

Consolidated Financial Statements and Notes

For the Fiscal Year Ended March 31, 2023

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

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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, 2023, 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, 2023, 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.

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, Olympus Corporation (the Company) performed an impairment test for goodwill related to the Therapeutic solutions	In considering the valuation of goodwill of the Therapeutic solutions segment, we performed the following audit procedures, among others. <ul style="list-style-type: none">● We made inquiries of management of the Therapeutic Solutions Business and

<p>segment (cash generating unit) in the fiscal year ended March 31, 2023. As of March 31, 2023, the amount of goodwill for the Therapeutic solutions segment was ¥149,458 million (9.9% of total assets of Consolidated Statement of Financial Position).</p> <p>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.</p> <ul style="list-style-type: none"> - Growth rate and operating profit ratio in the business plan - Growth rate for the period after the term of the business plan - Discount rate <p>These main assumptions involve uncertainty associated with management estimates and have a significant impact on determining value in use. Of these assumptions, 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 particular, in the fiscal year ended March 31, 2023, domestic consolidated subsidiaries responsible for development and manufacturing received multiple warning letters from the United States Food and Drug Administration (FDA), which included findings related to manufacturing process validation, design validation, and the timeliness of medical device reporting (MDR), and the responses to these warning letters may</p>	<p>reviewed minutes of board of directors and other meetings 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.</p> <ul style="list-style-type: none"> ● We compared the growth rate and operating profit ratio used in the business plan with past results, market forecasts, and available external data. ● In order to evaluate the impact of the improvement plan for the findings raised in the warning letters on the business plan for the Therapeutic Solutions Business, we reviewed minutes of board of directors and other meetings where the improvement plan was discussed and made inquiries of managements in the Business Division and Quality Assurance Division regarding the impact of the improvement plan on development activities and market entry timing for new products, which form the basis for the growth rate and operating profit ratio of the business plan, as well as estimates of future costs related to improvement activities. In addition, we performed our own sensitivity analysis in which a certain level of stress was placed on risk factors included in the assumptions. ● We involved valuation specialists from our network firms and performed the following procedures. <ul style="list-style-type: none"> - 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 compared the discount rate with the range set by the valuation specialists and 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.
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<p>affect the Company's business plan.</p> <p>Therefore, we determined the valuation of goodwill of the Therapeutic solutions segment to be a key audit matter.</p>	
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Disclosure of subsequent events related to the transfer of the Scientific Solutions Business	
Description of Key Audit Matter	Auditor's Response
<p>As described in Note 44 "Subsequent Events" to the Consolidated Financial Statements, the Company concluded a share transfer agreement on August 29, 2022 with K.K. BCJ-66, a special purpose company indirectly owned by funds advised by Bain Capital Private Equity, LP, to transfer all shares of Evident Corporation ("Evident") for the purpose of transferring its Scientific Solutions Business, and completed the sale on April 3, 2023. As a result, the Company expects to record gain on the transfer of its Scientific Solutions Business of ¥347,900 million (currently being determined) in the fiscal year ending March 31, 2024.</p> <p>Although the transfer of the business to K.K. BCJ-66 was initially scheduled to be completed in the fiscal year ended March 31, 2023, completion of the transfer and recognition of the gain on the transfer both occurred on April 3, 2023 as additional time was required to obtain approval in some countries in the course of obtaining approval from the relevant authorities pursuant to the competition laws and related laws and regulations of Japan and other relevant jurisdictions, thus having a significant impact on income for the fiscal year ending March 31, 2024.</p> <p>In addition, the process for calculating the transfer costs, which form the basis for determining the noted gain on transfer, includes a complex process of identifying the assets and liabilities related to the Scientific Solutions Business that were held by the Company and its domestic and overseas consolidated subsidiaries in the fiscal year</p>	<p>In considering the disclosure of subsequent events related to the transfer of the Scientific Solutions Business, we performed the following audit procedures, among others.</p> <ul style="list-style-type: none"> ● We made inquiries of management and reviewed minutes of board of directors and other meetings to obtain an understanding of the economic reasonableness considered by the Company as it relates to the transfer and the Company's business strategy. ● We made inquiries of management regarding the reasons for the change from the date that was initially scheduled for the completion of the sale and the progress of measures taken in response and, in order to consider whether the share transfer was completed on April 3, 2023, we reviewed the terms for the completion of the transfer set forth in the share transfer agreement and obtained and evaluated evidence related to the completion of the share transfer. ● We considered whether the note regarding subsequent events complies with the requirements of accounting standards, and performed the following procedures to assess the amount of the noted gain on transfer of the Scientific Solutions Business. <ul style="list-style-type: none"> - Regarding the transfer price, we compared the agreement amount and price adjustments estimated by the Company arising after the transfer date with the amount in the share transfer agreement.

