OLYMPUS

Consolidated Financial Statements and Notes

For the Fiscal Year Ended March 31, 2022

(from April1, 2021 to March 31, 2022)

INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS

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Independent Auditor's Report

The Board of Directors
Olympus Corporation

Opinion

We have audited the accompanying consolidated financial statements of Olympus Corporation and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at March 31, 2022, and the consolidated statements of profit or loss, comprehensive income, changes in equity, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Key Audit Matters

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

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<table>
<tr><th colspan="2">Initial measurement at the acquisition date of intangible assets acquired in business combinations</th></tr>
<tr><th>Description of Key Audit Matter</th><th>Auditor's Response</th></tr>
<tr><td>As described in Note 40 "Business Combinations" of the Consolidated Financial Statements, during the fiscal year ended March 31, 2022, Olympus Corporation (the Company) completed its initial measurement of acquired assets, liabilities assumed, and goodwill of Veran Medical Technologies, Inc. ("VMT"), acquired in December 2020, and Medi-Tate Ltd. ("Medi-Tate"), acquired in May 2021.

(Millions of yen)
<table><tr><th></th><th>VMT</th><th>Medi-Tate</th></tr><tr><td>Goodwill</td><td>14,234</td><td>21,460</td></tr><tr><td>Intangible assets</td><td>16,953</td><td>8,866</td></tr><tr><td>(of which are technology-related assets)</td><td>(13,993)</td><td>(8,866)</td></tr><tr><td>(Intagible assets other than above)</td><td>(2,960)</td><td>(−)</td></tr><tr><td>Other</td><td>1,324</td><td>-566</td></tr><tr><td>Acquisition consideration</td><td>*1 32,511</td><td>*2 29,760</td></tr></table>*1: 2.4% of total assets of Consolidated Statement of Financial Position; *2: 2.2% of total assets of Consolidated Statement of Financial Position

The corporate strategy announced in November 2019 set forth to "Focus and scale our TSD (Therapeutic Solutions Division) business" and specified gastrointestinal, urology, and respiratory as priority areas in this business. Investments in VMT and Medi-Tate were made to expand the Company's portfolio of technology and products in the respiratory and urology areas, respectively. Technology-related assets have been identified as the main intangible assets from both investments.

The main assumptions in determining technology-related assets are the future net sales growth rate, the diminishing value rate, and the discount rate. These main assumptions involve uncertainty associated with management estimates, and if the initial measurement of intangible assets is not performed appropriately, this will affect post-acquisition profit or loss for a given fiscal year through subsequent amortization calculations.</td><td>In considering the initial measurement at the acquisition date of technology-related assets of VMT and Medi-Tate, we collaborated with the component auditors and performed the following audit procedures, among others.

● To understand the purpose of acquiring VMT and Medi-Tate, the strategic position of these acquisitions in the Company's business strategy, and an overview of the technologies and products of both companies, we had discussions with management and reviewed the minutes and materials of the meeting of the Board of Directors.

● For the future sales growth rates used in determining technology-related assets, we had discussions with management, and compared these rates with past results and the growth rates of comparable companies.

● We involved valuation specialists from our network firms and performed the following procedures.
・We evaluated the reasonableness of diminishing value patterns and the period wherein related technologies contribute to revenue, which are the basis of the diminishing value rate.
・We compared the discount rate with estimates that used available external data.
・We evaluated the competence, capabilities, and objectivity of the external experts used by management.
・We evaluated the reasonableness of the evaluation method (multi-period excess earnings method) used in determining technology-related assets.</td></tr>
</table>

In addition, since initial measurement results of intangible assets also affect goodwill amounts to be recognized, we determined the initial measurement at the acquisition date of intangible assets acquired in the business combinations to be a key audit matter.	● For VMT, we evaluated the reasonableness of the differences between provisional valuation amounts for the fiscal year ended March 31, 2021, in which VMT was acquired, and final valuation amounts.

Valuation of goodwill of the Therapeutic solutions segment	
Description of Key Audit Matter	**Auditor's Response**
As described in (2) Impairment test for goodwill in Note 16 "Impairment of Non-financial Assets" to the Consolidated Financial Statements, the Company performed an impairment test for goodwill related to the Therapeutic solutions segment (cash generating unit) in the fiscal year ended March 31, 2022. As of March 31, 2022, the amount of goodwill for the Therapeutic solutions segment was ¥137,501 million (10.1% of total assets of Consolidated Statement of Financial Position). This included goodwill of ¥21,460 million from the additional acquisition of Medi-Tate in the fiscal year ended March 31, 2022 as described in Note 40 "Business Combinations" of the Consolidated Financial Statements. In performing the impairment test for goodwill related to the Therapeutic solutions segment, the Company measures the recoverable amount based on value in use. Value in use is determined by discounting to present value the cash flows based on the business plan approved by management having a maximum term of five years as well as the terminal value, which is based on the growth rates after the term of the business plan. The main assumptions in determining value in use are as follows. ・ Growth rate and operating profit ratio in the business plan ・ Growth rate for the period after the term of the business plan ・ Discount rate These main assumptions involve uncertainty	In considering the valuation of goodwill of the Therapeutic solutions segment, we performed the following audit procedures, among others. ● We made inquiries of management and reviewed related materials to gain an understanding of strategies in the Therapeutic Solutions Business, which is the basis of the business plan having a maximum term of five years. In addition, we compared the growth rate and operating profit ratio used in the business plan with past results, market forecasts, and available external data, as well as performed our own sensitivity analysis. ● We involved valuation specialists from our network firms and performed the following procedures. ・ We compared the growth rate for the period after the term of the business plan with market forecasts and available external data. ・ Regarding the discount rate, we evaluated the reasonableness of the method used to determine the discount rate and the reliability of external data used as the basis of determination. ・ We evaluated the reasonableness of the method used to determine value in use. ● To understand the economic reasonableness of the consideration in Medi-Tate's acquisition and its strategic

associated with management estimates and have a significant impact on determining value in use. In particular, the growth rate and the operating profit ratio in the business plan are based on growth through the expansion of the Company's portfolio of treatment tools and devices, and dissemination of procedures. However, these are affected by the external environment, such as regulations on medical devices in the countries and regions where the Company operates its Therapeutic Solutions Business, and competition with products of other companies. In addition, since the amount of goodwill of the Therapeutic solutions segment increased due to the additional acquisition of and making Medi-Tate a subsidiary in the fiscal year ended March 31, 2022, we determined the valuation of goodwill of the Therapeutic solutions segment to be a key audit matter.	position in the Therapeutic Solutions Business, we reviewed the minutes and materials of the meetings of the Board of Directors at the time of initial acquisition of equity interest in Medi-Tate's shares, as well as reviewed minutes and materials of the meetings of the Board of Directors wherein an additional acquisition was considered, and the agreement for the additional acquisition.

Other Information

The other information comprises the information included in the disclosure document that contains audited consolidated financial statements but does not include the consolidated financial statements and our auditor's report thereon.

We have concluded that the other information does not exist. Accordingly, we have not performed any work related to the other information.

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

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

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

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

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

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

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

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

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

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

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

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

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

Ernst & Young ShinNihon LLC
Tokyo, Japan

August 9, 2022

山崎隆浩

Takahiro Yamazaki
Designated Engagement Partner
Certified Public Accountant

吉田哲也

Tetsuya Yoshida
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飯田昌泰

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Designated Engagement Partner
Certified Public Accountant

Consolidated Statement of Financial Position
Olympus Corporation and Consolidated Subsidiaries
As of March 31, 2022

	Millions of yen	
	2021	2022
ASSETS		
Current assets		
Cash and cash equivalents (Notes 7, 35)	¥217,478	¥302,572
Trade and other receivables (Notes 8, 35)	157,920	178,428
Other financial assets (Notes 10, 35)	10,268	10,269
Inventories (Note 9)	158,895	167,368
Income taxes receivable	10,425	3,718
Other current assets (Note 11)	24,970	27,565
Subtotal	579,956	689,920
Assets held for sale (Note 12)	117	4,685
Total current assets	580,073	694,605
Non-current assets		
Property, plant and equipment (Note 13)	239,166	247,112
Goodwill (Note 14)	127,384	164,498
Intangible assets (Note 14)	104,810	120,361
Retirement benefit asset (Note 23)	22,677	25,975
Investments accounted for using equity method	3,128	1,514
Trade and other receivables (Notes 8, 35)	24,577	27,857
Other financial assets (Notes 10, 35)	23,350	16,152
Deferred tax assets (Note 37)	56,720	57,783
Other non-current assets (Note 11)	1,568	2,142
Total non-current assets	603,380	663,394
Total assets	¥1,183,453	¥1,357,999

See accompanying notes to consolidated financial statements.

	Millions of yen	
	2021	2022
LIABILITIES AND EQUITY		
Liabilities		
Current liabilities		
Trade and other payables (Notes 17, 35)	¥69,870	¥60,547
Bonds and borrowings (Notes 18, 35)	31,529	52,281
Other financial liabilities (Notes 19, 35)	21,873	26,015
Income taxes payable	10,736	34,353
Provisions (Note 20)	33,412	22,114
Other current liabilities (Note 21)	160,971	180,941
Total current liabilities	328,391	376,251
Non-current liabilities		
Bonds and borrowings (Notes 18, 35)	323,735	333,846
Other financial liabilities (Notes 19, 35)	60,197	64,600
Retirement benefit liability (Note 23)	42,446	40,001
Provisions (Note 20)	5,676	2,783
Deferred tax liabilities (Note 37)	13,103	13,087
Other non-current liabilities (Note 21)	14,425	16,069
Total non-current liabilities	459,582	470,386
Total liabilities	787,973	846,637
Equity		
Share capital (Note 24)	124,643	124,643
Capital surplus (Note 24)	90,835	91,239
Treasury shares (Note 24)	(98,048)	(45,589)
Other components of equity (Note 24)	(1,347)	34,818
Retained earnings (Note 24)	278,243	305,057
Total equity attributable to owners of parent	394,326	510,168
Non-controlling interests	1,154	1,194
Total equity	395,480	511,362
Total liabilities and equity	¥1,183,453	¥1,357,999

Consolidated Statement of Profit or Loss
Olympus Corporation and Consolidated Subsidiaries
For the year ended March 31, 2022

	2021	2022
	Millions of yen	
Continuing operations		
Revenue (Notes 6, 28)	¥730,544	¥868,867
Cost of sales (Notes 9, 13, 14, 23)	271,014	297,172
Gross profit	459,530	571,695
Selling, general and administrative expenses (Notes 13, 14, 23, 29)	357,032	405,399
Share of profit (loss) of investments accounted for using equity method (Note 6)	595	1,492
Other income (Note 30)	8,479	14,425
Other expenses (Notes 16, 30)	29,587	28,315
Operating profit (Note 6)	81,985	153,898
Finance income (Note 31)	1,193	1,356
Finance costs (Note 31)	6,368	5,381
Profit before tax	76,810	149,873
Income taxes (Note 37)	11,140	33,903
Profit from continuing operations	65,670	115,970
Discontinued operations		
Loss from discontinued operations (Note 41)	(52,681)	–
Profit	¥12,989	¥115,970
Profit attributable to:		
Owners of parent	¥12,918	¥115,742
Non-controlling interests	¥71	¥228
Profit	¥12,989	¥115,970

	2021	2022
	Yen	
Earnings per share		
Basic earnings (loss) per share		
Continuing operations (Note 32)	¥51.03	¥90.22
Discontinued operations (Note 32)	¥(40.98)	¥–
Basic earnings per share (Note 32)	¥10.05	¥90.22
Diluted earnings (loss) per share		
Continuing operations (Note 32)	¥51.00	¥90.17
Discontinued operations (Note 32)	¥(40.96)	¥–
Diluted earnings per share (Note 32)	¥10.04	¥90.17

See accompanying notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income
Olympus Corporation and Consolidated Subsidiaries
For the year ended March 31, 2022

Millions of yen

	2021	2022
Profit	¥12,989	¥115,970
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income (Note 33)	2,626	(686)
Remeasurements of defined benefit plans (Note 33)	(926)	5,312
Total of items that will not be reclassified to profit or loss (Note 33)	1,700	4,626
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations (Note 33)	21,938	42,407
Cash flow hedges (Note 33)	169	(2,154)
Share of other comprehensive income (loss) of associates accounted for using equity method (Note 33)	(55)	152
Total of items that may be reclassified to profit or loss (Note 33)	22,052	40,405
Total other comprehensive income	23,752	45,031
Comprehensive income	¥36,741	¥161,001
Comprehensive income attributable to:		
Owners of parent	¥36,670	¥160,773
Non-controlling interests	¥71	¥228
Comprehensive income	¥36,741	¥161,001

See accompanying notes to consolidated financial statements.

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

	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					115,742	115,742	228	115,970
Other comprehensive income				45,031		45,031		45,031
Comprehensive income	–	–	–	45,031	115,742	160,773	228	161,001
Purchase of treasury shares (Note 24)			(30,001)			(30,001)		(30,001)
Disposal of treasury shares (Note 24)		(111)	115			4		4
Cancellation of treasury shares (Note 24)		(82,340)	82,340			–		–
Dividends from surplus (Note 26)					(15,428)	(15,428)	(188)	(15,616)
Transfer from retained earnings to capital surplus		82,366			(82,366)	–		–
Transfer from other components of equity to retained earnings				(8,866)	8,866	–		–
Share-based payment transactions (Note 27)		489	5			494		494
Total transactions with owners	–	404	52,459	(8,866)	(88,928)	(44,931)	(188)	(45,119)
Balance at March 31, 2022	¥124,643	¥91,239	¥(45,589)	¥34,818	¥305,057	¥510,168	¥1,194	¥511,362

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

Consolidated Statement of Cash Flows
Olympus Corporation and Consolidated Subsidiaries
For the year ended March 31, 2022

	2021	2022
		Millions of yen
Cash flows from operating activities		
Profit before tax	¥76,810	¥149,873
Loss before tax from discontinued operations (Note 41)	(52,476)	–
Depreciation and amortization	59,937	64,615
Loss (gain) on step acquisitions (Notes 30, 40)	–	(2,826)
Impairment loss (reversal) (Note 16)	842	3,396
Interest and dividend income	(1,169)	(1,184)
Interest expenses	3,992	4,865
Loss on sale of Imaging Business (Note 41)	44,794	–
Share of loss (profit) of investments accounted for using equity method	(595)	(1,492)
Decrease (increase) in trade and other receivables	(9,718)	(10,981)
Decrease (increase) in inventories	4,024	(2,097)
Increase (decrease) in trade and other payables	7,361	(8,827)
Increase (decrease) in retirement benefit liability	(987)	181
Decrease (increase) in retirement benefit asset	(718)	328
Increase (decrease) in provisions	6,826	(15,372)
Other	13,847	1,516
Subtotal	152,770	181,995
Interest received	817	1,017
Dividends received	352	167
Interest paid	(3,355)	(4,286)
Income taxes paid	(26,462)	(9,164)
Net cash provided by operating activities	124,122	169,729
Cash flows from investing activities		
Payments into time deposits	(40,002)	(1)
Proceeds from withdrawal of time deposits	40,015	–
Purchase of property, plant and equipment	(38,660)	(41,688)
Proceeds from sales of property, plant and equipment	1,621	4,485
Purchase of intangible assets	(20,567)	(20,083)
Payments for loans receivable	(466)	(129)
Collection of loans receivable	1,167	1,271
Proceeds from sales of investments	7,870	8,282
Payments for sale of businesses (Note 34)	(27,830)	–
Proceeds from sale of businesses (Note 34)	2,121	–
Payments for acquisition of subsidiaries (Notes 34, 40)	(44,541)	(21,837)
Proceeds from sale of subsidiaries (Note 34)	1,328	724
Purchase of investments in associates	(1,069)	–
Other	95	(2,040)
Net cash used in investing activities	(118,918)	(71,016)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings and commercial papers (Note 34)	(67,721)	(5,454)
Repayments of lease liabilities (Note 34)	(16,188)	(17,691)

	Millions of yen	
	2021	2022
Proceeds from long-term borrowings (Note 34)	99,230	–
Repayments of long-term borrowings (Note 34)	(10,606)	(26,246)
Dividends paid (Note 26)	(12,856)	(15,428)
Dividends paid to non-controlling interests	(170)	(188)
Proceeds from issuance of bonds (Notes 18, 34)	49,757	56,143
Payments for purchase of treasury shares	(2)	(30,001)
Payments for acquisition of interests in subsidiaries from non-controlling interests	(462)	–
Other	(182)	(1,802)
Net cash provided by (used in) financing activities	40,800	(40,667)
Effect of exchange rate changes on cash and cash equivalents	8,757	27,048
Net increase (decrease) in cash and cash equivalents	54,761	85,094
Cash and cash equivalents at beginning of period	162,717	217,478
Cash and cash equivalents at end of period	¥217,478	¥302,572

See accompanying notes to consolidated financial statements.

