

Consolidated Financial Results for the Three Months of the Fiscal Year Ending March 31, 2023 <under IFRS>



August 9, 2022

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 Code Number: 7733
 (URL: <https://www.olympus.co.jp/>)
 Stock Exchange Listing: Prime Market of Tokyo Stock Exchange
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 Scheduled date to submit the Quarterly Securities Report: August 9, 2022
 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 Three Months of the Fiscal Year Ending March 31, 2023 (From April 1, 2022 to June 30, 2022)

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

	Revenue		Operating profit		Profit before tax		Profit	
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%
Three months ended								
June 30, 2022	214,060	11.8	40,776	47.7	38,233	41.9	24,922	32.9
June 30, 2021	191,517	40.2	27,612	644.5	26,952	900.4	18,746	–

	Profit attributable to owners of parent		Total comprehensive income		Basic earnings per share	Diluted earnings per share
	(¥ million)	%	(¥ million)	%	(¥)	(¥)
Three months ended						
June 30, 2022	24,860	33.0	88,679	313.7	19.53	19.52
June 30, 2021	18,690	–	21,436	–	14.54	14.53

(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
	(¥ million)	(¥ million)	(¥ million)	%
As of				
June 30, 2022	1,433,466	582,155	581,125	40.5
March 31, 2022	1,357,999	511,362	510,168	37.6

2. Dividends

	Annual dividends				
	First quarter	Second quarter	Third quarter	Year-end	Total
	(¥)	(¥)	(¥)	(¥)	(¥)
Fiscal year ended March 31, 2022	–	0.00	–	14.00	14.00
Fiscal year ending March 31, 2023	–				
Fiscal year ending March 31, 2023 (Forecast)		0.00	–	16.00	16.00

Note: Revisions of the forecast most recently announced: No

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending March 31, 2023

(From April 1, 2022 to March 31, 2023)

(% 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	1,019,000	17.3	231,000	50.1	225,000	50.1	172,000	48.6	135.11

Note: Revisions of the forecast most recently announced: Yes

* Notes

(1) Changes in significant subsidiaries during the three 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 June 30, 2022	1,285,892,000 shares
As of March 31, 2022	1,299,294,333 shares

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

As of June 30, 2022	12,830,930 shares
As of March 31, 2022	26,261,612 shares

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

Three months ended June 30, 2022	1,273,057,773 shares
Three months ended June 30, 2021	1,285,641,626 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 contained in these materials are based on information currently available as of the date of release of these materials and on certain assumptions deemed to be reasonable. Actual business and other results may differ substantially due to various factors.

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1. Qualitative Information Regarding Settlement of Accounts for the Three Months

(1) Explanation of Results of Operations

Trends in overall business results

The global economy in the three months ended June 30, 2022, saw signs of recovery as the challenging conditions created by the global spread of COVID-19 gradually eased as vaccinations progressed. Nevertheless, impacts were felt from the lockdown in Shanghai and the war in Ukraine along with rising raw material prices, supply chain constraints, and shortages of semiconductors and other components. The Japanese economy saw a recovery, as the challenging conditions caused by COVID-19 were easing amid the impact of the global economy and similar factors, but impacts were felt from the same factors affecting the global economy.

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

Based on this corporate strategy, Olympus Corporation is allocating management resources to the medical field, mainly in Endoscopic Solutions Business and Therapeutic Solutions Business, and we are working to strengthen our management base in order to achieve sustainable growth. As part of these efforts, on April 1, 2022, to achieve sustainable growth and increased profitability in the Scientific Solutions Business, we implemented a company split to transfer Olympus Corporation’s Scientific Solutions Business to Evident Corporation, a newly established wholly owned subsidiary.

Business results

	(Millions of yen)			
	Three months ended June 30, 2021	Three months ended June 30, 2022	Increase (Decrease)	Increase (Decrease) ratio (%)
(1) Revenue	191,517	214,060	22,543	11.8
(2) Cost of sales	68,201	76,853	8,652	12.7
(3) Selling, general and administrative expenses	95,797	108,913	13,116	13.7
(4) Share of profit (loss) of investments accounted for using equity method/Other income/Other expenses	93	12,482	12,389	13,322
(5) Operating profit	27,612	40,776	13,164	47.7
(6) Finance income (loss)	(660)	(2,543)	(1,883)	–
(7) Income taxes	8,206	13,311	5,105	62.2
(8) Profit attributable to owners of parent	18,690	24,860	6,170	33.0
Exchange rate (Yen/U.S. dollar)	109.49	129.57	20.08	–
Exchange rate (Yen/Euro)	131.96	138.12	6.16	–
Exchange rate (Yen/Renminbi)	16.96	19.58	2.62	–

(1) Revenue

Revenue increased by ¥22,543 million year on year to ¥214,060 million. This increase was due to an increase in revenue in the Endoscopic Solutions Business and Therapeutic Solutions Business despite a decrease in revenue in the Scientific Solutions Business and other businesses. Details are as described in “Analysis of the performance by segment” below.

(2) Cost of sales

Cost of sales increased by ¥8,652 million year on year to ¥76,853 million. The cost-to-sales ratio deteriorated 0.3 percentage points year on year to 35.9% due to surging procurement costs of raw materials such as semiconductor materials.

(3) Selling, general and administrative expenses

Selling, general and administrative expenses increased by ¥13,116 million year on year to ¥108,913 million. In particular, expenses associated with sales growth in the medical field and outsourcing costs related to the strengthening of QARA and other business operation foundation increased. Personnel and other expenses also increased in line with the strengthening of corporate functions due to a company split in the Scientific Solutions Business.