<p>ended March 31, 2023 and reorganizing those assets and liabilities under Evident, a newly-created wholly-owned subsidiary, for the purpose of the transfer of the business.</p> <p>Therefore, we determined the disclosure of subsequent events related to the transfer of the Scientific Solutions Business to be a key audit matter.</p>	<ul style="list-style-type: none"> - In order to consider whether the calculation of transfer costs is accurate and complete, we reviewed and evaluated materials prepared by the Company regarding the process by which the Company and its domestic and overseas consolidated subsidiaries reorganized and aggregated the assets and liabilities to be transferred under Evident, reviewed calculation materials, reperformed calculations, and reconciled transfer costs to related documentation.
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Valuation of deferred tax assets	
Description of Key Audit Matter	Auditor's Response
<p>The Company recorded deferred tax assets of ¥156,543 million on the consolidated statement of financial position as of March 31, 2023 and, as described in Note 37 "Income Taxes" to the Consolidated Financial Statements, deferred tax assets before being offset against deferred tax liabilities totaled ¥191,145 million.</p> <p>As described in "(21) Income taxes" under "3. Significant Accounting Policies" in Notes to the Consolidated Financial Statements, the Company and some of its domestic subsidiaries have adopted the Group Tax Sharing System and recognize deferred tax assets to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax credits carried forward, and tax losses carried forward can be utilized. The estimate of the amount of taxable profit used in determining the recoverability of deferred tax assets is based on the business plan developed by management, and this estimate is subject to uncertainty since it involves significant judgments based on the growth rate and operating profit ratio.</p> <p>In addition, of the amount of deferred tax assets before being offset against deferred tax liabilities as at the end of the fiscal year ended</p>	<p>In order to evaluate the adequacy of the determination of the recoverability of deferred tax assets, we performed the following audit procedures, among others.</p> <ul style="list-style-type: none"> ● We compared prior year business plans with actual results to evaluate the effectiveness of the estimation process used in formulating the business plan, which forms the basis for expected future taxable profit. ● We compared the growth rate and operating profit ratio used in the business plan with past results, market forecasts, and available external data, and evaluated the impact of the improvement plan for the findings raised in the warning letters on the business plan. ● We considered the schedule of the fiscal years in which the balances of deductible temporary differences and unused tax losses are expected to reverse. In particular, we performed the following procedures to consider whether deductible temporary differences arising from the sale of shares of Evident will reverse and whether taxable profit will be available against which the temporary differences can be utilized.

<p>March 31, 2023, ¥109,268 million was recorded for investments in subsidiaries, and this amount was made up of temporary differences arising from reorganizing under Evident the assets and liabilities related to the Scientific Solutions Business that were held by the Company and its domestic and overseas consolidated subsidiaries in order for the Company to transfer the Scientific Solutions Business. Accordingly, the Company recognized a material amount of deferred tax assets under the assumption that temporary differences will reverse when the transfer of shares of Evident to K.K. BCJ-66 is complete and that taxable profit will be available against which the temporary differences can be utilized.</p> <p>Therefore, we determined the valuation of deferred tax assets to be a key audit matter.</p>	<ul style="list-style-type: none"> - In order to consider whether the share transfer was completed on April 3, 2023, we reviewed the terms for the completion of the transfer set forth in the agreement and obtained and evaluated evidence related to the completion of the share transfer. - We involved tax specialists from our network firms to obtain an understanding of the tax treatment for deductible temporary differences relating to the investments in subsidiaries.
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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.