Notes to the Consolidated Financial Statements

Olympus Corporation and Consolidated Subsidiaries

1. Reporting Entity

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

The Olympus Group is principally engaged in the manufacturing and sales of endoscopic, therapeutic, scientific and other products. Details of each business are as described in Note 6 “Segment information.”

2. Basis of Preparation

(1) Compliance with IFRS

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

The Japanese language consolidated financial statements for the fiscal year ended March 31, 2022 were approved by Yasuo Takeuchi, Director, Representative Executive Officer, President and CEO, and Chikashi Takeda, Executive Officer CFO, on June 21, 2022. These English language consolidated financial statements were approved by Yasuo Takeuchi, Director, Representative Executive Officer, President and CEO, and Chikashi Takeda, Executive Officer CFO subsequently on August 9, 2022. Refer to (Disposal of treasury shares) of Note 44 for details of material event which occurred subsequent to the date of the Japanese language consolidated financial statements, which required additional disclosures in these English language consolidated financial statements.

(2) Basis of measurement

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

(3) Functional currency and presentation currency

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

3. Significant Accounting Policies

(1) Basis of consolidation

1) Subsidiaries

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

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

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

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

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

2) Associates

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

Investments in associates include goodwill recognized on acquisition.

(2) Business combinations

Business combinations are accounted for by using the acquisition method.

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

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

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

(3) Foreign currency translations

1) Foreign currency transactions

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

2) Financial statements of foreign operations

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

(4) Financial instruments

1) Financial assets

(i) Initial recognition and measurement

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

(ii) Classification and subsequent measurement

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

(Financial assets measured at amortized cost)

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

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

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

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

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

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

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

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

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

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

(iii) Impairment of financial assets

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

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

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

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

(iv) Derecognition

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

2) Financial liabilities

(i) Initial recognition and measurement

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

(ii) Classification and subsequent measurement

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

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

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

(iii) Derecognition

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

3) Offsetting financial instruments

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

4) Derivatives and hedge accounting

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

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

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

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

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

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

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

(5) Cash and cash equivalents

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

(6) Inventories

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

(7) Property, plant and equipment

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

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

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

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

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

(8) Goodwill

Goodwill is carried at cost less any accumulated impairment losses.

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

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

(9) Intangible assets

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

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

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

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

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

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

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

(10) Leases

1) Leases as lessee

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

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

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

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

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

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

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

2) Leases as lessor

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

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

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

(11) Impairment of non-financial assets

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

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

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

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

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

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

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

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

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

(13) Provisions

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

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

(14) Contingent liabilities

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

(15) Government grants

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

(16) Employee benefits

1) Post-employment benefits

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

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

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

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

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

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

2) Short-term employee benefits

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

3) Other long-term employee benefits

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

(17) Equity

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

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

(18) Share-based payments

The Company has the following equity-settled share option plans as incentive plans for its directors, executive officers, and corporate officers.

Stock option plans

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

Share-Based Remuneration Plan

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

(19) Revenue

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

Step 1: Identify the contract with the customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

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

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

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

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

(20) Finance income and finance costs

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

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

(21) Income taxes

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

1) Current taxes

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

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

2) Deferred taxes

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

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

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

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

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

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

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

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

(22) Earnings per share

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

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

4. Significant Accounting Estimates and Associated Judgments

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

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

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

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

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

- Evaluation of inventories (Note 3 “Significant accounting policies (6) Inventories,” Note 9 “Inventories”)

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

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

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

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

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

- Contingent liabilities (Note 3 “Significant accounting policies (14) Contingent liabilities,” Note 42 “Contingent liabilities”)

  Contingent liabilities are disclosed whenever any item exists that may have significant impacts on future businesses after all evidence available on the reporting date is examined and the probability and impact in terms of the amount are taken into consideration.

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

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

- Recoverability of deferred tax assets (Note 3 “Significant accounting policies (21) Income taxes,” Note 37 “Income taxes”)

  Deferred tax assets are recognized to the extent that it is likely that taxable profit will be available against which the deductible temporary differences can be utilized. In determining the probability that taxable profit will be available, the Olympus Group estimates the timing and the amount of the taxable profit based on the business plan. Although these estimates are management’s best estimates, the actual results may differ as a result of changes in uncertain future economic conditions.

- Impact of COVID-19

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

5. New or Amended Standards or Interpretations Not Yet Adopted

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

6. Segment Information

(1) Overview of reportable segments

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

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.

From the three months ended June 30, 2021, bronchoscopes, which were previously included in the Endoscopic solutions segment, were transferred to the Therapeutic solutions segment, for the purpose of strengthening business in the respiratory area. Segment information for the fiscal year ended March 31, 2021, has been reclassified and restated based on the new reporting segment classification.

Due to the transfer of the Imaging Business to OJ Holdings, Ltd., a special purpose company established by Japan Industrial Partners, Inc. in the fiscal year ended March 31, 2021, the profit (loss) of the Imaging Business is presented in discontinued operations.

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

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

Reportable Segment	Principal products and services
Endoscopic Solutions Business	Gastrointestinal endoscopes, surgical endoscopes, 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, operating profit or loss, finance income, finance costs and other items by reportable segment

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

	Millions of yen						
	For the year ended March 31, 2021						
	Reportable Segment					Adjustment (Notes 2, 3, 4, 5)	Amount on consolidated financial statements
	Endoscopic Solutions	Therapeutic Solutions	Scientific Solutions	Others	Total		
Revenue							
Revenue from outside customers	¥393,664	¥231,842	¥95,861	¥9,177	¥730,544	¥–	¥730,544
Intersegment revenue (Note 1)	–	–	4	166	170	(170)	–
Total	393,664	231,842	95,865	9,343	730,714	(170)	730,544
Operating profit (loss)	98,771	30,567	4,949	(682)	133,605	(51,620)	81,985
Finance income							1,193
Finance costs							6,368
Profit before tax							76,810
Other items							
Share of profit (loss) of investments accounted for using equity method	656	(61)	–	–	595	–	595
Depreciation and amortization	29,421	14,504	7,313	923	52,161	7,398	59,559
Impairment losses (non-financial assets)	70	414	–	–	484	358	842
Segment assets	451,254	343,460	97,088	20,517	912,319	271,134	1,183,453
Investments accounted for using equity method	1,040	2,088	–	–	3,128	–	3,128
Capital expenditures	¥50,878	¥24,366	¥9,098	¥928	¥85,270	¥13,665	¥98,935

Notes: 1. Intersegment revenue is based on actual market prices.
2. Adjustment for operating profit (loss) represents corporate expenses that consist of elimination of transactions among segments as well as general and administrative expenses and fundamental research expenses, etc., that are not attributable to reportable segments.
3. Adjustment for segment assets represents corporate assets that are not attributable to reportable segments.
4. Adjustment for depreciation and amortization represents corporate depreciation and amortization that are not attributable to reportable segments.
5. Adjustment for capital expenditures represents the increase in corporate assets that is not attributable to reportable segments.

	Millions of yen						
	For the year ended March 31, 2022						
	Reportable Segment					Adjustment (Notes 2, 3, 4, 5)	Amount on consolidated financial statements
	Endoscopic Solutions	Therapeutic Solutions	Scientific Solutions	Others	Total		
Revenue							
Revenue from outside customers	¥461,547	¥275,586	¥119,105	¥12,629	¥868,867	¥–	¥868,867
Intersegment revenue (Note 1)	–	–	47	373	420	(420)	–
Total	461,547	275,586	119,152	13,002	869,287	(420)	868,867
Operating profit (loss)	133,204	60,826	17,526	(2,024)	209,532	(55,634)	153,898
Finance income							1,356
Finance costs							5,381
Profit before tax							149,873
Other items							
Share of profit (loss) of investments accounted for using equity method	1,539	(47)	–	–	1,492	–	1,492
Depreciation and amortization	33,523	16,935	7,156	1,093	58,707	5,908	64,615
Impairment losses (non-financial assets)	2,006	488	–	–	2,494	902	3,396
Segment assets	493,582	412,914	112,255	20,685	1,039,436	318,563	1,357,999
Investments accounted for using equity method	1,514	–	–	–	1,514	–	1,514
Capital expenditures	¥40,437	¥16,343	¥9,585	¥997	¥67,362	¥8,141	¥75,503

Notes: 1. Intersegment revenue is based on actual market prices.
2. Adjustment for operating profit (loss) represents corporate expenses that consist of elimination of transactions among segments as well as general and administrative expenses and fundamental research expenses, etc., that are not attributable to reportable segments.
3. Adjustment for segment assets represents corporate assets that are not attributable to reportable segments.
4. Adjustment for depreciation and amortization represents corporate depreciation and amortization that are not attributable to reportable segments.
5. Adjustment for capital expenditures represents the increase in corporate assets that is not attributable to reportable segments.

(3) Information about products and services

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

(4) Geographical information

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

Revenue by country or region

	Millions of yen	
	2021	2022
Japan	¥123,454	¥135,197
North America	236,979	293,441
Europe	181,227	217,858
China	110,354	125,406
Asia and Oceania	63,563	77,484
Others	14,967	19,481
Total	¥730,544	¥868,867

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

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

(1) North America — United States, Canada

(2) Europe — Germany, United Kingdom, France, etc.

(3) Asia and Oceania — Singapore, South Korea, Australia, etc.

(4) Others — Central and South America, Africa, etc.

For the years ended March 31, 2021 and 2022, revenue from external customers in the U.S. was ¥222,057 million and ¥273,429 million, respectively. In no single country or region other than Japan, the United States and China was revenue from external customers significant in the years ended March 31, 2021 and 2022.

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

	Millions of yen	
	2021	2022
Japan	¥158,872	¥150,796
Americas	190,348	214,365
Europe and Middle East	99,499	139,256
Asia and Oceania	24,209	29,696
Total	472,928	¥534,113

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

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

(1) Americas — United States, Canada, Mexico, and Brazil

(2) Europe and Middle East — Germany, United Kingdom, France, etc.

(3) Asia and Oceania — Singapore, China, South Korea, Australia, etc.

Within Americas, the balances of non-current assets (except financial instruments, deferred tax assets, and retirement benefit assets) in the United States were ¥182,958 million and ¥205,699 million as of March 31, 2021 and 2022, respectively. Within Europe and Middle East, the balances of non-current assets (except financial instruments, deferred tax assets, and retirement benefit assets) in Germany were ¥52,414 million and ¥55,905 million as of March 31, 2021 and 2022, respectively. The balances of non-current assets (except financial instruments, deferred tax assets, and retirement benefit assets) in any individual country and region other than Japan, the United States, and Germany were not material as of March 31, 2021 and 2022.

(5) Major customers

Information on revenue attributable to major customers for the years ended March 31, 2021 and 2022 was omitted because revenue attributable to each customer accounted for less than 10% of consolidated revenue.

7. Cash and Cash Equivalents

The breakdown of cash and cash equivalents in the consolidated statement of financial position and the relationship between the cash and cash equivalents in the consolidated statement of financial position and the cash and cash equivalents in the consolidated statement of cash flows as of March 31, 2021 and 2022 were as follows:

	Millions of yen	
	2021	2022
Cash and deposits	¥173,278	¥294,580
Short-term investments	44,200	7,992
Cash and cash equivalents in the consolidated statement of financial position	¥217,478	¥302,572
Cash and cash equivalents included in assets held for sale	–	–
Cash and cash equivalents in the consolidated statement of cash flows	¥217,478	¥302,572

8. Trade and Other Receivables

The breakdown of trade and other receivables as of March 31, 2021 and 2022 was as follows:

	Millions of yen	
	2021	2022
Trade notes receivable and trade accounts receivable	¥136,657	¥151,043
Other receivables	12,147	14,955
Contract assets	436	728
Lease receivables	45,377	50,517
Allowance for doubtful accounts	(12,120)	(10,958)
Total	¥182,497	¥206,285
Current	157,920	178,428
Non-current	24,577	27,857
Total	¥182,497	¥206,285

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

9. Inventories

The breakdown of inventories as of March 31, 2021 and 2022 was as follows:

	Millions of yen	
	2021	2022
Merchandise and finished goods	¥77,807	¥64,116
Work in progress	23,718	40,428
Raw materials and supplies	57,370	62,824
Total	¥158,895	¥167,368

The amounts of inventories recorded as cost of sales for the years ended March 31, 2021 and 2022 were ¥219,710 million and ¥253,024 million, respectively.

Write-downs of inventories recognized as expenses for the years ended March 31, 2021 and 2022 were ¥14,959 million and ¥18,542 million, respectively.

Inventories include materials not expected to be used or sold within 12 months from the end of each fiscal year, but all of them are held within the Olympus Group’s normal operating cycle. The corresponding carrying amounts at March 31, 2021 and 2022 were ¥5,779 million and ¥4,135 million, respectively.

10. Other Financial Assets

The breakdown of other financial assets as of March 31, 2021 and 2022 was as follows:

	Millions of yen	
	2021	2022
Financial assets measured at fair value through profit or loss		
Derivative assets	¥968	¥1,874
Equity securities and others	1,495	956
Financial assets measured at amortized cost		
Deposits with withdrawal restrictions	4,661	6,023
Lease and guarantee deposits	4,760	4,359
Other	10,554	8,738
Financial assets measured at fair value through other comprehensive income		
Equity securities	11,180	4,471
Total	¥33,618	¥26,421
Current	10,268	10,269
Non-current	23,350	16,152
Total	¥33,618	¥26,421

11. Other Current Assets and Other Non-current Assets

The breakdown of other current assets and other non-current assets as of March 31, 2021 and 2022 was as follows:

	Millions of yen	
	2021	2022
Prepaid expenses	¥10,090	¥14,528
Consumption tax receivables	9,277	7,285
Other	7,171	7,894
Total	¥26,538	¥29,707
Current	24,970	27,565
Non-current	1,568	2,142
Total	¥26,538	¥29,707

12. Assets Held for Sale

The breakdown of assets held for sale as of March 31, 2021 and 2022 was as follows:

	Millions of yen	
	2021	2022
Assets		
Land	¥45	¥4,683
Buildings and structures	72	2
Machinery and vehicles	0	–
Total	¥117	¥4,685

The procedures of sales of assets categorized as assets held for sale in the fiscal year ended March 31, 2021 were completed in the fiscal year ended March 31, 2022.

Assets categorized as assets held for sale in the fiscal year ended March 31, 2022 are assets held by the entire company not belonging to any segment that the Company decided to sell from the standpoint of management resource optimization. Sales of these assets were completed on April 27, 2022.