(4) Share of profit (loss) of investments accounted for using equity method/Other income/Other expenses

The sum of share of profit (loss) of investments accounted for using equity method, other income, and other expenses amounted to ¥12,482 million, and the profit or loss improved by ¥12,389 million year on year. Regarding other income, in the previous fiscal year, gain on step acquisition of Medi-Tate Ltd. of approximately ¥2,800 million and gain on sale of fixed assets of approximately ¥1,400 million were recorded, but in the current fiscal year, gain on sale of fixed assets of approximately ¥16,400 million was recorded, which is an increase of ¥12,537 million year on year. Details on the gain on step acquisition of Medi-Tate Ltd. are as described in the note (page 25) related to (Business combinations). On the other hand, regarding other expenses, in the previous fiscal year, an impairment loss of approximately ¥1,700 million for an equity investment in associates was recorded, but in the current fiscal year, expenses associated with the spin-off of the Scientific Solutions Business and the strengthening of systems following this of approximately ¥2,400 million were recorded, which is an increase of ¥150 million.

(5) Operating profit

Reflecting the factors stated above, operating profit increased by ¥13,164 million year on year to ¥40,776 million.

(6) Finance income (loss)

Finance loss, which reflects finance income and finance costs, deteriorated ¥1,883 million year on year to ¥2,543 million. The deterioration in finance loss was due mainly to the shift from foreign exchange gains to foreign exchange losses as a result of the U.S. dollar appreciating against various currencies.

(7) Income taxes

The increased profit before tax led income taxes to increase by ¥5,105 million year on year to ¥13,311 million.

(8) Profit attributable to owners of parent

Reflecting the factors stated above, profit attributable to owners of parent increased by ¥6,170 million year on year to ¥24,860 million.

(Impact of foreign exchanges rates)

Compared to the same period of the previous fiscal year, the yen depreciated against the U.S. dollar, euro, and renminbi. The average exchange rate during the current period was ¥129.57 against the U.S. dollar (¥109.49 in the same period of the previous fiscal year), ¥138.12 against the euro (¥131.96 in the same period of the previous fiscal year) and ¥19.58 against the renminbi (¥16.96 in the same period of the previous fiscal year), which caused revenue and operating profit to increase by ¥21,826 million and ¥8,320 million, respectively, year on year.

Analysis of the performance by segment**Endoscopic Solutions Business**

(Millions of yen)				
	Three months ended June 30, 2021	Three months ended June 30, 2022	Increase (Decrease)	Increase (Decrease) ratio (%)
Revenue	100,014	116,857	16,843	16.8
Operating profit (loss)	22,654	24,834	2,180	9.6

Consolidated revenue in the Endoscopic Solutions Business amounted to ¥116,857 million (up 16.8% year on year), while operating profit amounted to ¥24,834 million (up 9.6% year on year).

The gastrointestinal endoscopes field showed positive year-on-year growth in all regions, other than China where there were restrictions on movement were implemented due to COVID-19, a lockdown in Shanghai, causing supply chain disruptions and impacting on capital investment and case numbers in hospitals, and in particular, sales in Europe and North America rose. By product, sales of the gastrointestinal endoscopic system “EVIS X1” series were strong, while demand for the prior-generation general purpose upper gastrointestinal videoscopes and colorectal videoscopes was also firm, contributing to increased sales. The ratio of the “EVIS X1” series to total sales also gradually increased.

The surgical endoscopes field also showed positive year-on-year growth in all regions, other than China where there were restrictions on movement were implemented due to COVID-19, a lockdown in Shanghai, causing supply chain disruptions and impacting on capital investment and case numbers in hospitals. Especially, sales increased in Europe and North America, where sales of the surgical endoscopy system “VISERA ELITE II” were strong.

In the medical services field, all regions showed positive year-on-year growth due partly to stable sales of existing service contracts including maintenance services and an increase in new contracts.

The increase in operating profit in the Endoscopic Solutions Business was mainly due to the effect of the absence of the previous year’s impairment loss and other expenses of approximately ¥1,700 million for an equity investment in associates accounted for using equity method located in Europe, despite the cost-to-sales ratio deteriorating due to surging procurement costs of raw materials such as semiconductor materials, an increase expenses associated with sales growth including sales expansion of EVIS X1 and outsourcing expenses related to strengthening business operation foundation such as QARA, etc.,.

Therapeutic Solutions Business

(Millions of yen)				
	Three months ended June 30, 2021	Three months ended June 30, 2022	Increase (Decrease)	Increase (Decrease) ratio (%)
Revenue	63,646	72,365	8,719	13.7
Operating profit (loss)	14,072	13,357	(715)	(5.1)

Consolidated revenue in the Therapeutic Solutions Business amounted to ¥72,365 million (up 13.7% year on year), while operating profit amounted to ¥13,357 million (down 5.1% year on year).

In the GI-endothorapy field, all regions and product groups saw positive growth. In particular, sales in North America and Europe, where the number of procedures has been increasing, were favorable. Furthermore, sales increased due to product groups for ERCP (Endoscopic Retrograde Cholangio Pancreatography), which are used in endoscopic diagnoses and treatment of pancreatic duct, bile duct, etc., the sampling of biopsy forceps, etc., which are used for collecting tissue for screening examinations, and product groups for ESD (Endoscopic Submucosal Dissection) and EMR (Endoscopic Mucosal Resection), which are used in lesion resection.

The urology field achieved favorable performance mainly in North America and Europe, with sales being expanded for resection electrodes for BPH (Benign Prostatic Hyperplasia) and lithotripsy machine for kidney stones “SOLTIVE SuperPulsed” Laser System. Gynecology products, which were grouped in other therapeutic areas in the Therapeutic Solutions Business, have been included in urology in the Therapeutic Solutions Business from the fiscal year ending March 2023.

The respiratory field saw positive growth, primarily in North America and Europe. Sales of the devices mainly used for EBUS-TBNA (Endobronchial Ultrasound-guided Transbronchial Needle Aspiration) were favorable.

In other therapeutic areas, sales were favorable mainly in energy devices. In particular, sales of “THUNDERBEAT” contributed.

Operating profit in the Therapeutic Solutions Business decreased due to the decreasing effect of the absence of the previous year’s recording in other income of a gain on step acquisition of Medi-Tate Ltd. of around ¥2.8 billion along with increased expenses such as promotion expenses despite recording increased revenue during the period. For details on the gain on step acquisition of Medi-Tate Ltd., please see the note (page 25) related to (Business combinations).