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, 2023

/s/ Takahiro Yamazaki
Takahiro Yamazaki
Designated Engagement Partner
Certified Public Accountant

/s/ Tetsuya Yoshida
Tetsuya Yoshida
Designated Engagement Partner
Certified Public Accountant

/s/ Mitsuharu Konno
Mitsuharu Konno
Designated Engagement Partner
Certified Public Accountant

Consolidated Statement of Financial Position
Olympus Corporation and Consolidated Subsidiaries
As of March 31, 2023

(Millions of yen)

	Notes	2022	2023
ASSETS			
Current assets			
Cash and cash equivalents	7,35	302,572	169,329
Trade and other receivables	8,35	178,428	174,672
Other financial assets	10,35	10,269	11,360
Inventories	9	167,368	162,994
Income taxes receivable		3,718	15,960
Other current assets	11	27,565	22,421
Subtotal		689,920	556,736
Assets held for sale	12	4,685	169,621
Total current assets		694,605	726,357
Non-current assets			
Property, plant and equipment	13	247,112	238,731
Goodwill	14	164,498	182,505
Intangible assets	14	120,361	115,183
Retirement benefit asset	23	25,975	27,028
Investments accounted for using equity method		1,514	1,010
Trade and other receivables	8,35	27,857	36,980
Other financial assets	10,35	16,152	21,476
Deferred tax assets	37	57,783	156,543
Other non-current assets	11	2,142	2,495
Total non-current assets		663,394	781,951
Total assets		1,357,999	1,508,308

(Millions of yen)

	Notes	2022	2023
LIABILITIES AND EQUITY			
Liabilities			
Current liabilities			
Trade and other payables	17,35	60,547	62,919
Bonds and borrowings	18,35	52,281	49,970
Other financial liabilities	19,35	26,015	23,235
Income taxes payable		34,353	99,567
Provisions	20	22,114	19,111
Other current liabilities	21	180,941	163,837
Subtotal		376,251	418,639
Liabilities directly associated with assets held for sale	12	–	43,253
Total current liabilities		376,251	461,892
Non-current liabilities			
Bonds and borrowings	18,35	333,846	290,087
Other financial liabilities	19,35	64,600	61,668
Retirement benefit liability	23	40,001	20,416
Provisions	20	2,783	2,912
Deferred tax liabilities	37	13,087	11,905
Other non-current liabilities	21	16,069	18,194
Total non-current liabilities		470,386	405,182
Total liabilities		846,637	867,074
Equity			
Share capital	24	124,643	124,643
Capital surplus	24	91,239	92,150
Treasury shares	24	(45,589)	(28,086)
Other components of equity	24	34,818	77,280
Other components of equity related to disposal group held for sale	24	–	3,034
Retained earnings	24	305,057	371,064
Total equity attributable to owners of parent		510,168	640,085
Non-controlling interests		1,194	1,149
Total equity		511,362	641,234
Total liabilities and equity		1,357,999	1,508,308

Consolidated Statement of Profit or Loss
Olympus Corporation and Consolidated Subsidiaries
For the fiscal year ended March 31, 2023

(Millions of yen)

	Notes	2022	2023
Continuing operations			
Revenue	6,28	750,123	881,923
Cost of sales	9,13 14,23	243,423	285,074
Gross profit		506,700	596,849
Selling, general and administrative expenses	13,14 23,29	357,510	420,547
Share of profit (loss) of investments accounted for using equity method	6	1,492	491
Other income	30	13,661	23,706
Other expenses	16,30	18,155	13,890
Operating profit	6	146,188	186,609
Finance income	31	1,351	3,860
Finance costs	31	5,838	8,175
Profit before tax		141,701	182,294
Income taxes	37	31,074	44,304
Profit from continuing operations		110,627	137,990
Discontinued operation			
Profit from discontinued operation	41	5,343	5,623
Profit		115,970	143,613
Profit attributable to:			
Owners of parent		115,742	143,432
Non-controlling interests		228	181
Profit		115,970	143,613
Earnings per share			
Basic earnings per share			
Continuing operations	32	86.05	108.78
Discontinued operation	32	4.17	4.44
Basic earnings per share	32	90.22	113.22
Diluted earnings per share			
Continuing operations	32	86.01	108.65
Discontinued operation	32	4.16	4.43
Diluted earnings per share	32	90.17	113.08

Consolidated Statement of Comprehensive Income
Olympus Corporation and Consolidated Subsidiaries
For the fiscal year ended March 31, 2023

(Millions of yen)