13. Property, Plant and Equipment

(1) Changes in property, plant and equipment

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

Carrying amount

	Millions of yen					
	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
Balance at April 1, 2020	¥91,976	¥21,880	¥61,464	¥22,739	¥4,075	¥202,134
Additions	39,927	5,625	23,195	482	10,204	79,433
Additions through business combinations	696	281	818	57	10	1,862
Depreciation	(14,879)	(6,777)	(22,906)	(356)	–	(44,918)
Impairment losses	(339)	(11)	(27)	–	–	(377)
Sales and disposals	(2,615)	(1,153)	(3,841)	(69)	–	(7,678)
Transfer to assets held for sale	(72)	0	–	(45)	–	(117)
Reclassification	3,870	1,534	2,137	–	(7,015)	526
Exchange differences on translation of foreign operations	4,882	502	3,413	266	401	9,464
Decrease by sale of businesses	(372)	(343)	(195)	(47)	(204)	(1,161)
Other	(13)	11	(1)	1	–	(2)
Balance at March 31, 2021	¥123,061	¥21,549	¥64,057	¥23,028	¥7,471	¥239,166
Additions	12,846	6,342	25,554	358	10,326	55,426
Additions through business combinations	–	–	29	–	–	29
Depreciation	(15,883)	(6,965)	(25,233)	(360)	–	(48,441)
Impairment losses	(163)	(4)	(82)	–	–	(249)
Sales and disposals	(7,079)	(830)	(2,160)	(67)	–	(10,136)
Transfer to assets held for sale	(2)	–	–	(4,683)	–	(4,685)
Reclassification	2,690	2,486	2,413	–	(6,100)	1,489
Exchange differences on translation of foreign operations	6,505	884	6,346	253	773	14,761
Other	(214)	(9)	(22)	(2)	(1)	(248)
Balance at March 31, 2022	¥121,761	¥23,453	¥70,902	¥18,527	¥12,469	¥247,112

Notes: 1. No borrowing costs were capitalized for the years ended March 31, 2021 and 2022.

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

3. Changes of carrying amount ¥2,134 million and ¥3,416 million by company housing the Company contracted and loaned to employees is recorded "Additions" and "Sales and disposals" of "Buildings and structures" for the years ended March 31, 2021 and 2022, respectively. And that has no impact on balance.

Acquisition cost

	Millions of yen					
	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
Balance at April 1, 2020	¥195,563	¥64,040	¥261,650	¥23,249	¥4,075	¥548,577
Balance at March 31, 2021	244,133	66,029	267,051	23,873	7,471	608,557
Balance at March 31, 2022	¥257,067	¥70,030	¥305,888	¥19,622	¥12,469	¥665,076

Accumulated depreciation and accumulated impairment losses

	Millions of yen					
	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
Balance at April 1, 2020	¥103,587	¥42,160	¥200,186	¥510	¥–	¥346,443
Balance at March 31, 2021	121,072	44,480	202,994	845	–	369,391
Balance at March 31, 2022	¥135,306	¥46,577	¥234,986	¥1,095	¥–	¥417,964

As the provisionally measured fair values of the assets acquired and liabilities assumed related to the business combination were revised in the fiscal year ended March 31, 2022, the “carrying amount,” and “acquisition cost,” of property, plant and equipment for the fiscal year ended March 31, 2021, have been retrospectively adjusted. For details on retrospective adjustment, please see Note “40. Business Combinations.”

(2) Right-of-use assets

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

	Millions of yen				
	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Total
Balance at April 1, 2020	¥25,195	¥4,588	¥2,335	¥308	¥32,426
Balance at March 31, 2021	51,624	4,487	2,173	264	58,548
Balance at March 31, 2022	¥50,341	¥5,112	¥1,881	¥260	¥57,594

Note: Right-of-use assets increased during the fiscal years ended March 31, 2021 and 2022 by ¥39,849 million and ¥16,122 million, respectively.

14. Goodwill and Intangible Assets

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

Carrying amount

Millions of yen					
		Intangible assets			
	Goodwill	Capitalized development costs	Software	Other	Total
Balance at April 1, 2020	¥98,328	¥47,696	¥11,730	¥15,366	¥74,792
Additions	–	–	2,948	1,485	4,433
Additions through internal development	–	16,134	–	–	16,134
Additions through business combinations (Note 2)	25,087	521	199	22,125	22,845
Amortization	–	(8,617)	(3,542)	(2,860)	(15,019)
Impairment losses	–	(465)	–	–	(465)
Sales and disposals	–	(80)	(208)	(610)	(898)
Reclassification	–	(9)	267	113	371
Exchange differences on translation of foreign operations	3,969	1,054	263	1,339	2,656
Decrease by sale of businesses	–	–	(16)	(44)	(60)
Other	–	–	–	21	21
Balance at March 31, 2021	¥127,384	¥56,234	¥11,641	¥36,935	¥104,810
Additions	–	–	3,205	1,373	4,578
Additions through internal development	–	15,499	–	–	15,499
Additions through business combinations (Note 3)	21,093	–	–	8,645	8,645
Amortization	–	(9,049)	(3,296)	(3,829)	(16,174)
Impairment losses	–	(2,061)	(1,086)	–	(3,147)
Sales and disposals	–	–	(24)	(381)	(405)
Reclassification	–	11	(232)	8	(213)
Exchange differences on translation of foreign operations	16,021	1,310	332	4,527	6,169
Other	–	16	801	(218)	599
Balance at March 31, 2022	¥164,498	¥61,960	¥11,341	¥47,060	¥120,361

Notes:
1. Amortization of capitalized development costs is recorded as "Cost of sales" on the consolidated statement of profit or loss. Amortization cost excluding capitalized development costs is recorded in "Cost of sales" and "Selling, general and administrative expenses" on the consolidated statement of profit or loss.
2. Of additions through business combinations, major components included in "Other" are ¥2,016 million in technology-related assets arising in the acquisition of FH ORTHO SAS and ¥14,339 million in technology-related assets arising in the acquisition of Veran Medical Technologies, Inc. For details on business combinations, please see Note "40. Business Combinations."
3. Of additions through business combinations, major components included in "Other" are ¥8,645 million in technology-related assets arising in the acquisition of Medi-Tate Ltd. For details on business combinations, please see Note "40. Business Combinations."

Acquisition cost

Millions of yen					
		Intangible assets			
	Goodwill	Capitalized development costs	Software	Other	Total
Balance at April 1, 2020	¥98,328	¥72,665	¥53,962	¥121,662	¥248,289
Balance at March 31, 2021	127,384	87,537	56,335	147,960	291,832
Balance at March 31, 2022	¥164,498	¥99,283	¥58,389	¥172,542	¥330,214

Accumulated amortization and accumulated impairment losses

	Millions of yen				
	Goodwill	Intangible assets			
		Capitalized development costs	Software	Other	Total
Balance at April 1, 2020	¥–	¥24,969	¥42,232	¥106,296	¥173,497
Balance at March 31, 2021	–	31,303	44,694	111,025	187,022
Balance at March 31, 2022	¥–	¥37,323	¥47,048	¥125,482	¥209,853

As the provisionally measured fair values of the assets acquired and liabilities assumed related to the business combination were revised in the fiscal year ended March 31, 2022, the "carrying amount," and "acquisition cost," of goodwill and intangible assets for the fiscal year ended March 31, 2021, have been retrospectively adjusted. For details on retrospective adjustment, please see Note "40. Business Combinations."

(2) Significant intangible assets

Significant intangible assets recognized at March 31, 2021 are technology-related assets arising from the acquisition of Veran Medical Technologies, Inc. by the Olympus Group on December 29, 2020. The carrying amount, which reflects revisions to the provisionally measured fair values of the assets acquired and liabilities assumed related to the business combination, was ¥14,968 million and the remaining amortization period was 15 years as of March 31, 2021.

Significant intangible assets recognized at March 31, 2022 are technology-related assets arising from the acquisition of Veran Medical Technologies, Inc. by the Olympus Group on December 29, 2020 and technology-related assets arising from the acquisition of Medi-Tate Ltd. by the Olympus Group on May 27, 2021. The carrying amounts were ¥15,168 million and ¥9,276 million, respectively, and the remaining amortization period was 14 years each, as of March 31, 2022.

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

(3) Research and development expenditures recognized as expenses

Research expenses and development costs that do not meet asset recognition criteria are recognized as expenses when incurred. Research and development expenditures recognized as expenses in the years ended March 31, 2021 and 2022 were ¥65,660 million and ¥69,773 million, respectively.

15. Commitments

Commitments to acquire property, plant and equipment and intangible assets subsequent to March 31, 2021 and 2022 were as follows:

	Millions of yen	
	2021	2022
Property, plant and equipment	¥6,738	¥5,972
Intangible assets	910	1,825
Total	¥7,648	¥7,797

16. Impairment of Non-financial Assets

(1) Impairment losses

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

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

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

	Millions of yen	
	2021	2022
Property, plant and equipment		
Buildings and structures	¥339	¥163
Machinery and vehicles	11	4
Tools, furniture and fixtures	27	82
Intangible assets		
Capitalized development costs	465	2,061
Software	–	1,086
Total	¥842	¥3,396

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

Major impairment losses recognized in the year ended March 31, 2022 were as follows.

The Company recognized impairment losses of ¥1,630 million on development assets in the endoscope business, which were written down to their recoverable amount since the Company no longer expects them to generate the expected earnings at the time of acquisition due to such factors as changes in the market environment. The recoverable amount was the fair value less costs of disposal and, as the assets are difficult to sell, this amount was zero. It was classified as level 3 in the fair value hierarchy.

The Company recognized impairment loss of ¥902 million for software that is a corporate asset not belonging to any reportable segment, as the software is no longer expected to be used in the future and thus was written down to its recoverable amount. The recoverable amount was the fair value less costs of disposal and, as the assets are difficult to sell, this amount was zero. It was classified as level 3 in the fair value hierarchy.

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

(2) Impairment test for goodwill

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

	Millions of yen	
	2021	2022
Endoscopic solutions segment	¥19,496	¥21,339
Therapeutic solutions segment	102,849	137,501
Scientific solutions segment	1,971	2,174
Others		
Orthopedic business	3,068	3,484
Total	¥127,384	¥164,498

The Olympus Group tested goodwill for impairment on March 31, 2021 and 2022.

Individually significant goodwill carried on the consolidated statement of financial position is the goodwill allocated to the Endoscopic solutions segment and Therapeutic solutions segment. As the provisionally measured fair values of the assets acquired and liabilities assumed related to the business combination were revised in the fiscal year ended March 31, 2022, the amount of goodwill for the fiscal year ended March 31, 2021 has been retrospectively adjusted. Details of the retrospective adjustments are described in Note “40. Business Combinations.” In addition, from the fiscal year ended March 31, 2022, bronchoscopes, which were previously included in the Endoscopic solutions segment, were transferred to the Therapeutic solutions segment, to strengthen business in the respiratory area. Accordingly, goodwill allocated to bronchoscopes of ¥2,865 million and ¥3,133 million for the fiscal years ended March 31, 2021 and 2022, respectively, was split off from goodwill of the Endoscopic solutions segment and reallocated to goodwill of the Therapeutic solutions segment. Of the goodwill recorded as a result of the business combination in the fiscal year ended March 31, 2022, the goodwill of Medi-Tate Ltd. is allocated to the Therapeutic solutions segment.

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

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

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

The growth rate for the period after the term of the business plans is determined based on market research reports for the industry in which the cash-generating unit (CGU) operates. The growth rate of "Endoscopic Solutions Business" and "Therapeutic Solutions Business" is 1.1% - 5.00% and 1.8% - 4.43%, respectively, as of March 31, 2021, and 1.7% - 4.00% and 1.7% - 3.83%, respectively, as of March 31, 2022.

The discount rate is based on the pre-tax weighted average cost of the cash-generating unit. The discount rates for the fiscal years ended March 31, 2021 and 2022, were 8.6% and 7.7%, respectively.

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

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

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

17. Trade and Other Payables

The breakdown of trade and other payables as of March 31, 2021 and 2022 was as follows:

	Millions of yen	
	2021	2022
Notes and account payable	¥44,463	¥45,316
Other payable	25,407	15,231
Total	¥69,870	¥60,547

18. Bonds and Borrowings

The breakdown of bonds and borrowings as of March 31, 2021 and 2022 was as follows:

	Millions of yen		Average interest rate (%)	Maturity
	2021	2022		
Short-term borrowings	¥5,458	¥67	1.52	—
Current portion of bonds payable	–	39,966	0.10	September 2022 to December 2022
Current portion of long-term borrowings	26,071	12,248	2.92	February 2023 to March 2023
Bonds (excluding current portion)	119,596	140,356	1.11	March 2024 to July 2030
Long-term borrowings (excluding current portion)	204,139	193,490	0.43	November 2023 to September 2029
Total	¥355,264	¥386,127		
Current	31,529	52,281		
Non-current	323,735	333,846		
Total	¥355,264	¥386,127		

Note: The average interest rate is the weighted average interest rate on the ending balance of borrowings. Bonds and borrowings are classified as financial liabilities measured at amortized cost.

The breakdown of bonds as of March 31, 2021 and 2022 was as follows:

Company	Bond name	Issue date	Millions of yen		Interest (%)	Maturity date
			2021	2022		
Olympus Corporation	22nd unsecured bonds	September 20, 2017	¥9,984	¥9,994	0.22	September 2022
Olympus Corporation	23rd unsecured bonds	March 7, 2019	9,967	9,979	0.27	March 2024
Olympus Corporation	24th unsecured bonds	December 5, 2019	29,933	29,971	0.06	December 2022
Olympus Corporation	25th unsecured bonds	December 5, 2019	19,931	19,949	0.20	December 2024
Olympus Corporation	26th unsecured bonds	July 18, 2020	24,903	24,925	0.25	July 2025
Olympus Corporation	27th unsecured bonds	July 19, 2020	24,878	24,891	0.47	July 2030
Olympus Corporation	Dollar-denominated unsecured bonds due 2026	December 8, 2021	–	60,613	2.14	December 2026
Total			¥119,596	¥180,322		

The breakdown of long-term borrowings, including current portion, as of March 31, 2021 and 2022 was as follows:

Financial institution	Millions of yen		Interest rate (%)	Maturity date
	2021	2022		
Japanese Bank	¥13,007	¥13,063	0.86	September 2029
Japanese Bank	1,458	1,464	0.73	September 2027
Japanese Bank	10,000	10,000	1.38	September 2025
Japanese Bank	9,538	9,608	0.53	August 2027
Japanese Bank	10,000	10,000	1.39	September 2025
Japanese Bank	15,000	–	2.04	May 2021
Japanese Bank	5,535	–	2.91	February 2022
Japanese Bank	5,536	6,120	2.91	February 2023
Japanese Bank	5,536	–	2.92	March 2022
Japanese Bank	5,536	6,120	2.92	March 2023
Japanese Bank	9,581	9,639	0.55	June 2028
Japanese Bank	39,855	39,912	0.10	November 2023
Japanese Bank	49,611	49,710	0.32	April 2025
Japanese Bank	39,751	39,831	0.22	May 2024
Japanese Bank	10,000	10,000	0.35	May 2024
Other	266	271		
Total	¥230,210	¥205,738		

19. Other Financial Liabilities

The breakdown of other financial liabilities as of March 31, 2021 and 2022 was as follows:

	Millions of yen	
	2021	2022
Financial liabilities measured at fair value through profit or loss		
Derivative liabilities	¥2,467	¥4,037
Contingent consideration	3,608	6,100
Financial liabilities measured at amortized cost		
Lease liabilities	66,407	65,015
Other	9,588	15,463
Total	¥82,070	¥90,615
Current	21,873	26,015
Non-current	60,197	64,600
Total	¥82,070	¥90,615

20. Provisions

The changes in provisions during the year ended March 31, 2022 were as follows:

	Millions of yen				
	Provision for product warranties	Provision for loss on litigation	Provision for duodenoscope market response	Other	Total
Balance at April 1, 2021	¥9,759	¥4,108	¥12,394	¥12,827	¥39,088
Increase during the year	908	61	1,632	2,765	5,366
Decrease (Provisions used)	(2,622)	(50)	(1,919)	(2,698)	(7,289)
Decrease (Provisions reversed)	(3,766)	(12)	(4,153)	(4,861)	(12,792)
Exchange differences on translation of foreign operations	5	400	–	119	524
Balance at March 31, 2022	¥4,284	¥4,507	¥7,954	¥8,152	¥24,897
Current	¥4,083	¥4,474	¥7,954	¥5,603	22,114
Non-current	201	33	–	2,549	2,783
Total	¥4,284	¥4,507	¥7,954	¥8,152	¥24,897

Notes: 1 The Company has decided to voluntarily replace the old type of duodenoscopes with a fixed tip cap with the new type with a removable tip cap, which is easier to clean and disinfect, against the background of obtaining regulatory approval for the new type of duodenoscopes with a removable tip cap in the United States, and has recorded the amount deemed necessary for this market response as provision. Up until now, the Company had been proceeding with the recall for the old-type product in exchange for the new type. However, in the fiscal year ended March 31, 2022, the Company decided to replace the old-type product with the new product recommended by the FDA (the US Food and Drug Administration) at no charge with the objective of speeding up the progress, and due to a change to the amount of money deemed necessary for provision for duodenoscope market response, a reversal of that provision of ¥4,153 million has been made.