Scientific Solutions Business

	(Millions of yen)			
	Three months ended June 30, 2021	Three months ended June 30, 2022	Increase (Decrease)	Increase (Decrease) ratio (%)
Revenue	24,829	21,925	(2,904)	(11.7)
Operating profit (loss)	1,873	(1,609)	(3,482)	-

Consolidated revenue in Scientific Solutions Business amounted to ¥21,925 million (down 11.7% year on year), while operating loss amounted to ¥1,609 million (compared with an operating profit of ¥1,873 million in the same period of the previous fiscal year).

In the life science field, budget execution at research centers and universities progressed smoothly, but revenue decreased year on year due to delayed shipments to customers from shortages of parts such as semiconductors and restrictions on movement implemented in China due to COVID-19, including the resulting supply chain disruptions accompanying a lockdown in Shanghai.

In the industrial field, despite the continuing trend of improvement in capital investment by our customers, and strong sales in industrial endoscopes, for which our chief market of the aviation industry was recovering strongly, particularly in the Americas, revenue decreased year on year due to delayed shipments to customers from shortages of parts such as semiconductors and restrictions on movement implemented in China due to COVID-19, including the resulting supply chain disruptions accompanying a lockdown in Shanghai.

Operating profit declined in the Scientific Solutions Business due to decreased revenue and increased expenses centered on personnel expenses as we strengthened our corporate functions due to the company split.

Others

	(Millions of yen)			
	Three months ended June 30, 2021	Three months ended June 30, 2022	Increase (Decrease)	Increase (Decrease) ratio (%)
Revenue	3,028	2,913	(115)	(3.8)
Operating profit (loss)	(565)	(298)	267	-

In other businesses, the Olympus Group conducts R&D and exploratory activities for new businesses in addition to engaging in the developing, manufacturing, and selling of biomedical materials, such as synthetic bone filler, and orthopedic equipment.

Consolidated revenue in other businesses amounted to ¥2,913 million (down 3.8% year on year), while operating loss amounted to ¥298 million (compared with an operating loss of ¥565 million in the same period of the previous fiscal year).

Revenue decreased with the end of the sales of medical devices to the animal market, despite sales of FH ORTHO SAS increasing in conjunction with the weakening impact from COVID-19. Operating profit in other businesses improved due to the progressing streamlining of costs despite decreased revenue.

(2) Financial Position

[Assets]

As of the end of the first quarter under review, total assets increased by ¥75,467 million compared to the end of the previous fiscal year to ¥1,433,466 million due to the impact of weaker yen and other factors. Including the impact of foreign exchange fluctuations and other factors, this increase was due mainly to an increase in inventories of ¥19,507 million, an increase in other current assets of ¥14,509 million due mainly to an increase in unpaid consumption taxes, an increase in goodwill of ¥17,697 million due mainly to foreign exchange fluctuations in non-current assets, and increase of ¥12,138 million in property, plant and equipment, despite a decrease in cash and deposits of ¥16,160 million due mainly to the payment of corporate taxes and the distribution of surplus.

[Liabilities]

Total liabilities increased by ¥4,674 million from the end of the previous fiscal year to ¥851,311 million. The increase was due mainly to an increase in corporate bonds and borrowings of ¥8,667 million due mainly to the impact of foreign exchange and an increase in other financial liabilities of ¥12,925 million, despite the payment of corporate taxes resulting in a ¥14,151 million decrease in unpaid corporate taxes.

[Equity]

Total equity increased by ¥70,793 million from the end of the previous fiscal year to ¥582,155 million. The increase was due mainly to a ¥63,705 million increase in other components of equity due mainly to foreign exchange calculation adjustments and the recording of ¥24,860 million in profit attributable to owners of parent, despite the distribution of surplus.

Based on resolution of the Board of Directors meeting held on May 11, 2022, Olympus Corporation canceled treasury shares on June 8, 2022. The impact of this cancellation is that treasury shares decreased by ¥23,271 million (contraction of negative amount stated in equity), and capital surplus decreased by ¥23,271 million.

The amount of the above cancellation was deducted from other capital surplus in capital surplus, but the amount that exceeds other capital surplus was deducted from retained earnings.

As a result of the foregoing, equity attributable to owners of parent to total assets increased from 37.6% as of the end of the previous fiscal year to 40.5%.

(3) Cash Flows

Cash and cash equivalents at the end of the first quarter under review reached ¥286,412 million, a decrease of ¥16,160 million from the end of the previous fiscal year. The following are the cash flows for the three months ended June 30, 2022.

Cash flows from operating activities

Net cash used in operating activities for the three months ended June 30, 2022, was ¥26,860 million (compared with ¥23,681 million provided for the three months ended June 30, 2021). Cash flows from operating activities declined due to the payment of ¥39,736 million in corporate taxes, gain on sale and retirement of fixed assets in amount of ¥16,192 million made as an adjustment in association with the sale of land in Hatagaya, etc., and an increase in inventories of ¥13,610 million, despite the increase from the recording of ¥38,233 million in profit before tax.

Cash flows from investing activities

Net cash provided by investing activities for the three months ended June 30, 2022, was ¥5,198 million (compared with ¥33,503 million used for the three months ended June 30, 2021). Cash flows from investing activities increased mainly due to income of ¥19,387 million from the sale of property, plant and equipment including land in Hatagaya, despite expenditures of ¥8,084 million from the acquisition of property, plant and equipment including production equipment, etc., and expenditures of ¥3,491 million from the acquisition of intangible assets including research and development assets.

Cash flows from financing activities

Net cash used in financing activities for the three months ended June 30, 2022, was ¥21,748 million (compared with ¥38,955 million used for the three months ended June 30, 2021). This was mainly due to the payment of ¥17,822 million for dividends.

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

In terms of our earnings forecasts for the fiscal year ending March 31, 2023, we have revised the forecasted values announced in our “Consolidated Financial Results for the Fiscal Year Ending March 31, 2022” on May 11, 2022, based on a consideration of the trend of yen depreciation in the current foreign exchange market compared to our assumptions at the start of the period. Foreign exchange rates for the fiscal year ending March 31, 2023, which are a precondition for the forecast, are expected to be ¥134.39 per U.S. dollar, ¥139.53 per euro and ¥20.12 per renminbi.