	Notes	2022	2023
Profit		115,970	143,613
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Financial assets measured at fair value through other comprehensive income	33	(686)	(84)
Remeasurements of defined benefit plans	33	5,312	7,320
Total of items that will not be reclassified to profit or loss	33	4,626	7,236
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations	33	42,407	47,093
Cash flow hedges	33	(2,154)	(1,280)
Share of other comprehensive income of associates accounted for using equity method	33	152	–
Total of items that may be reclassified to profit or loss	33	40,405	45,813
Total other comprehensive income		45,031	53,049
Comprehensive income		161,001	196,662
Comprehensive income attributable to:			
Owners of parent		160,773	196,481
Non-controlling interests		228	181
Comprehensive income		161,001	196,662

Consolidated Statement of Changes in Equity
Olympus Corporation and Consolidated Subsidiaries

For the fiscal year ended March 31, 2022

(Millions of yen)

	Notes	Equity attributable to owners of parent							Non-controlling interests	Total equity
		Share capital	Capital surplus	Treasury shares	Other components of equity	Other components of equity related to disposal group held for sale	Retained earnings	Total		
Balance at April 1, 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
Share repurchase	24			(30,001)				(30,001)		(30,001)
Disposal of treasury shares	24		(111)	115				4		4
Cancellation of treasury shares	24		(82,340)	82,340				–		–
Dividends from surplus	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	27		489	5				494		494
Transfer to other components of equity related to disposal group held for sale								–		–
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

For the fiscal year ended March 31, 2023

(Millions of yen)

	Notes	Equity attributable to owners of parent						Non-controlling interests	Total equity	
		Share capital	Capital surplus	Treasury shares	Other components of equity	Other components of equity related to disposal group held for sale	Retained earnings			Total
Balance at April 1, 2022		124,643	91,239	(45,589)	34,818	–	305,057	510,168	1,194	511,362
Profit							143,432	143,432	181	143,613
Other comprehensive income					53,049			53,049		53,049
Comprehensive income		–	–	–	53,049	–	143,432	196,481	181	196,662
Share repurchase	24			(50,003)				(50,003)		(50,003)
Disposal of treasury shares	24		(254)	254				0		0
Cancellation of treasury shares	24		(67,087)	67,087				–		–
Dividends from surplus	26						(17,822)	(17,822)	(226)	(18,048)
Transfer from retained earnings to capital surplus			67,156				(67,156)	–		–
Transfer from other components of equity to retained earnings					(7,553)	7,553		–		–
Share-based payment transactions	27		1,096	165				1,261		1,261
Transfer to other components of equity related to disposal group held for sale					(3,034)	3,034		–		–
Total transactions with owners		–	911	17,503	(10,587)	3,034	(77,425)	(66,564)	(226)	(66,790)
Balance at March 31, 2023		124,643	92,150	(28,086)	77,280	3,034	371,064	640,085	1,149	641,234

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 fiscal year ended March 31, 2023

(Millions of yen)

	Notes	2022	2023
Cash flows from operating activities			
Profit before tax		141,701	182,294
Profit before tax from discontinued operation	41	8,172	7,413
Depreciation and amortization		64,615	66,741
Loss (gain) on step acquisition	30,40	(2,826)	–
Impairment losses	16	3,396	2,498
Interest and dividend income		(1,184)	(3,971)
Interest expenses		4,865	6,037
Loss (gain) on sale and retirement of fixed assets	30	(972)	(15,757)
Share of loss (profit) of investments accounted for using equity method		(1,492)	(491)
Decrease (increase) in trade and other receivables		(10,981)	(27,013)
Decrease (increase) in inventories		(2,097)	(26,852)
Increase (decrease) in trade and other payables		(8,827)	8,770
Increase (decrease) in retirement benefit liability		181	(14,099)
Decrease (increase) in retirement benefit asset		328	952
Increase (decrease) in provisions		(15,372)	(3,555)
Other		2,488	14,507
Subtotal		181,995	197,474
Interest received		1,017	3,933
Dividends received		167	38
Interest paid		(4,286)	(5,388)
Income taxes paid		(9,164)	(97,567)
Net cash provided by operating activities		169,729	98,490

(Millions of yen)