2. As a result of conducting voluntary post-market surveillance, the Company has decided to voluntarily recall a Bronchovideoscope model and a Choledochofiberscope model that were subject to that surveillance in light of the internal quality standards, placing top priority on securing patient safety, and has recorded the amount deemed necessary for this market response as provision. The Company had been proceeding with the recall for the old type in exchange for the new type. However, in the fiscal year ended March 31, 2022, the Company decided to replace the old-type product with the new product at no charge with the objective of speeding up the progress, and due to a change to the amount of money deemed necessary for the market response, a reversal of provision for product warranties of ¥2,663 million has been made.

3. Of the tax provision recorded in the fiscal year ended March 31, 2019 in anticipation of additional collection related to the independent investigation conducted by the Company's foreign subsidiaries regarding indirect taxes, ¥3,596 million, which is no longer expected to be incurred in the fiscal year ended March 31, 2022, is reversed from Other provision.

(1) Provision for product warranties

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

(2) Provision for loss on litigation

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

(3) Provision for duodenoscope market response

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

21. Other Current Liabilities and Other Non-current Liabilities

The breakdown of other current liabilities and other non-current liabilities as of March 31, 2021 and 2022 was as follows:

	Millions of yen	
	2021	2022
Accrued expenses	¥107,754	¥117,143
Contract liabilities	44,923	53,650
Other	22,719	26,217
Total	¥175,396	¥197,010
Current	160,971	180,941
Non-current	14,425	16,069
Total	¥175,396	¥197,010

22. Government Grants

Government grants included in other current liabilities and other non-current liabilities as of March 31, 2021 and 2022 were as follows:

	Millions of yen	
	2021	2022
Other current liabilities	¥473	¥443
Other non-current liabilities	2,425	2,038

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

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

In the year ended March 31, 2021, the Company recorded proceeds from government subsidies of ¥2,388 million in “Other income.” The government subsidies are the grants from the national government, municipalities, and the like due to the spread of COVID-19.

23. Employee Benefits

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

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

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

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

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

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

(1) Defined benefit plans

1) Reconciliation of defined benefit obligations

The changes in defined benefit obligations were as follows:

	Millions of yen	
	2021	2022
Balance at April 1	¥202,638	¥179,340
Current service cost	7,314	6,943
Past service cost	51	343
Interest cost	2,878	2,461
Remeasurements		
Actuarial gains and losses arising from changes in demographic assumptions	(516)	480
Actuarial gains and losses arising from changes in financial assumptions	1,133	(7,718)
Other	301	(1,219)
Contributions by employees	137	156
Benefits paid	(13,403)	(11,094)
Settlement of a plan (Note 1)	(21,921)	–
Effects of business combinations and disposals	(3,007)	(494)
Exchange differences on translation of foreign operations	3,776	6,462
Other	(41)	(27)
Balance at March 31	¥179,340	¥175,633

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

2) Reconciliation of fair value of plan assets

The change in the fair value of plan assets during the year ended March 31, 2022 is presented below.

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

In the fiscal year ending March 31, 2023, the Olympus Group plans to contribute ¥5,875 million to the plan.

	Millions of yen	
	2021	2022
Balance at April 1	¥184,142	¥159,571
Interest income	2,585	1,988
Remeasurements		
Return on plan assets (Note 1)	(2,580)	(410)
Contributions by employer	6,570	6,646
Contributions by employees	136	134
Benefits paid	(11,083)	(10,288)
Settlement of a plan (Note 2)	(22,474)	–
Effects of business combinations and disposals	(3,550)	–
Exchange differences on translation of foreign operations	6,051	4,058
Other	(226)	(92)
Balance at March 31	¥159,571	¥161,607

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

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

3) Reconciliation of defined benefit obligations and plan assets

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

	Millions of yen	
	2021	2022
Present value of the funded defined benefit obligations	¥161,366	¥157,914
Fair value of plan assets	(159,571)	(161,607)
Subtotal	1,795	(3,693)
Present value of the unfunded defined benefit obligations	17,974	17,719
Net defined benefit liabilities (assets)	19,769	14,026
Amounts recognized in the consolidated statement of financial position		
Retirement benefit liability	42,446	40,001
Retirement benefit asset	(22,677)	(25,975)
Net defined benefit liabilities (assets)	¥19,769	¥14,026

4) Components of plan assets

The breakdown of plan assets by category was as follows:

	Millions of yen	
	2021	2022
Assets with quoted market prices in an active market		
Japanese equity securities	¥1,407	¥1,440
Overseas debt securities	8,008	742
Cash and cash equivalents	2,458	10,849
Total	¥11,873	¥13,031
Assets without quoted market prices in an active market		
Overseas equity securities	¥12,098	¥15,300
Overseas debt securities	9,044	10,540
General account for life insurance companies	55,138	52,929
Jointly managed money trust	53,756	52,933
Other (Note 1)	17,662	16,874
Total	¥147,698	¥148,576
Total of plan assets	¥159,571	161,607

Note 1: Insurance contracts concluded through annuity buy-in transactions included in "Other" amounted to ¥15,202 million and ¥14,187 million as of the end of the fiscal years ended March 31, 2021 and 2022, respectively.

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

5) Matters related to actuarial assumptions

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

	2021	2022
Discount rate	0.61%	0.74%

6) Sensitivity analysis

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

	Millions of yen	
	2021	2022
Discount rate		
0.5% increase (decrease in obligations)	¥(11,736)	¥(12,282)
0.5% decrease (increase in obligations)	13,769	14,362

7) Weighted average duration

The weighted average durations of the defined benefit obligations were 13.9 years and 14.3 years as of March 31, 2021 and 2022, respectively.

(2) Defined contribution plans

The amounts recognized as expenses related to the defined contribution plan were ¥18,714 million and ¥19,684 million for the years ended March 31, 2021 and 2022, respectively, and included expenses recognized in relation to the public pension system.

24. Share Capital and Other Components of Equity

(1) Number of authorized shares, issued shares and treasury shares

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

	Number of shares	
	2021	2022
Authorized shares	4,000,000,000	4,000,000,000
Issued shares (Note 1)		
As of April 1	1,370,914,963	1,370,914,963
Increase or decrease (Note 2)	–	(71,620,630)
As of March 31	1,370,914,963	1,299,294,333
Treasury shares (Note 3)		
As of April 1	85,329,780	85,279,921
Increase or decrease (Note 4)	(49,859)	(59,018,309)
As of March 31	85,279,921	26,261,612

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

2. The decrease in the fiscal year ended March 31, 2022, was due to the cancellation of treasury shares conducted effectively on June 4, 2021.

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

4. The main changes in the fiscal year ended March 31, 2022, were a decrease of 71,620,630 shares due to the cancellation of treasury shares conducted effectively on June 4, 2021, and an increase of 12,681,000 shares due to the acquisition of treasury shares conducted between December 21, 2021, and February 18, 2022 on contract basis.

(2) Capital surplus

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

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

(3) Retained earnings

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

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

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

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

(4) Other components of equity

The changes in other components of equity were as follows:

	Millions of yen					
	Exchange differences on translation of foreign operations	Cash flow hedges	Financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Share of other comprehensive income (loss) of associates accounted for using equity method	Total
Balance at March 31, 2020	¥(27,763)	¥(516)	¥5,625	¥–	¥(97)	¥(22,751)
Other comprehensive income	21,938	169	2,626	(926)	(55)	23,752
Reclassification to retained earnings	–	–	(3,274)	926	–	(2,348)
Balance at March 31, 2021	¥(5,825)	¥(347)	¥4,977	¥–	¥(152)	¥(1,347)
Other comprehensive income	42,407	(2,154)	(686)	5,312	152	45,031
Reclassification to retained earnings	–	–	(3,554)	(5,312)	–	(8,866)
Balance at March 31, 2022	¥36,582	¥(2,501)	¥737	¥–	¥–	¥34,818

1) Exchange differences on translation of foreign operations

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

2) Cash flow hedges

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

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

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

4) Remeasurements of defined benefit plans

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

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

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

25. Capital Policy

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

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

The Olympus Group has designated its equity ratio (ratio of total equity attributable to owners of parent to total assets) and return on equity (ROE) as equity-related key performance indicators. These indicators as of or for the years ended March 31, 2021 and 2022 were as follows.

	2021	2022
Equity ratio (Note 1)	33.3%	37.6%
Return on equity (ROE) (Notes 2, 3)	3.4%	25.6%

Notes: 1. Total equity attributable to owners of parent / Total assets

2. Profit attributable to owners of parent (total of continuing operations and discontinued operations) / Total equity attributable to owners of parent (Average)

3. ROE calculated using profit attributable to owners of parent (continuing operations only) at March 31, 2021 was 17.1%.

26. Dividends

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

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

Dividends paid during the year ended March 31, 2022 were as follows:

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

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

Resolution	Class of shares	Amount of dividends paid (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors' Meeting (May 11, 2022)	Common stock	¥17,822	¥14.00	March 31, 2022	June 3, 2022

27. Share-based Payments

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

(1) Stock Options

1) Overview of stock option plans

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

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

2) Outline of stock options

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

Note: The number of stock options is presented as the number of underlying shares.

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

	2021		2022	
	Number of shares	Weighted average exercise price (Yen)	Number of shares	Weighted average exercise price (Yen)
Outstanding at beginning of year	563,600	1	513,200	1
Granted	–	–	–	–
Exercised	(50,400)	1	(83,600)	1
Expired	–	–	–	–
Outstanding at end of year	513,200	1	429,600	1
Exercisable at end of year	294,800	1	211,200	1

Notes: 1. The number of stock options is presented as the number of underlying shares.

2. The weighted average share prices of stock options at the time of exercise were ¥1,988 and ¥2,325 for the years ended March 31, 2021 and 2022, respectively.

3. The weighted average remaining lives of unexercised stock options year were 23.9 years and 23.0 years as of March 31, 2021 and 2022, respectively.

(2) Restricted Share-Based Remuneration Plan

1) Overview of Restricted Share-Based Remuneration Plan

The Restricted Share-Based Remuneration Plan is for the Company’s executive officers and corporate officers.

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

Issuance of the Company’s common shares as restricted share-based remuneration is contingent on the Company and the eligible executive officers and corporate officers serving in qualifying positions entering into an agreement that includes provisions (1) prohibiting the shares from being transferred or pledged to a third party or otherwise disposed of in any manner during a certain specified period and (2) entering into agreement including contents such as allowing the Company to reclaim the shares at no cost under certain specified circumstances. The Company abolished the restricted stock compensation plan due to the introduction of the Restricted Stock Unit plan effectively from the fiscal year ended March 31, 2021. Therefore, no shares will be granted under the Restricted Stock Unit plan from the fiscal year ended March 31, 2021, onward.

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

	2021	2022
Grant date	July 30, 2020	–
Number of shares	26,821	–
Fair value at grant date	¥1,947	–

(3) Performance-Linked Share-Based Remuneration Plan

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

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

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

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

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

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

The weighted average fair value at the grant date under this plan for the years ended March 31, 2021 and 2022 were ¥1,824 and ¥1,947, respectively.

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

(4) Subsequent Grant-type Restricted Stock Compensation Plan

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

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

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

For directors who live in Japan, the transfer restrictions are lifted when the directors retire, in principle. For executive officers and corporate officers, the transfer restriction period is three years. Directors who do not live in Japan are subject to a standard transfer restricted period for their area of residence.

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

The weighted average fair value at the grant date under this plan for the years ended March 31, 2021 and 2022 were ¥1,939 and ¥2,160, respectively.

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

(5) Share-based Payment Expenses

	Millions of yen	
	2021	2022
Selling, general and administrative expenses	¥175	¥400

28. Revenue

(1) Disaggregation of 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 based on customer location. Geographically disaggregated revenue attributable to the reportable segments was as follows.

From the three months ended June 30, 2021, bronchoscopes, which were previously included in the Endoscopic solutions segment, were transferred to the Therapeutic solutions segment, for the purpose of strengthening business in the respiratory area. Segment information for the fiscal year ended March 31, 2021, has been reclassified and restated based on the new reporting segment classification.

	Millions of yen				
	For the year ended March 31, 2021				
	Endoscopic Solutions	Therapeutic Solutions	Scientific Solutions	Others	Total
Japan	¥60,148	¥41,541	¥14,798	¥6,967	¥123,454
North America	132,506	78,925	25,384	164	236,979
Europe	101,111	59,185	19,132	1,799	181,227
China	60,073	30,982	19,277	22	110,354
Asia and Oceania	32,593	18,293	12,452	225	63,563
Others	7,233	2,916	4,818	0	14,967
Total	¥393,664	¥231,842	¥95,861	¥9,177	¥730,544
Revenue from contracts with customers	346,230	223,033	95,132	9,177	673,572
Revenue from other sources	47,434	8,809	729	–	56,972

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

	Millions of yen				
	For the year ended March 31, 2022				
	Endoscopic Solutions	Therapeutic Solutions	Scientific Solutions	Others	Total
Japan	¥65,908	¥44,988	¥16,732	¥7,569	¥135,197
North America	161,066	100,074	32,090	211	293,441
Europe	117,045	72,789	23,492	4,532	217,858
China	68,299	32,651	24,432	24	125,406
Asia and Oceania	39,662	21,149	16,380	293	77,484
Others	9,567	3,935	5,979	0	19,481
Total	¥461,547	¥275,586	¥119,105	¥12,629	¥868,867
Revenue from contracts with customers	409,183	269,092	118,657	12,629	809,561
Revenue from other sources	52,364	6,494	448	-	59,306

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

1) Endoscopic Solutions Business

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

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

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

2) Therapeutic Solutions Business

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

3) Scientific Solutions Business

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

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

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

4) Others

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

(2) Contract balances

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

For the year ended March 31, 2021

	Millions of yen	
	April 1, 2020	March 31, 2021
Receivables from contracts with customers	¥121,174	¥131,127
Contract assets	367	436
Contract liabilities	34,480	44,923

For the year ended March 31, 2022

	Millions of yen	
	April 1, 2021	March 31, 2022
Receivables from contracts with customers	¥131,127	¥145,912
Contract assets	436	728
Contract liabilities	44,923	53,650

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

Contract assets are related to consideration for performance that has been completed but not been charged on the reporting date. Contract assets are reclassified to receivables when the right to payment becomes unconditional. Contract liabilities are advances from customers who first made some or all of the payment even though service had not yet been provided to the customer, primarily for maintenance contracts.