(Millions of yen)

	Revenue	Operating profit	Profit before tax	Profit attributable to owners of parent	Basic earnings per share
Previous Forecast (A)	968,000	206,000	200,000	154,000	120.97
Revised Forecast (B)	1,019,000	231,000	225,000	172,000	135.11
Increase (Decrease) (B-A)	51,000	25,000	25,000	18,000	–
Increase (Decrease) ratio (%)	5.3	12.1	12.5	11.7	–

2. Condensed Quarterly Consolidated Financial Statements and Significant Notes Thereto**(1) Condensed Quarterly Consolidated Statements of Financial Position**

	(Millions of yen)	
	As of March 31, 2022	As of June 30, 2022
ASSETS		
Current assets		
Cash and cash equivalents	302,572	286,412
Trade and other receivables	178,428	182,199
Other financial assets	10,269	12,677
Inventories	167,368	186,875
Income taxes receivable	3,718	12,853
Other current assets	27,565	42,074
Subtotal	689,920	723,090
Assets held for sale	4,685	–
Total current assets	694,605	723,090
Non-current assets		
Property, plant and equipment	247,112	259,250
Goodwill	164,498	182,195
Intangible assets	120,361	124,882
Retirement benefit asset	25,975	26,209
Investments accounted for using equity method	1,514	1,404
Trade and other receivables	27,857	30,180
Other financial assets	16,152	21,689
Deferred tax assets	57,783	62,411
Other non-current assets	2,142	2,156
Total non-current assets	663,394	710,376
Total assets	1,357,999	1,433,466

(Millions of yen)

	As of March 31, 2022	As of June 30, 2022
LIABILITIES AND EQUITY		
Liabilities		
Current liabilities		
Trade and other payables	60,547	58,423
Bonds and borrowings	52,281	53,638
Other financial liabilities	26,015	31,586
Income taxes payable	34,353	20,202
Provisions	22,114	22,829
Other current liabilities	180,941	176,179
Total current liabilities	376,251	362,857
Non-current liabilities		
Bonds and borrowings	333,846	341,156
Other financial liabilities	64,600	71,954
Retirement benefit liability	40,001	41,897
Provisions	2,783	3,135
Deferred tax liabilities	13,087	13,557
Other non-current liabilities	16,069	16,755
Total non-current liabilities	470,386	488,454
Total liabilities	846,637	851,311
Equity		
Share capital	124,643	124,643
Capital surplus	91,239	91,374
Treasury shares	(45,589)	(22,267)
Other components of equity	34,818	98,523
Retained earnings	305,057	288,852
Total equity attributable to owners of parent	510,168	581,125
Non-controlling interests	1,194	1,030
Total equity	511,362	582,155
Total liabilities and equity	1,357,999	1,433,466

(2) Condensed Quarterly Consolidated Statements of Profit or Loss

	(Millions of yen)	
	Three months ended June 30, 2021	Three months ended June 30, 2022
Revenue	191,517	214,060
Cost of sales	68,201	76,853
Gross profit	123,316	137,207
Selling, general and administrative expenses	95,797	108,913
Share of profit (loss) of investments accounted for using equity method	35	37
Other income	5,402	17,939
Other expenses	5,344	5,494
Operating profit	27,612	40,776
Finance income	423	722
Finance costs	1,083	3,265
Profit before tax	26,952	38,233
Income taxes	8,206	13,311
Profit	18,746	24,922
Profit attributable to:		
Owners of parent	18,690	24,860
Non-controlling interests	56	62
Profit	18,746	24,922
Earnings per share		
Basic earnings per share	¥14.54	¥19.53
Diluted earnings per share	¥14.53	¥19.52

(3) Condensed Quarterly Consolidated Statements of Comprehensive Income

	(Millions of yen)	
	Three months ended June 30, 2021	Three months ended June 30, 2022
Profit	18,746	24,922
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	(10)	(72)
Remeasurements of defined benefit plans	59	52
Total of items that will not be reclassified to profit or loss	49	(20)
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	2,441	64,597
Cash flow hedges	49	(820)
Share of other comprehensive income of associates accounted for using equity method	151	–
Total of items that may be reclassified to profit or loss	2,641	63,777
Total other comprehensive income	2,690	63,757
Comprehensive income	21,436	88,679
Comprehensive income attributable to:		
Owners of parent	21,380	88,617
Non-controlling interests	56	62
Comprehensive income	21,436	88,679

(4) Condensed Quarterly Consolidated Statements of Changes in Equity

Three months ended June 30, 2021

(Millions of yen)

	Equity attributable to owners of parent						Non-controlling interests	Total equity
	Share capital	Capital surplus	Treasury shares	Other components of equity	Retained earnings	Total		
Balance at April 1, 2021	124,643	90,835	(98,048)	(1,347)	278,243	394,326	1,154	395,480
Profit					18,690	18,690	56	18,746
Other comprehensive income				2,690		2,690		2,690
Comprehensive income	–	–	–	2,690	18,690	21,380	56	21,436
Purchase of treasury shares			(0)			(0)		(0)
Disposal of treasury shares		(18)	18			0		0
Cancellation of treasury shares		(82,340)	82,340			–		–
Dividends from surplus					(15,428)	(15,428)	(188)	(15,616)
Transfer from retained earnings to capital surplus		82,337			(82,337)	–		–
Transfer from other components of equity to retained earnings				(60)	60	–		–
Share-based payment transactions		78				78		78
Total transactions with owners	–	57	82,358	(60)	(97,705)	(15,350)	(188)	(15,538)
Balance at June 30, 2021	124,643	90,892	(15,690)	1,283	199,228	400,356	1,022	401,378