	Notes	2022	2023
Cash flows from investing activities			
Payments into time deposits		(1)	(2,136)
Purchase of property, plant and equipment		(41,688)	(47,570)
Proceeds from sale of property, plant and equipment		4,485	20,460
Purchase of intangible assets		(20,083)	(23,053)
Purchase of investment securities		(1,977)	(3,705)
Proceeds from sale and redemption of investments		8,282	933
Payments for acquisition of subsidiaries	34,40	(21,837)	(3,859)
Proceeds from sale of subsidiaries	34	724	–
Other		1,079	516
Net cash used in investing activities		(71,016)	(58,414)
Cash flows from financing activities			
Increase (decrease) in short-term borrowings and commercial papers	34	(5,454)	(67)
Repayments of lease liabilities	34	(17,691)	(20,914)
Repayments of long-term borrowings	34	(26,246)	(13,547)
Dividends paid	26	(15,428)	(17,822)
Dividends paid to non-controlling interests		(188)	(226)
Proceeds from issuance of bonds	18,34	56,143	–
Redemption of bonds	18,34	–	(40,000)
Payments for share repurchase		(30,001)	(50,003)
Other		(1,802)	(599)
Net cash used in financing activities		(40,667)	(143,178)
Effect of exchange rate changes on cash and cash equivalents		27,048	6,042
Net increase (decrease) in cash and cash equivalents		85,094	(97,060)
Cash and cash equivalents at beginning of period		217,478	302,572
Cash and cash equivalents at end of period	7	302,572	205,512

Notes to the Consolidated Financial Statements

Olympus Corporation and Consolidated Subsidiaries

1. Reporting Entity

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

The Olympus Group is principally engaged in the manufacturing and sales of endoscopic, therapeutic and scientific, and other products. In the second quarter of the fiscal year ended March 31, 2023, following the classification of the Scientific Solutions Business as a discontinued operation, the reportable segments have been changed. Details of each business are as described in Note "6. Business segments."

2. Basis of Preparation

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

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

The Japanese language consolidated financial statements for the fiscal year ended March 31, 2023 were approved by Stefan Kaufmann, Director, Representative Executive Officer, President and CEO, and Chikashi Takeda, Executive Officer CFO, on June 20, 2023. These English language consolidated financial statements were approved by Stefan Kaufmann, Director, Representative Executive Officer, President and CEO, and Chikashi Takeda, Executive Officer CFO subsequently on August 9, 2023.

Refer to (Share repurchase and cancellation of treasury shares, Transfer of collagen business and dental product sales business, Additional acquisition of interests in subsidiaries and 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 Olympus Corporation's functional currency, and figures are rounded off to the nearest million yen.

(4) Changes in presentation

(Changes due to classifying the Scientific Solutions Business as a discontinued operation)

In the second quarter ended September 30, 2022, Olympus Corporation concluded a share transfer agreement related to the transfer of the Scientific Solutions Business of the Olympus Group with K.K. BCJ-66, a special purpose company indirectly owned by funds advised by Bain Capital.

Due to this, the Scientific Solutions Business has been classified as a discontinued operation from the second quarter ended September 30, 2022. As a result, a portion of the Consolidated Statement of Profit or Loss, Consolidated Statement of Cash Flows and significant note thereto for the fiscal year ended March 31, 2022 have been reclassified in line with the presentation style for the fiscal year ended March 31, 2023.

(Consolidated Statement of Cash Flows)

(Cash flows from operating activities)

“Loss (gain) on sale and retirement of fixed assets,” which had previously been included in “Other” of “Cash flows from operating activities” for the fiscal year ended March 31, 2022, increased in significance, and it has been presented independently from the fiscal year ended March 31, 2023. To reflect this change in the presentation, the Consolidated Financial Statements for the fiscal year ended March 31, 2022 have been reorganized.

As a result, in the Consolidated Statement of Cash Flows for the fiscal year ended March 31, 2022, ¥1,516 million presented as “Other” in “Cash flows from operating activities” was reorganized into “Loss (gain) on sale and retirement of fixed assets” of ¥(972) million and “Other” of ¥2,488 million.

(Cash flows from investing activities)

“Purchase of investment securities,” which had previously been included in “Other” of “Cash flows from investing activities” for the fiscal year ended March 31, 2022, increased in significance, and it has been presented independently from the fiscal year ended March 31, 2023. Furthermore, as “Payments for loans receivable” and “Collection of loans receivable,” which had previously been presented independently, decreased in significance, and they have been included in “Other” from the fiscal year ended March 31, 2023. To reflect these changes in presentation, the Consolidated Financial Statements for the fiscal year ended March 31, 2022 have been reorganized.

