

5) Acquisition method to govern the acquired company

Cash consideration for the acquisition of shares

(2) Acquisition-related expense

The acquisition-related expense of ¥440 million has been booked in "sales, general and administrative expenses."

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

(Millions of yen)

| | Amount |
|---|---|
| Fair value of consideration paid | |
| Cash | 31,050 |
| Consideration with conditions | 2,588 |
| Total | 33,638 |
| | |
| Fair value of assets acquired and liabilities undertaken | |
| Cash and cash equivalents | 384 |
| Trade and other receivables | 471 |
| Inventories | 1,431 |
| Property, plant and equipment | 41 |
| Other assets | 174 |
| Deferred tax assets | 1,618 |
| Trade and other payables | (149) |
| Other liabilities | (861) |
| Fair value of assets acquired and liabilities undertaken, net | 3,109 |
| Goodwill | 30,529 |
| Total | 33,638 |

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

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

(4) Consideration with conditions

The consideration of conditions is an agreement to pay based on the achievement levels of designated performance metrics for VMT after the business combination, and the payment limit is US$40,000 thousand. In terms of hierarchical level, the fair value of the consideration with conditions is level three.

(5) Impacts on the Olympus Group

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

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

(Additional information)

(Lawsuit for damages against former directors in connection with the issue of past activities regarding deferral in posting losses)

As to the lawsuit for damages against former five directors of the Company in connection with the issue of past activities of the Company regarding deferral in posting losses, on May 16, 2019, the Tokyo High Court rendered a judgement to accept the claims of the Company against three of the former directors. However, the Company filed a final appeal and a petition for acceptance of a final appeal with the Supreme Court against part of the judgment which dismissed the claims of the Company against two former directors (however, the Company withdrew the final appeal at the same time as the Company submitted the statement of reason for the petition for acceptance of the final appeal). Furthermore, the two former directors whose claims were accepted filed a final appeal and a petition for acceptance of a final appeal with the Supreme Court against part of the judgment.

Regarding this matter, on October 22, 2020, the Supreme Court rejected the final appeal by the Company and also dismissed the final appeal and the petition for acceptance of the final appeal by the two former directors.

With the above, this lawsuit for damages against former directors of the Company in connection with the issue of past activities of the Company regarding deferral in posting losses has totally ended.

(Implementation of career support for external opportunity)

The Company, at its meeting of the Board of Directors held on December 18, 2020, resolved to implement a career support for external opportunity.

(1) Reason for implementation

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

(2) Overview of the implementation of the career support at external opportunity

1) Target companies: Olympus Corporation and its Group companies in Japan
2) Eligible employees:
Regular employees with three or more years of service who are at least age 40 years old as of March 31, 2021
Employees rehired after mandatory retirement
Employees with indefinite term contracts
3) Number of applicants: Approximately 950 individuals
4) Application period: February 1, 2021 to February 19, 2021 (provisional schedule)
5) Retirement date: March 31, 2021
(Under special circumstances the date may be adjusted up to September 30, 2021)
6) Details of the support:
Special additional payment together with the standard severance allowance
Re-employment support services for those wishing to receive such support

(3) Future outlook

The Company plans to record the expenses for the special severance allowance, etc. associated with implementing this career support at external opportunity as “other expenses” in the fourth quarter of the fiscal year ending March 31, 2021.

(Subsequent events)

(Business combination through acquisition)

(1) Outline of business combination

1) Name and description of acquired business

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

2) Primary reason for business combination

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

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

3) Acquired ratio of holding capital with voting rights

100

4) Acquisition date

February 9, 2021

5) Acquisition method to govern the acquired company

Cash consideration for the acquisition of shares

(2) Consideration for the acquisition

€50 million (scheduled)

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

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

(Divestiture of Imaging Business)

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

1) Reason for divestiture

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

2) Name of successor company

OJ Holdings, Ltd.

(OJ Holdings, Ltd. is a special purpose company managed and operated by JIP)

3) Timing of the transfer of shares

January 1, 2021

4) Name and description of business of the subsidiary to be transferred

| | |
|---|---|
| Name | OM Digital Solutions Corporation |
| Description of business | Operations involving the manufacture and sale of digital cameras (primarily mirrorless interchangeable lens cameras), interchangeable lenses, IC recorders, and other audio products |

5) Number of shares to be transferred and equity interest after transfer

| | |
|---|---|
| Number of shares to be transferred | 19 shares |
| Equity interests after transfer | 5% |

6) Impact on consolidated financial statements

The impact of the business divestiture on profit or loss has been reflected for the nine months ended December 31, 2020 in accordance with the Company's expense based on the transfer agreement. For details, please see Note "Discontinued operations."

(Decision to conduct a company split associated with the restructuring of domestic sales functions)

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

1. Overview of transaction
   1) Names and description of businesses subject to transaction

| | |
|---|---|
| Names of businesses | Endoscopic Solutions Business, Therapeutic Solutions Business and Scientific Solutions Business |
| Description of businesses | Domestic sales functions for the above businesses |

Book value of the transferred assets and liabilities

| | |
|---|---|
| Total assets | ¥24,400 million |
| Liabilities | ¥6,000 million |
| Net assets | ¥18,400 million |

The above book values of the transferred assets and liabilities are estimated values as of February 12, 2021, and the actual amount of the transfer may differ from the above values.

   2) Effective date of company split

October 1, 2021 (scheduled)

   3) Legal form of company split

Absorption-type split in which the Company becomes the absorption-type split company and OMSJ becomes the absorption-type split successor company.

   4) Conditions of the company after the company split

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

2. Description of transaction including purpose of the transaction

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

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

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

The impact of this company split on the Company's consolidated financial results is minor.