Three months ended June 30, 2022

(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, 2022	124,643	91,239	(45,589)	34,818	305,057	510,168	1,194	511,362
Profit					24,860	24,860	62	24,922
Other comprehensive income				63,757		63,757		63,757
Comprehensive income	–	–	–	63,757	24,860	88,617	62	88,679
Purchase of treasury shares			(1)			(1)		(1)
Disposal of treasury shares		(52)	52			0		0
Cancellation of treasury shares		(23,271)	23,271			–		–
Dividends from surplus					(17,822)	(17,822)	(226)	(18,048)
Transfer from retained earnings to capital surplus		23,295			(23,295)	–		–
Transfer from other components of equity to retained earnings				(52)	52	–		–
Share-based payment transactions		163				163		163
Total transactions with owners	–	135	23,322	(52)	(41,065)	(17,660)	(226)	(17,886)
Balance at June 30, 2022	124,643	91,374	(22,267)	98,523	288,852	581,125	1,030	582,155

(5) Condensed Quarterly Consolidated Statements of Cash Flows

	(Millions of yen)	
	Three months ended June 30, 2021	Three months ended June 30, 2022
Cash flows from operating activities		
Profit before tax	26,952	38,233
Depreciation and amortization	15,739	17,686
Loss (gain) on step acquisitions	(2,826)	–
Interest and dividend income	(226)	(573)
Interest expenses	1,037	1,503
Loss (gain) on sale and retirement of fixed assets	(1,179)	(16,192)
Share of loss (profit) of investments accounted for using equity method	(35)	(37)
Decrease (increase) in trade and other receivables	20,168	7,579
Decrease (increase) in inventories	(5,178)	(13,610)
Increase (decrease) in trade and other payables	(15,049)	(3,434)
Increase (decrease) in retirement benefit liability	62	(651)
Decrease (increase) in retirement benefit asset	235	309
Other	(11,354)	(17,234)
Subtotal	28,346	13,579
Interest received	139	543
Dividends received	87	30
Interest paid	(846)	(1,276)
Income taxes paid	(4,045)	(39,736)
Net cash provided by operating activities	23,681	(26,860)
Cash flows from investing activities		
Purchase of property, plant and equipment	(9,371)	(8,084)
Proceeds from sale of property, plant and equipment	1,811	19,387
Purchase of intangible assets	(4,970)	(3,491)
Payments for acquisition of subsidiaries	(21,274)	–
Other	301	(2,614)
Net cash used in investing activities	(33,503)	5,198

	(Millions of yen)	
	Three months ended June 30, 2021	Three months ended June 30, 2022
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings and commercial papers	(5,263)	(87)
Repayments of lease liabilities	(4,131)	(4,059)
Repayments of long-term borrowings	(15,002)	–
Dividends paid	(15,428)	(17,822)
Dividends paid to non-controlling interests	(188)	(226)
Other	1,057	446
Net cash provided by (used in) financing activities	(38,955)	(21,748)
Effect of exchange rate changes on cash and cash equivalents	14	27,250
Net increase (decrease) in cash and cash equivalents	(48,763)	(16,160)
Cash and cash equivalents at beginning of period	217,478	302,572
Cash and cash equivalents at end of period	168,715	286,412

(6) Notes to Condensed Quarterly Consolidated Financial Statements

(Notes on premise of going concern)

No items to report

(Reporting entity)

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

The Olympus Group is principally engaged in the manufacturing and sales of endoscopic, therapeutic, scientific and other products. Details of each business are as described in Note "Business segments."

(Basis of preparation)

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

The condensed quarterly consolidated financial statements of the Olympus Group have been prepared in accordance with IAS 34. Since the requirements for a "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 quarterly 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, 2022.

These condensed quarterly consolidated financial statements were approved by Director, Representative Executive Officer, President and CEO Yasuo Takeuchi, and Executive Officer and CFO Chikashi Takeda on August 9, 2022.

(2) Basis of measurement

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

(4) Changes in presentation methods

(Condensed Consolidated Statements of Cash Flows)

In the three months ended June 30, 2021, because "Loss (gain) on sale and retirement of fixed assets," which had previously been included in "Other" of "Cash flows from operating activities" increased in monetary importance, it has been listed independently from the three months ended June 30, 2022. To reflect this change in the presentation method, we have reorganized our Condensed Consolidated Financial Statements for the three months ended June 30, 2021.

As a result, in the Condensed Consolidated Statements of Cash Flows for the three months ended June 30, 2021, negative ¥12,533 million presented as "Other" in "Cash flows from operating activities" was reorganized into "Loss (gain) on sale and retirement of fixed assets" of negative ¥1,179 million and "Other" of negative ¥11,354 million.

(Significant accounting policies)

The significant accounting policies adopted for the condensed quarterly consolidated financial statements of the Olympus Group for the three months ended June 30, 2022 are the same as those applied for the fiscal year ended March 31, 2022.

(Significant accounting estimates and associated judgments)

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

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

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

Although the impact of the spread of COVID-19 differs by region, the impact is currently expected to continue diminishing overall as vaccinations become available worldwide, and we have assumed that Olympus Corporation's sales activities will also begin to normalize.

(Business segments)

(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.

The Olympus Group has established strategies and engages in business activities for the products and services based on four segments: "Endoscopic Solutions," "Therapeutic Solutions," "Scientific Solutions," and "Others." Reportable segments are determined in line with these segments.

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, medical service
Therapeutic Solutions Business	Gastroenterology devices, urology products, respiratory products, energy devices, ENT products, gynecology products
Scientific Solutions Business	Biological microscopes, industrial microscopes, industrial endoscopes, non-destructive testing equipment, X-ray fluorescence (XRF) analyzer
Others	Biomedical materials, orthopedic equipment

(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 treatment used for reportable segments is as described in Note "(Significant accounting policies)."