For revenue recognized for the years ended March 31, 2021 and 2022, amounts corresponding to contract liabilities at the beginning of each fiscal year were ¥30,629 million and ¥41,702 million, respectively. For the years ended March 31, 2021 and 2022, revenue recognized from performance obligations satisfied (or partially satisfied) in past periods was not material.

(3) Transaction price allocated to remaining performance obligations

The breakdown of transaction price allocated to the remaining performance obligations was as follows: The Company has applied the practical expedient and does not disclose transactions of which the expected contract period is within one year or less.

	Millions of yen	
	2021	2022
Within 1 year	¥10,771	¥13,670
Over 1 year	7,097	9,594
Total	¥17,868	¥23,264

29. Selling, General and Administrative Expenses

Major items of selling, general and administrative expenses for the years ended March 31, 2021 and 2022 were as follows:

	Millions of yen	
	2021	2022
Personnel expenses (Note)	¥213,793	¥227,191
Depreciation	31,543	34,193
Advertising and promotion expenses	11,746	15,173

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

30. Other Income and Other Expenses

(1) Other income

Major items of other income are as follows.

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

(Government subsidies)

The Company recorded proceeds from government subsidies of ¥2,388 million in “Other income.” The government subsidies are the grants from the national government or, municipalities, and the like due to the spread of COVID-19.

(Reversal of allowance for doubtful accounts)

The Company recorded reversal of allowance for doubtful accounts of ¥1,359 million in “Other income.”

(Subsidiary share transfer)

The Company transferred all shares of OLYMPUS-RMS CORP., a consolidated subsidiary of the Company, and recorded a gain of ¥1,770 million in “Other income.”

Fiscal year ended March 31, 2022 (April 1, 2021 - March 31, 2022)

(Gain on step acquisition)

The Company recorded gain on step acquisition of ¥2,826 million in “Other income” due to the acquisition of Medi-Tate Ltd. For details on said business combinations, please see Note “40. Business Combinations.”

(Gain on sale of fixed assets)

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

(Partial reversal of provision for indirect taxes of consolidated subsidiaries)

Of the tax provision recorded in the fiscal year ended March 31, 2019 in anticipation of additional collection related to the independent investigation conducted by the Company's foreign subsidiaries regarding indirect taxes, ¥3,596 million, which is no longer expected to be incurred in the current fiscal year, is recorded under "Other income."

(Change in fair value of contingent consideration, which is a portion of acquisition consideration)

¥1,249 million was recorded in "Other income" due to the change in the fair value of the contingent consideration, which is a portion of the acquisition consideration of Veran Medical Technologies, Inc. For details on change in fair value, please see Note "40. Business Combinations."

(2) Other expenses

Major items of other expenses are as follows.

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

(Business restructuring expenses)

The Company recorded ¥6,614 million for the cost related to promotion of the business transformation plan "Transform Olympus" in "Other expenses."

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

(Implementation of career support for external opportunity)

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

Fiscal year ended March 31, 2022 (April 1, 2021 - March 31, 2022)

(Business restructuring expenses)

The Company recorded ¥9,380 million for the cost related to promotion such as the business transformation plan "Transform Olympus" in "Other expenses."

The Company recorded ¥9,353 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.

(Impairment losses)

The Company recognized impairment losses of ¥1,630 million on development assets in the endoscope business, which were written down to their recoverable amount since the Company no longer expects them to generate the expected earnings at the time of acquisition due to such factors as changes in the market environment, and recorded the losses in "Other expenses."

31. Finance Income and Finance Costs

The breakdown of finance income and finance costs for the years ended March 31, 2021 and 2022 was as follows:

	Millions of yen	
	2021	2022
Finance income		
Interest income		
Financial assets measured at amortized cost	¥817	¥1,017
Dividends received		
Financial assets measured through other comprehensive income	352	167
Other	24	172
Total	¥1,193	¥1,356
Finance costs		
Interest expense		
Financial liabilities measured at amortized cost	3,597	4,311
Bond interest		
Financial liabilities measured at amortized cost	391	554
Foreign exchange loss (Note 1)	2,098	158
Other	282	358
Total	¥6,368	¥5,381

Notes: 1. Valuation gains or losses on currency derivatives that are not designated as hedges are included in foreign exchange gain or loss.

2. Fee income and expenses arising financial assets measured at amortized cost are immaterial.

32. Earnings per Share

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

	Yen	
	2021	2022
Basic earnings per share		
Continuing operations	¥51.03	¥90.22
Discontinued operations	(40.98)	–
Basic earnings per share	10.05	90.22
Diluted earnings per share		
Continuing operations	¥51.00	¥90.17
Discontinued operations	(40.96)	–
Diluted earnings per share	10.04	90.17

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

	Millions of yen	
	2021	2022
Profit used to calculate basic earnings per share and diluted earnings per share		
Profit attributable to owners of parent	¥12,918	¥115,742
Profit not attributable to owners of parent	–	–
Profit used to calculate basic earnings per share	12,918	115,742
Continuing operations	65,599	115,742
Discontinued operations	(52,681)	–
Adjustment to profit	–	–
Profit used to calculate diluted earnings per share	12,918	115,742
Continuing operations	65,599	115,742
Discontinued operations	(52,681)	–

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

	Thousand shares	
	2021	2022
Average number of shares during the period	1,285,607	1,282,920
Increase in number of shares of common stock		
Increase due to exercise of subscription rights to shares	536	480
Increase due to common stock relating to subsequent grant-type restricted share-based remuneration	71	203
Average number of shares of diluted common stock during the period	1,286,214	1,283,603

33. Other Comprehensive Income

The breakdown of each component of other comprehensive income (including non-controlling interests) for the years ended March 31, 2021 and 2022 was as follows:

	Millions of yen	
	2021	2022
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income		
Amount arising during the year	¥3,914	¥(481)
Tax effect	(1,288)	(205)
Financial assets measured at fair value through other comprehensive income	¥2,626	¥(686)
Remeasurements of defined benefit plans		
Amount arising during the year	¥(3,498)	¥8,047
Tax effect	2,572	(2,735)
Remeasurements of defined benefit plans	¥(926)	5,312
Total of items that will not be reclassified to profit or loss	¥1,700	¥4,626
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations		
Amount arising during the year	¥21,736	¥42,407
Reclassification adjustments	202	–
Before tax effect	21,938	42,407
Tax effect	–	–
Exchange differences on translation of foreign operations	¥21,938	¥42,407
Cash flow hedges		
Amount arising during the year	¥(28)	¥1,622
Reclassification adjustments	271	(4,727)
Before tax effect	243	(3,105)
Tax effect	(74)	951
Cash flow hedges	¥169	¥(2,154)
Share of other comprehensive income (loss) of associates accounted for using equity method		
Amount arising during the year	¥(55)	¥152
Reclassification adjustments	–	–
Before tax effect	¥(55)	¥152
Tax effect	–	–
Share of other comprehensive income (loss) of associates accounted for using equity method	¥(55)	¥152
Total of items that may be reclassified to profit or loss	¥22,052	¥40,405
Total other comprehensive income	¥23,752	¥45,031

34. Cash Flow Information

(1) Non-cash transactions

The major non-cash transactions are follows:

	Millions of yen	
	2021	2022
Right-of-use assets acquired through lease transactions	¥39,644	¥16,116

(2) Liabilities arising from financing activities

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

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

Note: Balances redeemable within one year are included.

Millions of yen For the year ended March 31, 2022						
	Beginning balance	Movement due to cash inflows/ outflows from financing activities	Non-cash items			Ending balance
			Increase due to new lease	Exchange differences on translation of foreign operations	Other	
Short-term borrowings	¥5,458	¥(5,454)	¥–	¥78	¥(15)	¥67
Bonds (Note)	119,596	56,143	–	–	4,583	180,322
Long-term borrowings (Note)	230,210	(26,246)	–	1,349	425	205,738
Lease liabilities (Note)	¥66,407	¥(17,691)	¥16,116	¥787	¥(604)	¥65,015

Note: Balances redeemable within one year are included.

(3) Payments for acquisition of business

There is no income or expenses from significant business acquisitions during the fiscal years ended March 31, 2021 and 2022.

(4) Payments for acquisition of subsidiaries

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

	Millions of yen	
	2021	2022
Consideration for acquisitions paid in cash	¥45,472	¥23,222
Cash and cash equivalents of assets acquired, at the time the Olympus Group obtained control of the subsidiaries	(931)	(1,385)
Payments for acquisition of subsidiaries	¥44,541	¥21,837

(5) Loss of control

For the year ended March 31, 2021

1) Divestiture of Imaging Business

(i) Overview of transaction

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

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

	Millions of yen
	Amount
Cash and cash equivalents	¥24,266
Other current assets	282
Non-current assets	479
Total assets	¥25,027
Current liabilities	24,783
Non-current liabilities	244
Total liabilities	¥25,027

(iii) Cash flows associated with the loss of control

	Millions of yen
	Amount
Cash and cash equivalents received as consideration of the loss of control	¥0
Expenses related to sale of businesses	(3,564)
Cash and cash equivalents of subsidiaries with the loss of control	(24,266)
Payments for sale of businesses (Note)	¥(27,830)

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

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

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

(Divestiture of significant operations)

(i) Overview of transaction

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

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

	Millions of yen
	Amount
Current assets	¥860
Non-current assets	1,488
Total assets	¥2,348

(iii) Cash flows associated with the loss of control

	Millions of yen
	Amount
Cash and cash equivalents received as consideration of the loss of control	¥2,121
Cash and cash equivalents of businesses with the loss of control	–
Proceeds from sale of businesses (Note)	¥2,121

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

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

The Company recorded a gain of ¥486 million associated with the loss of control of Said Facility under "Other income" in the consolidated statement of profit or loss.

(Transfer of OLYMPUS-RMS CORP.)

(i) Overview of transaction

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

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

	Millions of yen
	Amount
Current assets	¥418
Non-current assets	6
Total assets	¥424
Current liabilities	572
Non-current liabilities	–
Total liabilities	¥572

(iii) Cash flows associated with the loss of control

	Millions of yen
	Amount
Cash and cash equivalents received as consideration of the loss of control	¥1,622
Cash and cash equivalents of subsidiaries with the loss of control	(294)
Proceeds from sale of subsidiaries (Note)	¥1,328

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

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

The Company recorded a gain of ¥1,770 million associated with the loss of control of OLYMPUS-RMS CORP. and is included in "Other income" in the consolidated statement of profit or loss.

For the year ended March 31, 2022

(Transfer of Olympus Systems Corporation)

(i) Overview of transaction

The Company concluded an agreement to transfer all shares of Olympus Systems Corporation, a consolidated subsidiary of the Company, to Accenture Japan Ltd on May 28, 2021 and completed the transfer procedures on August 31, 2021. As a result of this, the Company lost its control of Olympus Systems Corporation on the same day.

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

	Millions of yen
	Amount
Current assets	¥783
Non-current assets	414
Total assets	¥1,197
Current liabilities	569
Non-current liabilities	507
Total liabilities	¥1,076

(iii) Cash flows associated with the loss of control

	Millions of yen
	Amount
Cash and cash equivalents received as consideration of the loss of control	¥726
Cash and cash equivalents of subsidiaries with the loss of control	(2)
Proceeds from sale of subsidiaries (Note)	¥724

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

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

The Company recorded a gain of ¥605 million associated with the loss of control of Olympus Systems Corporation and is included in "Other income" in the consolidated statement of profit or loss.

35. Financial Instruments

(1) Credit risk

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

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

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

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

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

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

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

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

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

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

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

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

Information on allowance for doubtful accounts

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

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

Millions of yen

Trade receivables	Debtors that are not facing serious problems in their management conditions	Debtors that are facing serious problems in repaying their debts	Debtors that are bankrupt	Total
Balance at March 31, 2021	¥179,320	¥4,470	¥418	¥184,208
Balance at March 31, 2022	¥199,234	¥3,928	¥364	¥203,526

There was no significant change that had a material impact on allowance for doubtful accounts for “Trade receivables” as of March 31, 2021 and 2022.

Millions of yen

Receivables other than trade receivables	No significant increase in credit risk	Significant increase in credit risk		Total
		Non-credit-impaired financial assets	Credit-impaired financial assets	
Balance at March 31, 2021	¥24,108	¥6,783	¥584	¥31,475
Balance at March 31, 2022	¥26,502	¥6,924	¥604	¥34,030

There was no significant change that had material impacts on allowance for doubtful accounts for “Receivables other than trade receivables” as of March 31, 2021 and 2022.

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

Millions of yen

	Trade receivables	Receivables other than trade receivables		
		No significant increase in credit risk	Significant increase in credit risk	
			Non-credit-impaired financial assets	Credit-impaired financial assets
Balance at April 1, 2020	¥7,444	¥0	¥8,225	¥517
Increase	382	0	–	17
Decrease	(2,228)	(0)	(1,442)	–
Other	274	–	–	50
Balance at March 31, 2021	¥5,872	¥0	¥6,783	¥584
Increase	179	84	79	–
Decrease	(860)	(32)	(9)	(0)
Other	55	0	–	20
Balance at March 31, 2022	¥5,246	¥52	¥6,853	¥604

(2) Liquidity risk

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

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

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

As of March 31, 2021

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

As of March 31, 2022

	Millions of yen			
	Carrying amount	Contractual cash flows		
		Total	Within 1 year	Over 1 year
Non-derivative financial liabilities				
Bonds and borrowings	¥386,127	¥400,462	¥55,036	¥345,426
Lease liabilities	65,015	73,246	16,498	56,748
Derivative financial liabilities				
Currency derivatives	3,752	4,086	3,912	174
Currency derivatives	¥285	¥285	¥81	¥204

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

(3) Market risk

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

1) Foreign exchange risk

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

(i) Foreign exchange forward contracts and currency swaps

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

	Millions of yen			
	2021		2022	
	Contract amount	Fair value	Contract amount	Fair value
Foreign exchange forward contracts:	¥96,391	¥(1,050)	¥115,534	¥(3,063)
U.S. dollar	18,364	(579)	72,307	(1,773)
Other currency	78,027	(471)	43,227	(1,290)
Currency swaps	20,689	51	87,910	1,185
Receive other currencies / pay Euro	20,235	54	26,537	(121)
Receive Euro / pay other currencies	454	(3)	178	(0)
Receive U.S. dollar / pay Japanese yen	–	–	61,195	1,306
Total	¥117,080	¥(999)	¥203,444	¥(1,878)

(ii) Sensitivity analysis of currency fluctuation risk

The following table illustrates the impact on profit before tax in the consolidated statement of profit or loss from financial instruments held by the Olympus Group at the end of each fiscal year if the Japanese yen appreciated by 1 Japanese yen against the U.S. dollar and the Euro. This analysis assumes that all other variables are held constant.

	Millions of yen	
	2021	2022
U.S. dollar	¥(445)	¥(209)
Euro	¥(103)	¥(162)

2) Interest rate risk

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

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

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

Interest rate sensitivity analysis

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

	Millions of yen	
	2021	2022
Consolidated statement of profit or loss (Profit before tax)	¥(498)	¥(498)

3) Market price risk

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

Sensitivity analysis of market price risk

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

	Millions of yen	
	2021	2022
Other comprehensive income (before tax effect)	¥(103)	¥(15)

(4) Fair value

1) Fair value hierarchy

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

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

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

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

The Olympus Group recognizes transfers of financial instruments between the levels of the fair value hierarchy as if they occurred at the end of each fiscal year. There were no significant financial instruments transferred between the levels for the fiscal years ended March 31, 2021 and 2022.