Three months ended June 30, 2021

	Reportable Segment					Adjustment (Note 2)	Amount on condensed quarterly consolidated financial statements
	Endoscopic Solutions	Therapeutic Solutions	Scientific Solutions	Others	Total		
Revenue							
Revenue from outside customers	100,014	63,646	24,829	3,028	191,517	–	191,517
Intersegment revenue (Note 1)	–	–	6	109	115	(115)	–
Total revenue	100,014	63,646	24,835	3,137	191,632	(115)	191,517
Operating profit (loss)	22,654	14,072	1,873	(565)	38,034	(10,422)	27,612
Finance income							423
Finance costs							1,083
Profit before tax							26,952
Other items							
Share of profit (loss) of investments accounted for using equity method	83	(48)	–	–	35	–	35
Depreciation and amortization	7,983	3,877	1,716	385	13,961	1,778	15,739
Impairment losses	1,659	–	–	–	1,659	–	1,659

Notes:

1. Revenue among segments is based on actual market prices.

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

Three months ended June 30, 2022

	Reportable Segment					Adjustment (Note 2, 3)	Amount on condensed quarterly consolidated financial statements
	Endoscopic Solutions	Therapeutic Solutions	Scientific Solutions	Others	Total		
Revenue							
Revenue from outside customers	116,857	72,365	21,925	2,913	214,060	–	214,060
Intersegment revenue (Note 1)	–	–	–	102	102	(102)	–
Total revenue	116,857	72,365	21,925	3,015	214,162	(102)	214,060
Operating profit (loss)	24,834	13,357	(1,609)	(298)	36,284	4,492	40,776
Finance income							722
Finance costs							3,265
Profit before tax							38,233
Other items							
Share of profit (loss) of investments accounted for using equity method	37	–	–	–	37	–	37
Depreciation and amortization	9,167	4,793	1,920	331	16,211	1,475	17,686
Impairment losses	333	388	–	–	721	–	721

Notes:

1. Revenue among segments is based on actual market prices.
2. Adjustment for operating profit (loss) is corporate expenses that mainly consist of elimination of transactions among segments, as well as general and administrative expenses and fundamental research expenses that are not attributable to reportable segments.
3. Adjustment for operating profit (loss) includes gain on sale of fixed assets at Olympus Corporation of ¥16,395 million that is not attributable to reportable segments.

(Assets held for sale)

In the first quarter of the fiscal year under review, sales procedures have been completed for Olympus Corporation's land and buildings that were classified as assets held for sale in the previous fiscal year.

(Equity and other equity items)

Three months ended June 30, 2021 (April 1, 2021 - June 30, 2021)

(Cancellation of treasury shares)

Based on resolution of the Board of Directors meeting held on May 7, 2021, Olympus Corporation canceled treasury shares on June 4, 2021. Due to this cancellation, treasury shares decreased by 71,620,630 shares during the three months ended June 30, 2021.

The impact of this cancellation is that treasury shares decreased by ¥82,340 million (contraction of negative stated amount in equity), and capital surplus decreased by ¥82,340 million.

The amount of the above cancellation was deducted from other capital surplus in capital surplus, but the amount that exceeds other capital surplus was deducted from retained earnings.

Three months ended June 30, 2022 (April 1, 2022 - June 30, 2022)

(Cancellation of treasury shares)

Based on resolution of the Board of Directors meeting held on May 11, 2022, Olympus Corporation canceled treasury shares on June 8, 2022. Due to this cancellation, treasury shares decreased by 13,402,333 shares during the three months ended June 30, 2022.

The impact of this cancellation is that treasury shares decreased by ¥23,271 million (contraction of negative stated amount in equity), and capital surplus decreased by ¥23,271 million.

The amount of the above cancellation was deducted from other capital surplus in capital surplus, but the amount that exceeds other capital surplus was deducted from retained earnings.

(Dividends)

Dividends paid are as follows.

Three months ended June 30, 2021

Resolution	Class of shares	Total dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors meeting held on May 7, 2021	Common stock	15,428	12	March 31, 2021	June 3, 2021

Three months ended June 30, 2022

Resolution	Class of shares	Total dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors meeting held on May 11, 2022	Common stock	17,822	14	March 31, 2022	June 3, 2022

(Revenue)

The organization of the Olympus Group basically consists of the Endoscopic Solutions Business, Therapeutic Solutions Business, Scientific Solutions Business, and Others. Revenue recorded in these business segments is stated as revenue, as these segments 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. Revenue is geographically disaggregated by customer location. Relationship between the disaggregated revenue and revenue of each reportable segment is as follows:

Three months ended June 30, 2021

	(Millions of yen)				
	Endoscopic Solutions	Therapeutic Solutions	Scientific Solutions	Others	Total
Japan	13,543	10,213	2,526	1,812	28,094
North America	37,353	23,945	6,920	61	68,279
Europe	25,060	16,542	4,413	1,091	47,106
China	13,717	6,952	5,509	14	26,192
Asia and Oceania	8,590	5,187	3,860	50	17,687
Others	1,751	807	1,601	0	4,159
Total	100,014	63,646	24,829	3,028	191,517

Three months ended June 30, 2022

(Millions of yen)					
	Endoscopic Solutions	Therapeutic Solutions	Scientific Solutions	Others	Total
Japan	14,914	10,781	2,045	1,473	29,213
North America	44,432	28,654	7,505	40	80,631
Europe	30,993	19,261	4,202	1,321	55,777
China	12,388	6,836	1,756	7	20,987
Asia and Oceania	11,195	5,469	4,930	72	21,666
Others	2,935	1,364	1,487	0	5,786
Total	116,857	72,365	21,925	2,913	214,060

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

The Therapeutic Solution Business sells medical devices, including gastroenterology devices, urology products, respiratory products, energy devices, ENT products, and gynecology products, to customers who are primarily medical institutions in Japan and overseas.

The Scientific Solutions Business sells biological microscopes, industrial microscopes, industrial endoscopes, non-destructive testing equipment, X-ray fluorescence (XRF) analyzers, etc. to customers who are mainly research institutions and medical institutions in Japan and overseas.

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

Revenue from the sales of these products has been accounted for using the same accounting policy as that applied in the consolidated financial statements for the previous fiscal year.

(Other income and other expenses)

(1) Other income

Major items of other income are as follows.

Three months ended June 30, 2021 (April 1, 2021 - June 30, 2021)

(Gain on step acquisition)

Olympus Corporation recorded gain on step acquisition of ¥2,826 million in “Other income” due to the acquisition of Medi-Tate Ltd. Details through a business combination. The details of the business combination are described in (Business combinations).

(Gain on sale of fixed assets)

Olympus Corporation recorded gain on sale of fixed assets of ¥1,393 million in “Other income.”

Three months ended June 30, 2022 (April 1, 2022 - June 30, 2022)

(Gain on sale of fixed assets)

Olympus Corporation recorded gain on sale of land in Hatagaya of ¥16,395 million in “Other income.”

(2) Other expenses

Major items of other income are as follows.

Three months ended June 30, 2021 (April 1, 2021 - June 30, 2021)

(Business restructuring expenses)

Olympus Corporation recorded ¥2,272 million for the cost related to promotion of the business transformation plan “Transform Olympus” in “Other expenses.”

(Impairment losses)

For equity investment in associates located in Europe, we estimated a recoverable amount of zero and recorded impairment losses of ¥1,659 million.

Three months ended June 30, 2022 (April 1, 2022 - June 30, 2022)

(Business restructuring expenses)

Olympus Corporation recorded ¥1,011 million for the cost related to promotion of the business transformation plan “Transform Olympus” in “Other expenses.”

Olympus Corporation recorded ¥2,365 million in “Other expenses” as expenses related to the spin-off of the Scientific Business, which was carried out for the purpose of establishing a globally integrated business structure that matches the nature of the business and a management structure that facilitates flexible and swift decision making, and the strengthening of systems following the spin-off.

(Per-share data)

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

	Three months ended June 30, 2021 (April 1, 2021 - June 30, 2021)	Three months ended June 30, 2022 (April 1, 2022 - June 30, 2022)
Basic earnings per share	¥14.54	¥19.53
Diluted earnings per share	¥14.53	¥19.52

(2) The basis for calculating basic earnings per share and diluted earnings per share

	(Millions of yen)	
	Three months ended June 30, 2021 (April 1, 2021 - June 30, 2021)	Three months ended June 30, 2022 (April 1, 2022 - June 30, 2022)
Profit used to calculate basic earnings per share and diluted earnings per share		
Profit attributable to owners of parent	18,690	24,860
Profit not attributable to common shareholders of parent	–	–
Profit used to calculate basic earnings per share	18,690	24,860
Adjustment to profit	–	–
Profit used to calculate diluted earnings per share	18,690	24,860

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

The weighted average number of shares of common stock	1,285,642 thousand shares	1,273,058 thousand shares
Increase in number of shares of common stock		
Subscription rights to shares relating to stock options	500 thousand shares	403 thousand shares
Common stock relating to subsequent grant-type restricted share-based remuneration	104 thousand shares	305 thousand shares
Average number of shares of diluted common stock during the period	1,286,246 thousand shares	1,273,766 thousand shares

(Financial instruments)

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 quarter of the fiscal year. There were no significant financial instruments transferred between the levels for the fiscal year ended March 31, 2022 and the three months ended June 30, 2022.

(1) Financial instruments measured at fair value

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

(Other financial assets and other financial liabilities)

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

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

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

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

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

As of March 31, 2022

	(Millions of yen)			
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets measured at fair value through profit or loss				
Derivative assets	–	1,874	–	1,874
Equity securities and others	–	–	956	956
Financial assets measured at fair value through other comprehensive income				
Equity securities and others	1,532	–	2,939	4,471
Financial liabilities				
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities	–	4,037	–	4,037
Contingent consideration	–	–	6,100	6,100

As of June 30, 2022

	(Millions of yen)			
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets measured at fair value through profit or loss				
Derivative assets	–	6,874	–	6,874
Equity securities and others	–	–	1,086	1,086
Financial assets measured at fair value through other comprehensive income				
Equity securities	1,416	–	3,360	4,776
Financial liabilities				
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities	–	4,205	–	4,205
Contingent consideration	–	–	6,020	6,020

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

	(Millions of yen)	
	Three months ended June 30, 2021 (April 1, 2021 - June 30, 2021)	Three months ended June 30, 2022 (April 1, 2022 - June 30, 2022)
Balance at April 1	2,348	3,895
Gains and losses (Note)		
Profit or loss	(600)	113
Other comprehensive income	100	27
Purchases	59	147
Other	7	264
Balance at June 30	1,914	4,446

Note:

Gains or losses recognized in profit or loss are mainly included in “Finance income” or “Finance costs” in the condensed quarterly consolidated statements of profit or loss. Gains or losses recognized in other comprehensive income are included in “Financial assets measured at fair value through other comprehensive income” in the condensed quarterly consolidated statements of comprehensive income.

In terms of the breakdown of gains or losses recognized in profit or loss, for financial products owned at the end of each quarter of the fiscal year, we recorded a loss of ¥600 million and a gain of ¥113 million in the first quarter of the previous fiscal year and the first quarter of the fiscal year under review, respectively.

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

	(Millions of yen)	
	Three months ended June 30, 2021 (April 1, 2021 - June 30, 2021)	Three months ended June 30, 2022 (April 1, 2022 - June 30, 2022)
Balance at April 1	3,608	6,100
Business combinations	2,148	–
Settlement	–	(345)
Change in fair value	(102)	(80)
Other	(13)	345
Balance at June 30	5,641	6,020

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

	(Millions of yen)			
	As of March 31, 2022		As of June 30, 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Lease receivables	50,517	50,513	54,460	54,456
Financial liabilities				
Bonds	180,322	178,341	187,528	184,328
Borrowings	145,903	146,336	147,428	148,405

(Business combinations)

Three months ended June 30, 2021

(April 1, 2021 - June 30, 2021)

(Acquisition of Medi-Tate Ltd.)