2) Financial instruments measured at fair value

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

(Other financial assets and other financial liabilities)

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

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

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

The contingent consideration for business combinations, etc., 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, 2021

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

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

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

	Millions of yen	
	2021	2022
Balance at April 1	¥1,658	¥2,348
Gains and losses (Note)		
Profit or loss	11	(58)
Other comprehensive income	1	34
Purchases	727	1,978
Transfer to investments accounted for using the equity method	–	(597)
Other	(48)	190
Balance at March 31	¥2,348	¥3,895

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

Total gains or losses recognized in profit or loss included losses of ¥11 million and gain of ¥136 million on financial instruments held as of the years ended March 31, 2021 and 2022, respectively.

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

	Millions of yen	
	2021	2022
Balance at April 1	¥163	¥3,608
Business combinations, etc.	3,433	2,834
Change in fair value	(111)	(594)
Other	123	252
Balance at March 31	¥3,608	¥6,100

3) Financial instruments measured at amortized cost

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

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

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

Lease receivables are stated at the value obtained by calculating the present value of each lease receivable, which is categorized by a specific period, using the period up to maturity and a discount rate that takes into account credit risks.

(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			
	2021		2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Lease receivables	¥45,377	¥45,319	¥50,517	¥50,513
Financial liabilities				
Bonds	119,596	120,070	180,322	178,341
Borrowings	¥155,456	¥157,715	¥145,903	¥146,336

4) Equity instruments

Equity instruments such as shares held mainly for the purpose of maintaining or strengthening business relationships with the investees are designated as financial assets measured at fair value through other comprehensive income. The fair values of equity instruments by major issuer were as follows:

	Millions of yen
Issuer	2021
ASAHI INTECC CO., LTD.	¥4,119
USHIO INC.	1,636
Mitsubishi UFJ Financial Group, Inc.	1,240
Sumitomo Realty & Development Co., Ltd.	1,113
OHARA INC.	¥675

	Millions of yen
Issuer	2022
Noah Medical Corporation	¥1,836
USHIO INC.	1,024
OHARA INC.	¥508

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

	Millions of yen	
	2021	2022
Fair value at the date of sale	¥7,869	¥8,280
Cumulative gains or losses on sale	¥4,721	¥4,756

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

	Millions of yen	
	2021	2022
Equity instruments derecognized during the year	¥195	¥130
Equity instruments held at the end of year	157	37
Total	¥352	¥167

(5) Hedge accounting

The Olympus Group raises a portion of funds through borrowings with variable interest rates and bonds in foreign currencies with fixed interest rates, and is exposed to interest rate risks and foreign exchange risks for foreign currency transactions within that scope. The Olympus Group uses interest rate swaps that virtually converts borrowings with variable interest rates into borrowings with fixed interest rates and interest rate and currency swaps that virtually converts bonds in foreign currencies with fixed interest rates into fixed rate bonds denominated in Japanese yen in order to hedge interest rate risk. The Group applies hedge accounting by designating the interest rate swaps as cash flow hedges.

For interest rate swaps, the notional amount, term (maturity) and underlying data for interest rate of the hedging instrument and the hedged item are to be matched, in principle. No ineffective portion was recognized as of March 31, 2021 and 2022.

For interest rate and currency swaps, the amount recognized in net gain or loss on the ineffective portion of the hedge for the fiscal year ended March 31, 2022, is not material.

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

As of March 31, 2021

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

As of March 31, 2022

	Millions of yen				
	Notional amount	Over 1 year	Carrying amount (Note)		Interest rate
			Assets	Liabilities	
Interest rate swaps	¥10,000	¥10,000	¥–	¥285	Variable rate receipt: 6-month Japanese yen TIBOR Fixed rate payment: 1.3815%
Interest rate and currency swaps	¥61,195	¥61,195	¥1,306	¥-	Fixed rate receipt: U.S. dollar 2.143% Fixed rate payment: Japanese yen 0.6975%

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

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

	Millions of yen	
	2021	2022
Interest rate swaps	¥(500)	¥(285)
Interest rate and currency swaps	¥–	¥(3,320)

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

As of March 31, 2021

	Millions of yen	
	Changes in the fair value recognized in other comprehensive income	Amount of reclassification adjustment from cash flow hedge to profit or loss (Note)
Interest rate swaps	¥(28)	¥271

As of March 31, 2022

	Millions of yen	
	Changes in the fair value recognized in other comprehensive income	Amount of reclassification adjustment from cash flow hedge to profit or loss (Note)
Interest rate swaps	¥41	¥174
Interest rate and currency swaps	¥1,581	¥(4,901)

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

(6) Transfer of financial instruments

Transferred financial assets that are not derecognized in their entirety

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

The carrying amounts of transferred assets and the associated liabilities when the Olympus Group continues to recognize all of the transferred assets as of March 31, 2021 and 2022 are as follows. They are recognized in "Trade and other receivables" and "Other financial liabilities," respectively, in the consolidated statement of financial position.

	Millions of yen	
	2021	2022
Transferred financial assets	¥2,928	¥4,533
Related liabilities	1,996	4,533
Net position of transferred financial assets	¥932	¥–

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

36. Leases

(1) Lessor

The Olympus Group leases endoscopes and other equipment under finance leases and also leases endoscopes and other equipment, and property owned by the Company as operating leases. The business conditions of the customers, equipment usage, etc. are monitored regularly in order to manage the risks for the assets

The breakdown of revenue under finance leases was as follows:

	Millions of yen	
	2021	2022
Revenue		
Lease income (loss)	¥7,710	¥7,971
Interest income	¥1,997	¥2,395

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

	Millions of yen	
	2021	2022
Undiscounted lease payments to be received		
Within 1 year	¥22,241	¥24,712
More than 1 year, but within 2 years	13,001	14,666
More than 2 years, but within 3 years	7,762	8,522
More than 3 years, but within 4 years	3,451	3,605
More than 4 years, but within 5 years	1,539	1,107
More than 5 years	84	159
Total	¥48,078	¥52,771
Unguaranteed residual value	1,380	2,167
Unearned finance income	(4,081)	(4,421)
Net investment in the lease	¥45,377	¥50,517

The breakdown of revenue under operating leases was as follows:

	Millions of yen	
	2021	2022
Revenue		
Lease income	¥6,381	¥26,921
Variable lease payments (Note)	¥22,110	¥12,627

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

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

	Millions of yen	
	2021	2022
Within 1 year	¥17,873	¥17,609
More than 1 year, but within 2 years	11,081	11,727
More than 2 years, but within 3 years	5,332	6,609
More than 3 years, but within 4 years	2,359	2,568
More than 4 years, but within 5 years	860	602
More than 5 years	451	374
Total	¥37,956	¥39,489

(2) Lessee

The Olympus Group rents properties and other equipment as lessee.

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

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

There were no leases that have not yet commenced among lease contracts concluded by the Olympus Group as of March 31, 2021 and 2022.

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

The total amount of cash outflows related to leases were ¥18,975 million and ¥20,240 million for the years ended March 31, 2021 and 2022, respectively.

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

	Millions of yen	
	2021	2022
Revenue from sublease of right-of-use assets	¥18	¥18
Depreciation of right-of-use assets by underlying asset class		
Land	356	360
Buildings and structures	8,667	9,464
Machinery and vehicles	1,048	2,852
Tools, furniture and fixtures	2,736	818
Interest expense under lease obligations	1,124	1,585
Expenses under short-term leases	582	505
Expenses under leases of low-value asset	¥1,388	¥799

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

37. Income Taxes

(1) Deferred tax assets and liabilities

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

	Millions of yen	
	2021	2022
Deferred tax assets		
Inventories	¥5,442	¥8,112
Prepaid expenses	11,099	16,547
Accrued bonuses	7,057	7,704
Accrued expenses	5,998	4,599
Unrealized intercompany profits	7,123	11,992
Depreciation of property, plant and equipment	9,814	10,037
Amortization of intangible assets	3,379	3,305
Interest rate swaps	153	87
Deferred gains or losses on hedges	–	1,017
Retirement benefit liability	5,931	6,263
Loss carryforwards	18,830	12,819
Other	9,430	8,803
Total	¥84,256	¥91,285
Deferred tax liabilities		
Depreciation of property, plant and equipment	¥(3,602)	¥(5,306)
Financial assets measured at fair value through other comprehensive income	(1,516)	(287)
Retirement benefit asset	(2,158)	(4,309)
Fair value differences on acquisition	(8,546)	(9,773)
Capitalized development costs	(17,193)	(18,976)
Retained profit of overseas subsidiaries	(2,318)	(2,341)
Other	(5,306)	(5,597)
Total	¥(40,639)	¥(46,589)
Net deferred tax assets	¥43,617	¥44,696

As the provisionally measured fair values of the assets acquired and liabilities assumed related to the business combination were revised in the fiscal year ended March 31, 2022, the amount of deferred tax assets and liabilities at the end of the fiscal year ended March 31, 2021, have been retrospectively adjusted. For details on retrospective adjustment, please see Note "40. Business Combinations."

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

	Millions of yen	
	2021	2022
Loss carryforwards	¥18,660	¥5,117
Deductible temporary differences	29,767	27,317
Tax credits carried forward	842	718
Total	¥49,269	¥33,152

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

	Millions of yen	
	2021	2022
Within 4th year	¥12,943	¥–
5th year and thereafter	5,717	5,117
Total	¥18,660	¥5,117

The Company does not recognize deferred tax liabilities for the temporary differences associated with undistributed profits of subsidiaries when the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Total temporary differences associated with the undistributed profits of subsidiaries which have not been recognized as deferred tax liabilities (income base) were ¥261,657 million and ¥319,744 million as of March 31, 2021 and 2022, respectively.

(2) Income tax expenses

The breakdown of income tax expenses was as follows:

	Millions of yen	
	2021	2022
Current tax expenses (Note 1)	¥19,347	¥37,495
Deferred tax expenses (Notes 2, 3, 4)	(8,207)	(3,592)
Total of income tax expenses	¥11,140	¥33,903

Notes: 1. The current tax expense includes tax losses which were previously not recorded, tax credits or benefits resulting from temporary differences for prior periods. Consequently, the current tax expense for the fiscal years ended March 31, 2021 and 2022 decreased by ¥1,657 million and ¥2,246 million, respectively.

In addition, the current tax expense for the fiscal year ended March 31, 2022 includes the corporation tax for the previous fiscal year of ¥(1,045) million.

2. The deferred tax expense includes tax losses which were previously not recorded, tax credits or benefits resulting from temporary differences for prior periods. Consequently, the deferred tax expense for the fiscal years ended March 31, 2021 and 2022 decreased by ¥557 million and ¥323 million, respectively.
3. The deferred tax expense includes devaluation of deferred tax assets and the reversal of devaluation of deferred tax assets which was previously recorded (assessment of recoverability of deferred tax assets). Consequently, the deferred tax expense for the fiscal years ended March 31, 2021 and 2022 decreased by ¥3,941 million and ¥1,925 million, respectively.
4. The deferred tax expense decreased by ¥174 million for the fiscal year ended March 31, 2021 and increased by ¥267 million for the fiscal year ended March 31, 2022 due to the effect of changes in tax rates in Japan and overseas.

(3) Income taxes recognized in other comprehensive income

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

(4) Reconciliation of effective tax rate

Reconciliation of the effective statutory tax rate and the average actual tax rate for the fiscal years ended March 31, 2021 and 2022 is as follows.

The Company's income taxes mainly include corporation tax, inhabitant tax and enterprise tax. The effective statutory tax rates calculated based on these taxes were 30.6% and 30.6% for the fiscal years ended March 31, 2021 and 2022, respectively. Overseas subsidiaries are subject to income taxes of the countries in which they operate.

	2021	2022
Effective statutory tax rate	30.6%	30.6%
Non-deductible expense, such as entertainment expenses	2.9	1.8
Non-taxable income, such as dividend income	(0.3)	0.1
Tax credit for experimental research cost and others	(1.2)	(1.7)
Different tax rates applied to subsidiaries	(3.0)	(2.1)
Subsidiaries reserve	1.3	0.4
Change in unrecognized deferred tax assets and liabilities	3.3	(12.0)
Change in deferred tax assets at the end of fiscal year due to changes in tax rates	(0.2)	0.2
Expiration of tax losses carried forward	1.2	3.1
Effects of organizational restructuring	(20.9)	–
Other	0.8	2.2
Average actual tax rate	14.5%	22.6%

38. Major Subsidiaries

(1) Structured entities

Major subsidiaries as of March 31, 2022 were as follows:

Company name	Location	Main business	Voting rights held by the Company (%) (Note 1)
(Consolidated subsidiaries) Olympus Medical Systems Corp.	Hachioji-shi, Tokyo	Manufacturing Endoscopic Solutions Business products and Therapeutic Solutions Business products	100
Aizu Olympus Co., Ltd.	Aizu-Wakamatsu-shi, Fukushima	Manufacturing Endoscopic Solutions Business products	100
Aomori Olympus Co., Ltd.	Kuroishi-shi, Aomori	Manufacturing Therapeutic Solutions Business products	100
Nagano Olympus Co., Ltd.	Tatsuno-machi, Kamiina-gun, Nagano	Manufacturing Scientific Solutions Business products	100
Shirakawa Olympus Co., Ltd.	Nishigo-mura, Nishishirakawa-gun, Fukushima	Manufacturing Endoscopic Solutions Business products	100
Olympus Marketing, Inc.	Shinjuku-ku, Tokyo	Sales of Endoscopic Solutions Business products, Therapeutic Solutions Business products and Scientific Solutions Business products	100
Olympus Logitex Co., Ltd.	Minami-ku, Sagamihara-shi, Kanagawa	Logistics	100
Olympus Terumo Biomaterials Corp.	Shibuya-ku, Tokyo	Research and development, manufacturing and sales of biomaterials products and regenerative medicine	66.6
TmediX Corporation	Shinjuku-ku, Tokyo	Leasing of Endoscopic Solutions Business products	100
Evident Corporation	Tatsuno-machi, Kamiina-gun, Nagano	Manufacturing Scientific Solutions Business products	100
Olympus Corporation of the Americas	Pennsylvania, U.S.A.	Holding company of corporate planning and financial support to affiliated companies in Americas region	100
Olympus America Inc.	Pennsylvania, U.S.A.	Sales of Endoscopic Solutions Business products, Therapeutic Solutions Business products and Scientific Solutions Business products	100 (100)
Olympus Latin America, Inc.	Florida, U.S.A.	Sales of Endoscopic Solutions Business products, Therapeutic Solutions Business products and Scientific Solutions Business products	100 (100)
Gyrus ACMI, Inc.	Massachusetts, U.S.A.	Manufacturing Therapeutic Solutions Business products	100 (100)
Gyrus ACMI LP	Minnesota, U.S.A.	Manufacturing Therapeutic Solutions Business products	100 (100)
Veran Medical Technologies, Inc.	Missouri, U.S.A.	Sales and manufacturing of Therapeutic Solutions Business products	100 (100)
Olympus Scientific Solutions Americas Corp.	Massachusetts, U.S.A.	Manufacturing Scientific Solutions Business products	100 (100)
Olympus Scientific Solutions Technologies Inc.	Massachusetts, U.S.A.	Manufacturing Scientific Solutions Business products	100 (100)
Olympus Innovation Ventures, LLC	Massachusetts, U.S.A.	Investment in Endoscopic Solutions Business and Therapeutic Solutions Business	100 (100)
Olympus NDT Canada Inc.	Québec, Canada	Manufacturing Scientific Solutions Business products	100 (100)
Olympus Europa Holding SE	Hamburg, Germany	Holding company of corporate planning to affiliated companies in Europe region	100

Company name	Location	Main business	Voting rights held by the Company (%) (Note 1)
Olympus Europa SE & Co. KG	Hamburg, Germany	Holding company and sales of Endoscopic Solutions Business products, Therapeutic Solutions Business products and Scientific Solutions Business products	100 (100)
Olympus Soft Imaging Solutions GmbH	Munster, Germany	Information services and system development	100 (100)
Olympus Deutschland GmbH	Hamburg, Germany	Sales of Endoscopic Solutions Business products, Therapeutic Solutions Business products and Scientific Solutions Business products	100 (100)
Olympus France S.A.S.	Rungis Cedex, France	Sales of Endoscopic Solutions Business products, Therapeutic Solutions Business products and Scientific Solutions Business products	100 (100)
Olympus Winter & Ibe GmbH	Hamburg, Germany	Manufacturing Endoscopic Solutions Business products and Therapeutic Solutions Business products	100 (100)
KeyMed (Medical & Industrial Equipment) Ltd.	Essex, U.K.	Manufacturing and sales of Endoscopic Solutions Business products and Scientific Solutions Business products	100 (100)
Quest Photonic Devices B.V.	North Holland, The Netherlands	Development of Endoscopic Solutions Business products	100 (100)
Arc Medical Design Limited	West Yorkshire, U.K.	Manufacturing Therapeutic Solutions Business products	100 (100)
FH ORTHO SAS	Heimsbrunn, France	Sales and manufacturing of orthopedic equipment	100 (100)
Olympus Global Treasury Services Limited	Essex, U.K.	Fund management of the whole group	100
Medi-Tate Ltd.	Or-Akiva, Israel	Development and manufacturing of Therapeutic Solutions Business products	100 (100)
Olympus Corporation of Asia Pacific Limited	Hong Kong	Holding company of corporate planning to affiliated companies in Asia region	100
Olympus Hong Kong and China Limited	Hong Kong	Sales of Endoscopic Solutions Business products, Therapeutic Solutions Business products and Scientific Solutions Business products and manufacturing Scientific Solutions Business products	100 (100)
Olympus (China) Co., Ltd.	Beijing, P.R.C.	Holding company of corporate planning to affiliated companies in China	100 (100)
Olympus (Guangzhou) Industrial Ltd.	Guangzhou, P.R.C.	Manufacturing Endoscopic Solutions Business products and Scientific Solutions Business products	100 (100)
Olympus (Beijing) Sales & Service Co., Ltd.	Beijing, P.R.C.	Sales of Endoscopic Solutions Business products, Therapeutic Solutions Business products and Scientific Solutions Business products	100 (100)
Olympus Trading (Shanghai) Limited	Shanghai, P.R.C.	Sales of Endoscopic Solutions Business products, Therapeutic Solutions Business products and Scientific Solutions Business products	100 (100)
Olympus Korea Co., Ltd.	Seoul, Republic of Korea	Sales of Endoscopic Solutions Business products, Therapeutic Solutions Business products and Scientific Solutions Business products	100
Olympus Singapore Pte Ltd.	Singapore	Sales of Endoscopic Solutions Business products, Therapeutic Solutions Business products and Scientific Solutions Business products	100 (100)
Olympus Vietnam Co., Ltd.	Vietnam	Manufacturing Therapeutic Solutions Business products	100

Company name	Location	Main business	Voting rights held by the Company (%) (Note 1)
Olympus Australia Pty Ltd.	Victoria, Australia	Sales of Endoscopic Solutions Business products, Therapeutic Solutions Business products and Scientific Solutions Business products	100 (100)
64 others	—	—	—
(Equity method affiliated companies)			
Sony Olympus Medical Solutions Inc.	Hachioji-shi, Tokyo	Development of Endoscopic Solutions Business products	49
1 others	—	—	—

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

(2) Significant subsidiaries having non-controlling interests

During the years ended March 31, 2021 and 2022, there was no individually significant subsidiary having non-controlling interests.

39. Related-party Transactions

(1) Related-party transactions

There were no material related-party transactions (except for transactions that were offset in the consolidated financial statements) for the years ended March 31, 2021 and 2022.

(2) Remuneration for management executives

	Millions of yen	
	2021	2022
Remuneration and bonuses	¥1,124	¥1,370
Share-based payments	173	353
Total	¥1,297	¥1,723

40. Business Combinations

For the year ended March 31, 2021

(Acquisition of Arc Medical Design Limited)

(1) Overview 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™; however, from now on, the Company will be responsible for the design, manufacturing, sales, and business strategy of the entire ENDOCUFF product group. Through the acquisition of this product group, we will further contribute to reducing treatment costs and improving patients' QOL.

3) Percentage of voting equity interest acquired

100%

4) Acquisition date

August 7, 2020

5) How we obtained control of the acquiree

Cash consideration for the acquisition of shares

(2) Acquisition-related expense

The acquisition-related expense of ¥67 million has been recognized in "Selling, general and administrative expenses."

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

	Millions of yen
	Amount
Fair value of consideration paid	
Cash	¥3,472
Contingent consideration	488
Total	¥3,960
Fair value of assets acquired and liabilities assumed	
Cash and cash equivalents	¥79
Property, plant and equipment	0
Intangible assets	1,296
Other assets	5
Deferred tax liabilities	(246)
Other liabilities	(74)
Fair value of assets acquired and liabilities assumed, net	1,060
Goodwill	2,900
Total	¥3,960

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

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

(4) Contingent consideration

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

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

(5) Impacts on the Olympus Group

The Company omits making a description concerning profit or loss information of the said business combination on and after the acquisition date as well as profit or loss information under the assumption that the said business combination was conducted at the beginning of the fiscal year ended March 31, 2021. This is because the amount of impact on consolidated statement of profit or loss due to such information is not material.

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

(Acquisition of FH ORTHO SAS)

(1) Overview of business combination

1) Name and description of acquired business

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

2) Primary reason for business combination

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

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

3) Percentage of voting equity interest acquired

100%

4) Acquisition date

November 2, 2020

5) How we obtained control of the acquiree

Cash consideration for the acquisition of shares

(2) Acquisition-related expense

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

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

	Millions of yen
	Amount
Fair value of consideration paid	
Cash	¥5,776
Contingent consideration	194
Total	¥5,970
Fair value of assets acquired and liabilities assumed	
Cash and cash equivalents	¥122
Trade and other receivables	618
Inventories	3,445
Other current assets	1,099
Property, plant and equipment	1,271
Intangible assets	2,232
Deferred tax assets	617
Trade and other payables	(727)
Bonds and borrowings (current)	(3,055)
Provisions	(460)
Other current liabilities	(723)
Retirement benefit liability	(206)
Deferred tax liabilities	(847)
Other non-current liabilities	(356)
Fair value of assets acquired and liabilities assumed, net	3,030
Goodwill	2,940
Total	¥5,970

Based on the fair value of consideration paid on the acquisition date, the Company has allocated the assets acquired and liabilities assumed. Furthermore, the allocation of consideration paid has been completed in the fiscal year March 31, 2021, and the value of the assets and liabilities on the acquisition date have been revised from the initial provisional amounts.

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

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

(4) Contingent consideration

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

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

(5) Impacts on the Olympus Group

The Company omits making a description concerning profit or loss information of the said business combination on and after the acquisition date as well as profit or loss information under the assumption that the said business combination was conducted at the beginning of the fiscal year ended March 31,

2021. This is because the amount of impact on consolidated statement of profit or loss due to such information is not material.

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

(Acquisition of Veran Medical Technologies, Inc.)

(1) Overview of business combination

1) Name and description of acquired business

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

2) Primary reason for business combination

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

3) Percentage of voting equity interest acquired

100%

4) Acquisition date

December 29, 2020

5) How we obtained control of the acquiree

Cash consideration for the acquisition of shares

(2) Acquisition-related expense

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

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

	Millions of yen
	Amount
Fair value of consideration paid	
Cash	¥31,050
Contingent consideration	1,461
Total	¥32,511
Fair value of assets acquired and liabilities assumed	
Cash and cash equivalents	¥433
Trade and other receivables	506
Inventories	2,176
Property, plant and equipment	241
Intangible assets	16,953
Other assets	353
Deferred tax assets	2,746
Trade and other payables	(108)
Other liabilities	(779)
Deferred tax liabilities	(4,244)
Fair value of assets acquired and liabilities assumed, net	18,277
Goodwill	14,234
Total	¥32,511

Based on the fair value of consideration paid on the acquisition date, the Company has allocated the assets acquired and liabilities assumed. Furthermore, the allocation of consideration paid has been completed in the fiscal year March 31, 2022, and the value of the assets and liabilities on the acquisition date have been revised from the initial provisional amounts.

The major adjustments made comprise an increase in intangible assets of ¥16,953 million, an increase in deferred tax assets of ¥1,128 million, and an increase in deferred tax liabilities of ¥4,244 million. As a result, goodwill decreased by ¥16,295 million. The ¥16,953 million in intangible assets are mainly made up of ¥13,993 million in technology-related assets and ¥2,577 million in-process research and development related to VMT's products, and the amount is calculated based on assumptions for the future net sales growth rate, the diminishing value rate, and the discount rate, etc. The estimated useful lives of technology-related assets are 15 years.

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

(4) Contingent consideration

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

Due to the delay in achieving such performance indicators, the fair value of the contingent consideration was revised from the initially calculated amount of ¥1,461 million to ¥367 million in the fiscal year ended March 31, 2022. In addition, of the ¥1,094 million difference, ¥1,249 million of the corresponding amount arising from the review of the fair values is included in other income in the consolidated statement of profit or loss, and ¥155 million of the corresponding amount arising from exchange rate fluctuations is included in exchange differences on translation of foreign operations in the consolidated statement of comprehensive income.

(5) Impacts on the Olympus Group

The Company omits making a description concerning profit or loss information of the said business combination on and after the acquisition date as well as profit or loss information under the assumption that the said business combination was conducted at the beginning of the fiscal year ended March 31, 2021. This is because the amount of impact on consolidated statement of profit or loss due to such information is not material.

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

(Acquisition of Quest Photonic Devices B.V.)

(1) Overview of business combination

1) Name and description of acquired business

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

2) Primary reason for business combination

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

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

3) Percentage of voting equity interest acquired

100%

4) Acquisition date

February 9, 2021

5) How we obtained control of the acquiree

Cash consideration for the acquisition of shares

(2) Acquisition-related expense

The acquisition-related expense of ¥69 million has been recognized in "Selling, general and administrative expenses."

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

	Millions of yen
	Amount
Fair value of consideration paid	
Cash	¥4,684
Contingent consideration	1,290
Total	¥5,974
Fair value of assets acquired and liabilities assumed	
Cash and cash equivalents	¥301
Trade and other receivables	53
Inventories	197
Other current assets	24
Property, plant and equipment	204
Intangible assets	2,468
Other financial assets (non-current)	45
Deferred tax assets	32
Trade and other payables	(21)
Bonds and borrowings (current)	(39)
Provisions	(1)
Other current liabilities	(314)
Bonds and borrowings (non-current)	(1,035)
Deferred tax liabilities	(475)
Other non-current liabilities	(22)
Fair value of assets acquired and liabilities assumed, net	1,417
Goodwill	4,557
Total	¥5,974

Based on the fair value of consideration paid on the acquisition date, the Company has conducted an acquisition cost allocation to the assets acquired and liabilities assumed. Furthermore, the allocation of consideration paid has been completed in the fiscal year March 31, 2022, and the value of the assets and liabilities on the acquisition date have been revised from the initial provisional amounts.

The major adjustments made comprise an increase in intangible assets of ¥1,899 million and an increase in deferred tax liabilities of ¥475 million. As a result, goodwill decreased by ¥1,424 million. The balance of intangible assets of ¥2,468 million is mostly comprised of ¥1,995 million in technology-related assets and ¥466 million in customer-related assets related to products of Quest, 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 and customer-related assets are 16 years.

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

(4) Contingent consideration

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

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

(5) Impacts on the Olympus Group

The Company omits making a description concerning profit or loss information of the said business combination on and after the acquisition date as well as profit or loss information under the assumption that the said business combination was conducted at the beginning of the fiscal year ended March 31,

2021. This is because the amount of impact on consolidated statement of profit or loss due to such information is not material.

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

For the year ended March 31, 2022

(Acquisition of Medi-Tate Ltd.)

(1) Overview of business combination

1) Name and description of acquired business

Name of acquired business Medi-Tate Ltd. (hereinafter “Medi-Tate”)

Description of business R&D and manufacturing of Therapeutic Solutions Business products

2) Primary reason for business combination

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

3) Percentage of voting equity interest acquired

100%

4) Acquisition date

May 27, 2021

5) How we obtained control of the acquiree

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

(2) Acquisition-related expense

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

(3) Gain on step acquisitions

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. The gain on step acquisition is recorded in “Other income” in the consolidated statement 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, the Company has conducted an acquisition cost allocation to the assets acquired and liabilities assumed. The allocation of consideration paid has been completed in the fiscal year ended March 31, 2022, 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 3, 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

The Company omits making a description concerning profit or loss information of the said business combination on and after the acquisition date as well as profit or loss information under the assumption that the said business combination was conducted at the beginning of the fiscal year ended March 31, 2022. This is because the amount of impact on consolidated statement of profit or loss due to such information is not material.

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

(Revised provisional amounts)

For the following business combinations that occurred in the fiscal year ended March 31, 2021, provisional amounts have been revised during the fiscal year ended March 31, 2022. As a result, we have retrospectively revised the figures at the end of the fiscal year ended March 31, 2021 in the consolidated statement of financial position.

(Acquisition of Veran Medical Technologies, Inc.)

Veran Medical Technologies, Inc. became a consolidated subsidiary of the Company on December 29, 2020, due to the acquisition of shares for cash consideration.

In the fiscal year ended March 31, 2022, the fair value of some assets acquired and liabilities assumed has been revised with respect to the measurement of the fair value of assets acquired and liabilities assumed as of the acquisition date in said business combination. Regarding said business combination, in the fiscal year ended March 31, 2022, initial measurement of assets acquired, liabilities assumed and goodwill has been finalized.

Millions of yen

	Provisional fair value as of March 31, 2021	Subsequent revision	Revised fair value
Fair value of consideration paid			
Cash	¥31,050	¥–	¥31,050
Contingent consideration	1,461	–	1,461
Total	¥32,511	¥–	¥32,511
Fair value of assets acquired and liabilities assumed			
Cash and cash equivalents	¥433	¥–	¥433
Trade and other receivables	506	–	506
Inventories	2,259	(83)	2,176
Property, plant and equipment	41	200	241
Intangible assets	14,647	2,306	16,953
Other assets	210	143	353
Deferred tax assets	1,612	1,134	2,746
Trade and other payables	(128)	20	(108)
Other liabilities	(587)	(192)	(779)
Deferred tax liabilities	(2,586)	(1,658)	(4,244)
Fair value of assets acquired and liabilities assumed, net	16,407	1,870	18,277
Goodwill	16,104	(1,870)	14,234
Total	¥32,511	¥–	¥32,511

Due to these revisions, we have retrospectively revised the figures for the fiscal year ended March 31, 2021 in the consolidated statement of financial position. The major adjustments as of March 31, 2021 were increases in intangible assets, deferred tax assets and deferred tax liabilities of ¥2,467 million, ¥1,213 million and ¥1,774 million, respectively, and a decrease in goodwill of ¥1,998 million.