(1) Outline of business combination

1) Name and description of acquired business

Name of acquired business	Medi-Tate Ltd. (hereinafter “Medi-Tate”)
Description of business	R&D and manufacturing of Therapeutic Solutions Business products

2) Primary reason for business combination

Medi-Tate is a medical device manufacturer that researches, develops, and manufactures minimally invasive therapeutic devices for benign prostatic hyperplasia (BPH). By adding Medi-Tate’s minimally invasive treatment device for BPH to our Olympus product portfolio, we will contribute to promoting the spread of minimally invasive treatment for diversifying prostate diseases and improving QOL for patients, thereby further strengthening our competitive position in the urology field.

3) Acquired ratio of holding capital with voting rights

100%

4) Acquisition date

May 27, 2021

5) Acquisition method to govern the acquired company

Just prior to the acquisition date, Olympus Corporation owned 18.46% of Medi-Tate’s voting shares through its consolidated subsidiary Olympus Winter & Ibe GmbH, and it acquired an additional 81.54% for cash as consideration on the acquisition date through Olympus Winter & Ibe GmbH, making it a wholly owned subsidiary.

(2) Acquisition-related expense

The acquisition-related expense of ¥168 million has been booked in “Selling, general and administrative expenses.”

(3) Gain on step acquisition

As a result of revaluing the equity interest of the acquired company held just prior to the acquisition date at fair value on the acquisition date, we recognized a gain on step acquisition of ¥2,826 million. Gains on step acquisition are recorded in “Other income” in the condensed quarterly consolidated statements of profit or loss.

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

	(Millions of yen)
	Amount
Fair value of consideration paid	
Cash	22,680
Fair value of equity interest held just prior to the acquisition date	4,932
Contingent consideration	2,148
Total	29,760
Fair value of assets acquired and liabilities assumed	
Cash and cash equivalents	1,353
Trade and other receivables	3
Inventories	3
Other current assets	214
Property, plant and equipment	30
Intangible assets	8,866
Other financial assets (non-current)	3
Deferred tax assets	604
Trade and other payables	(46)
Other current liabilities	(675)
Deferred tax liabilities	(2,039)
Other non-current liabilities	(16)
Fair value of assets acquired and liabilities assumed, net	8,300
Goodwill	21,460
Total	29,760

Based on the fair value of consideration paid on the acquisition date, we have allocated the assets acquired and liabilities assumed. Furthermore, the allocation of consideration paid has been completed in the previous fiscal year, and there is no material change in the amount from the initial provisional amount. The balance of intangible assets of ¥8,866 million is comprised of technology-related assets related to products of Medi-Tate, which are measured based on future sales growth rate, diminishing value rate, discount rate and other assumptions. The estimated useful lives of technology-related assets are 14 years.

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

(5) Contingent consideration

The contingent consideration is a milestone payment subject to the obtaining of approval for development made by Medi-Tate, and the payment is calculated by taking into consideration the possibility of obtaining the approval for the development and time value of money. The payment limit is US\$40,000 thousand.

In terms of hierarchical level, the fair value of the contingent consideration is level three, which is the fair value calculated from valuation techniques that include inputs that are not based on observable market data. The amount of change in fair value of the contingent consideration includes the recording of the part based on changes in the time value of money as “Finance costs” and the part based on changes other than the time value of money as “Other income” or “Other expenses.”

(6) Impacts on the Olympus Group

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

Three months ended June 30, 2022 (April 1, 2021 - June 30, 2022)

No significant business combinations.

(Contingent liabilities)

There are no significant changes from the items provided in the securities report for the previous fiscal year.

(Subsequent events)

Disposal of treasury shares

Olympus Corporation conducted the disposal of treasury shares as follows based on its restricted stock unit (RSU) system and performance share unit (PSU) system.

In the fiscal year ended March 31, 2018, Olympus Corporation introduced the PSU system as a form of stock compensation for Directors (excluding Outside Directors) and corporate officers through the fiscal year ended March 31, 2019. Even after the transition to a company with a nominating committee, etc. in June 2019, we continued the PSU system as a form of stock compensation for executive officers and corporate officers. Moreover, to increase awareness among Directors (including Outside Directors) and executive officers of “maximizing corporate value and responding to the expectations of a wide range of stakeholders, we revised our compensation system with a basic policy of providing compensation in line with roles and responsibilities. As part of these efforts, in the fiscal year ended March 31, 2021, we introduce our RSU system as a form of stock compensation for Directors (including Outside Directors) and executive officers. Additionally, starting in the fiscal year ended March 31, 2022, we introduced the same RSU system as a form of stock compensation for corporate officers. This disposal of treasury shares is conducted in the form of stock compensation to Directors, executive officers, and corporate officers receiving allotments based on the RSU system and PSU system whereby shares of common stock of Olympus Corporation are paid in as contribution in kind for the full amount of monetary remuneration claims against Olympus Corporation.

Outline of the disposal of treasury shares

(1) Date of disposal	July 22, 2022
(2) Class and number of shares for disposal	87,840 shares of common share of Olympus breakdown RSU 16,567 shares PSU 71,273 shares
(3) Disposal price	2,680 yen per share
(4) Total amount of disposal value	235,411,200 yen
(5) Disposal recipients, the number of such recipients, and the number of shares to be disposed of	<p>(i) RSU granted for the fiscal year ended March 2021 (FY2021-RSU)</p> <p>Two retiring directors 3,082 shares</p> <p>One retired executive officer 6,722 shares</p> <p>(ii) RSU granted for the fiscal year ended March 2022 (FY2022-RSU)</p> <p>Two retiring directors and one non-resident director in Japan 3,921 shares</p> <p>One retired executive officer 768 shares</p> <p>(iii) Transformational FY22-RSU granted for the fiscal year ended March 2022</p> <p>One retired corporate officer 2,074 shares</p> <p>(iv) PSU granted for the performance evaluation period starting from the fiscal year ended March 2020 and ending in the fiscal year ended March 2022 (19PSU)</p> <p>Three executive officers, three retired executive officers, nine corporate officers and eight retired corporate officers 71,273 shares</p> <p>* Those officers retired in the fiscal year ended March 2020 and March 2021 are included in the retired executive officers and retired corporate officers.</p>
(6) Other	Olympus has submitted notice of securities for the disposal of treasury shares in accordance with the Financial Instruments and Exchange Act.