(Acquisition of Quest Photonic Devices B.V.)

Quest Photonic Devices B.V. became a consolidated subsidiary of the Company on February 9, 2021, due to the acquisition of shares for cash consideration.

In the fiscal year ended March 31, 2022, the fair value of some assets acquired and liabilities assumed has been revised with respect to the measurement of the fair value of assets acquired and liabilities assumed as of the acquisition date in said business combination. Regarding said business combination, in the fiscal year ended March 31, 2022, initial measurement of assets acquired, liabilities assumed and goodwill has been finalized.

Millions of yen

	Provisional fair value as of March 31, 2021	Subsequent revision	Revised fair value
Fair value of consideration paid			
Cash	¥4,684	¥–	¥4,684
Contingent consideration	1,290	–	1,290
Total	¥5,974	¥–	¥5,974
Fair value of assets acquired and liabilities assumed			
Cash and cash equivalents	¥301	¥–	¥301
Trade and other receivables	53	–	53
Inventories	197	–	197
Other current assets	24	–	24
Property, plant and equipment	204	–	204
Intangible assets	569	1,899	2,468
Other financial assets (non-current)	45	–	45
Deferred tax assets	32	–	32
Trade and other payables	(21)	–	(21)
Bonds and borrowings (current)	(39)	–	(39)
Provisions	(1)	–	(1)
Other current liabilities	(314)	–	(314)
Bonds and borrowings (non-current)	(1,035)	–	(1,035)
Deferred tax liabilities	–	(475)	(475)
Other non-current liabilities	(22)	–	(22)
Fair value of assets acquired and liabilities assumed, net	(7)	1,424	1,417
Goodwill	5,981	(1,424)	4,557
Total	¥5,974	¥–	¥5,974

Due to these revisions, we have retrospectively revised the figures for the fiscal year ended March 31, 2021 in the consolidated statement of financial position. Intangible assets and deferred tax assets increased by ¥1,908 million and ¥477 million, respectively, and goodwill decreased by ¥1,431 million.

41. Discontinued Operations

(1) Outline of discontinued operations

Due to the transfer of the Imaging Business to OJ Holdings, Ltd., a special purpose company established by Japan Industrial Partners, Inc. in the fiscal year ended March 31, 2021, the profit (loss) of the Imaging Business is presented in discontinued operations.

(2) Profit (loss) of discontinued operations

Profit (loss) of discontinued operations is as follows.

	Millions of yen	
	2021	2022
Revenue	¥21,062	¥–
Cost of sales	14,715	–
Gross profit	6,347	–
Selling, general and administrative expenses	13,633	–
Share of profit (loss) of investments accounted for using equity method	–	–
Other income	75	–
Other expenses (Note)	44,898	–
Operating loss	(52,109)	–
Finance income	0	–
Finance costs	367	–
Loss before tax	(52,476)	–
Income taxes	205	–
Loss from discontinued operations	¥(52,681)	¥–

Note: Other expenses in the fiscal year ended March 31, 2021 include a loss on sale of the Imaging Business of ¥44,794 million (expenses borne in accordance with the transfer agreement of ¥28,618 million, loss on sale of inventories of ¥14,910 million and loss on sale of fixed asset, etc. of ¥1,266 million).

(3) Cash flows of discontinued operations

Cash flows of discontinued operations are as follows.

	Millions of yen	
Cash flows of discontinued operations	2021	2022
Net cash used in operating activities	¥(2,999)	¥–
Net cash used in investing activities	(28,686)	–
Net cash used in financing activities	¥(68)	¥–

42. Contingent Liabilities

The Olympus Group has the following guarantees:

	Millions of yen	
	2021	2022
Employees (mortgages)	¥3	¥1
Total	¥3	¥1

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

43. Additional Information

(Company split associated with the restructuring of domestic sales functions)

On October 1, 2021, the Company conducted a company split that transferred some of the rights and liabilities associated with the domestic sales functions of the Endoscopic Solutions Business and the Therapeutic Solutions Business to the Company's wholly owned subsidiary Olympus Medical Science Sales Corporation. The company split was carried out under an absorption-type split agreement concluded between the Company and Olympus Medical Science Sales Corporation on February 12, 2021. Furthermore, with the start of our evaluation into making the Scientific Solutions Business a separate company, on June 17, 2021, the Company concluded a modified agreement related to absorption-type splits between the Company and Olympus Medical Science Sales Corporation.

Moreover, on October 1, 2021, Olympus Medical Science Sales Corporation changed its trade name to "Olympus Marketing Corporation."

1. Overview of transaction

1) Names and description of businesses subject to transaction

Names of businesses	Endoscopic Solutions Business, Therapeutic Solutions Business
Description of business:	Domestic sales functions for the above businesses

2) Effective date of company split

October 1, 2021

3) Legal form of company split

Absorption-type split in which Olympus Corporation becomes the absorption-type split company and Olympus Marketing, Inc. (former company name: Olympus Medical Science Sales Corporation) becomes the absorption-type split successor company

4) Name of the company after the company split

Olympus Marketing, Inc.

2. Description of transaction

The Company and Olympus Medical Science Sales Corporation have been responsible for the Olympus Group's domestic sales functions. By integrating the domestic sales functions for the Endoscopic Solutions Business and the Therapeutic Solutions Business of the two companies, the Company aims to realize "flexible personnel assignment," "enhanced cooperation with partners," "integrated nationwide policy implementation," and "acquisition and retention of excellent personnel," and conducted the company split to strengthen its sales functions.

(Establishment of a subsidiary)

On October 5, 2021, the Company's consolidated subsidiary Olympus Corporation of the Americas established Olympus Innovation Ventures, LLC (hereinafter, "OIV") as a corporate venture capital fund (hereinafter, "CVC Fund").

In recent years, the pace of innovation has been accelerating, and new trends such as digital, AI and robotics are shifting the medtech landscape. In order to take advantage of these opportunities and to create opportunities for us to grow, we have established the CVC Fund. This fund will allow the Olympus Group to form relationships with early stage companies and help nurture partnerships and explore and acquire technologies with relevant and compelling entrepreneurial teams.

The Olympus Group will initially commit a total of US$50 million over five years for OIV to search, identify, vet and invest in early stage companies with differentiated technologies. OIV will deliver the following benefits to us:

(1) Build a pipeline of future M&A targets

(2) Spot critical trends in technology, medicine, and care delivery

(3) Identify promising new markets for future growth

(4) Generate financial return on invested capital

(5) Raise the Olympus Group's profile in the medtech innovation ecosystem

Name of established subsidiary:	Olympus Innovation Ventures, LLC
Description of business:	Investment in and support to external opportunities
Date of incorporation:	October 5, 2021
Investors and investment ratios:	Olympus Corporation of the Americas 100%

44. Significant Subsequent Events

(Cancellation of treasury shares)

At the meeting of the Board of Directors held on May 11, 2022, the Company resolved the cancellation of treasury shares as provided for under Article 178 of the Companies Act, and the cancellation of treasury shares was completed on June 8, 2022. The details are as follows:

(1)	Type of shares cancelled:	Common shares of the Company
(2)	Total number of shares cancelled:	13,402,333 shares (1.03% of total number of issued shares before the cancellation)
(3)	Date of cancellation:	June 8, 2022
(4)	Total number of issued shares after cancellation:	1,285,892,000 shares

(Transfer of Scientific Solutions Business through company split)

The Company transferred its Scientific Solutions Business through an absorption-type company split (hereinafter the "Company Split"), to Evident Corporation, which is a newly established wholly owned subsidiary of Olympus (hereinafter "Evident") on April 1, 2022.

(1) Background and purpose of the company split

As a truly global medical technology company, the Company announced its corporate strategy for achieving sustainable growth (hereinafter "Corporate Strategy") on November 6, 2019. Based on this corporate strategy, the Company 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. Under these circumstances, we have been carefully analyzing and considering the reorganization of the Scientific Solutions Business, taking all options into consideration including a possible subsequent business transfer after the Company Split, in order to achieve sustainable growth and profitability improvement of the Scientific Solutions Business. As a result, we decided to spin off the Scientific Solutions Business after it was judged that establishing a management structure that matches the characteristics of each business in the medical field centered on the above two businesses and Scientific Solutions Business will accelerate efforts to achieve sustainable growth and improve profitability of each and contribute to the enhancement of corporate value of the entire Group. As of April 1, 2022, we have completed the reorganization, in which our newly established wholly owned subsidiary, Evident Corporation, takes over the Scientific Solutions Business.

(2) Summary of the company split

1) Method of the company split

The Company has carried out an absorption-type split (simple absorption-type company split) with the Company as the absorption-type split company and the Evident as the successor company to the absorption-type company split.

2) Schedule of the company split

Date of decision:	December 17, 2021
Date of Company Split agreement:	January 14, 2022
Effective date:	April 1, 2022

Since the Company Split falls under the simple absorption-type split based on the provisions of Article 784, Paragraph 2 of the Companies Act, the Company did not hold a general meeting of shareholders.

3) Details of allocation related to company split

At the time of the company split, Evident newly issued one common share and allocated and delivered it to the Company.

4) Rights and obligations to be succeeded by the successor company

Evident succeeded the assets and rights and obligations of the Company regarding the Scientific Solutions Business, which are stipulated in the absorption-type company split agreement with the Company.

5) Summary of the successor company of the absorption-type company split

Name: Evident Corporation

Address:	6666 Inatomi, Tatsuno-machi, Kamiina-gun, Nagano
Title and name of representative:	Yoshitake Saito, President and Representative Director
Capital:	¥0.5 million (As of April 1, 2022) (Note)
Description of business:	Development, manufacturing, sales and provision of solutions for biological microscopes, industrial microscopes, industrial endoscopes, non-destructive testing equipment, X-ray analyzers, etc.

Note: The Company has decided to underwrite the capital increase implemented by Evident on April 6, 2022 (hereinafter the “capital increase.” After the capital increase, the share capital and legal capital surplus of Evident are ¥24,000 million each. Since the share capital of Evident is equivalent to more than 10/100 (one tenth) of the share capital of the Company as a result of the capital increase, Evident falls under the category of “specified subsidiary” of the Company.

(Absorption-type merger agreement for a wholly owned subsidiary)

The Company implemented an absorption-type merger (hereinafter “the Merger”) with consolidated subsidiary, Olympus Logitex Co., Ltd. (hereinafter “Olympus Logitex”), effective from April 1, 2022.

(1) Background and purpose of the merger

In order to improve operations and improve business performance and organizational soundness, we are working on the company-wide cross-functional corporate transformation plan “Transform Olympus,” and in one of its priority measures, “End-to-End (E2E) Supply Chain Transformation,” we aim to build an E2E supply chain that integrates everything from parts procurement to delivery to customers, improving customer satisfaction and business agility, improving cost efficiency, and optimizing inventory. As part of this End-to-End supply chain transformation, we integrated Olympus Logitex, which is responsible for storage and warehousing functions for Olympus Group products and distribution functions to dealers and customers in Japan and overseas, into our supply chain management section, which is responsible for the supply chain strategy planning function of the entire Group, and the merger has been conducted with the aim of strengthening the ability to propose logistics solutions and strengthening cooperation with global procurement, manufacturing, and sales functions.

(2) Summary of the merger

1) Method of the merger

As an absorption-type merger (simplified and short-form) with Olympus acting as the surviving company and Olympus Logitex to be absorbed and merged. As a result, Olympus Logitex has been dissolved.

2) Schedule of the merger

Date of decision:	December 17, 2021
Date of merger agreement:	December 17, 2021
Effective date of merger:	April 1, 2022

The Merger is, for Olympus, a simplified merger under the provisions of Paragraph 2 of Article 796 of the Companies Act and, for Olympus Logitex, a short-form merger under the provisions of Paragraph 1 of Article 784 of the Companies Act. Therefore, the individual entities did not hold a general meeting of shareholders to carry out the Merger.

3) Details of allocation related to the merger

Since Olympus Logitex is a wholly owned subsidiary of the Company, there has been no allotment of shares or money due to the merger.

4) Overview of the surviving company of the absorption-type merger (as of March 31, 2022)

Name:	Olympus Corporation
Capital:	¥124,643 million
Description of business:	Manufacture and sale of medical equipment, scientific equipment, etc.

(Transfer of significant assets)

From the viewpoint of optimization of management resources, the Company reviewed its assets and transferred its fixed assets (land) on April 27, 2022.

(1) Details of the asset transferred

1) Classification and location of the asset: Land_Approx. 10,395m2 (2-chome Hatagaya, Shibuya-ku, Tokyo)

2) Current status: Parking lot

3) Gain on transfer: ¥16,395 million

(2) Overview of the Transferee

There are no capital relationships, personal relationships, business relationships and nothing special to note as a related party between the Company and the transferee.

(3) Schedule of transfer

1) Date of decision: March 30, 2022

2) Date of agreement: March 30, 2022

3) Property transfer date: April 27, 2022

(Disposal of treasury shares)

The Company conducted a disposal of its treasury shares based on its subsequent grant-type restricted stock compensation system (Restricted Stock Unit (RSU)) and performance-linked stock compensation system (Performance Stock Unit (PSU)) as follows. The Company introduced the PSU system in the fiscal year ended March 31, 2018 as a form of stock compensation to directors (excluding outside directors) and corporate officers until the fiscal year ended March 31, 2019. After its transition into a company with a Nominating Committee etc. in June 2019, Olympus further worked on reviewing its compensation systems under a basic concept to appropriately and fairly reward directors (including outside directors) and executive officers who fulfill their responsibilites through encouraging strong awareness "to maximize the corporate value and to meet expectations of various stakeholders," and additionally introduced the RSU system from the fiscal year ended March 31, 2021 as a result. The Company has introduced a similar RSU system to corporate officers as well since the fiscal year ended March 31, 2022. This disposal of treasury shares is made as stock compensation for recipients including directors, executive officers and corporate officers based on these RSU and PSU systems. Each of eligible directors, executive officers and corporate officers paid the entire amount of their monetary compensation claims to the Company as contributed assets in kind and then, received its shares to be disposed of.

Summary of the Disposal

(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 per share
(4)	Total amount of disposal value	¥235,411,200
(5)	Disposal recipients, the number of such recipients, and the number of shares to be disposed of	① RSU granted for the fiscal year ended March 31, 2021 Two retiring directors 3,082 shares One retired executive officer 6,722 shares ② RSU granted for the fiscal year ended March 31, 2022 Two retiring directors and one non-resident director in Japan 3,921 shares One retired executive officer 768 shares ③ Transformational FY22-RSU granted for the fiscal year ended March 31, 2022 One retired corporate officer 2,074 shares ④ PSU granted for the performance evaluation period starting from the fiscal year ended March 31, 2020 and ending in the fiscal year ended March 31, 2022 Three executive officers, three retired executive officers, nine corporate officers and eight retired corporate officers 71,273 shares ※Those officers retired in the fiscal years ended March 31, 2020 and 2021 are included in the retired executive officers and retired corporate officers.
(6)	Other	Olympus has submitted a securities notice regarding the disposal of treasury shares in accordance with the Financial Instruments and Exchange Act.

Other Information

Quarterly information for the fiscal year ended March 31, 2022

	Millions of yen			
(Cumulative period)	Three months	Six months	Nine months	Year-end
Revenue	¥191,517	¥413,059	¥629,757	¥868,867
Profit before tax	26,952	73,846	103,635	149,873
Profit attributable to owners of parent	18,690	62,397	87,667	115,742
Basic earnings per share (yen)	¥14.54	¥48.53	¥68.19	¥90.22
(Accounting period)	First quarter	Second quarter	Third quarter	Fourth quarter
Basic earnings per share (yen)	¥14.54	¥34.00	¥19.66	¥22.02