As a result, the ¥(2,040) million which had previously been included in “Other” of “Cash flows from investing activities” has been presented independently as ¥(1,977) million in “Purchase of investment securities,” and the ¥(129) million in “Payments for loans receivable” and ¥1,271 million in “Collection of loans receivable” have been reorganized into “Other,” resulting in a reorganization of ¥1,079 million.

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 noncontrolling interests even if this results in the non-controlling interests having a deficit balance.

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

The Olympus Group applies cash flow hedges to interest rate-related 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 is discontinued, if hedged future cash flows are expected to occur, the amount that had been recognized as other components of equity until hedge accounting is discontinued continue to be recognized as other components of equity until these 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.
- Olympus Corporation’s intention to complete the intangible asset and use or sell it.
- Olympus Corporation’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.
- Olympus Corporation'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 those yet to be usable 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

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

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

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

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

For short-term leases and leases for which the underlying asset is of low value, the Olympus Group does not recognize the right-of-use assets and lease liabilities but recognizes lease payments as expenses.

Right-of-use assets and lease liabilities are included in and presented as "Property, plant and equipment" and "Other financial liabilities" respectively on the consolidated 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 those yet to be usable are tested for impairment in each period or whenever there is an indication of impairment.

Assets that are not individually tested in impairment testing are integrated into the smallest cash-generating unit that generates cash inflows largely independent of cash inflows from other assets or asset groups. Corporate assets do not generate independent cash inflows. Therefore, if there is an indication that corporate assets may be impaired, 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 when depreciation or amortization had been continued until the reversal occurred if any impairment loss had never been recognized for the asset. Impairment losses associated with goodwill are not reversed.

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

Non-current assets or disposal groups that will be recovered principally through a sale transaction rather than through continuous use are classified as non-current assets or disposal groups held for sale if it is highly probable that they will be sold within one year, they are immediately available for sale in their current state, and the Olympus Group's management is committed to implementing a plan for their sale.

The Olympus Group shall not depreciate or amortize a non-current asset while it is classified as held for sale or while it is part of a disposal group classified as held for sale, and shall measure a non-current asset or disposal group classified as held for sale at the lower of its carrying amount and fair value less costs to sell.

When businesses that are considered as units on which management decision is 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 occurred to settle the obligations, and reliable estimates of the obligations can be made.

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

(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 of which currency and due date are consistent with those of the post-employment benefit obligations.

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

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

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

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 Olympus Corporation. Any difference between the book value and the consideration received from the sale is recognized in equity.

(18) Stock-based compensation

Olympus Corporation has the following equity-settled stock compensation system 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.

Stock compensation system

With the aim of enhancing awareness toward contributing to sustainable improvement of corporate value, as well as further enhancing value sharing with shareholders, Olympus Corporation has introduced a subsequent grant-type restricted stock compensation (RSU: Restricted Stock Unit) system for Directors. Olympus Corporation has introduced a restricted stock compensation system, performance-based stock compensation (PSU: Performance Share Unit) system and RSU system for Executive Officers and Corporate Officers. Olympus Corporation has also introduced a PSU system and RSU system for senior management of Olympus Corporation and its subsidiaries. The compensation calculated by the reference the fair value of shares of Olympus Corporation 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 manufacturing and sales of endoscopic, therapeutic 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 probable 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.

Olympus Corporation and some of its domestic subsidiaries have adopted the Group Tax Sharing 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

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application 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 effects of such reviews are recognized in the period in which the estimates are revised and in subsequent 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 (Notes “3. Significant Accounting Policies, (10) Leases,” and “36. Leases”)
- Revenue (Notes “3. Significant Accounting Policies, (19) Revenue,” and “28. Revenue”)

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

- Valuation of inventories (Notes “3. Significant Accounting Policies, (6) Inventories,” and “9. Inventories”)

Inventories are measured at cost. However, if the net realizable value of inventories at the end of the reporting period is lower than the cost, the inventories are measured at the net realizable value and the difference between the net realizable value and the cost is recognized as 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. In the event that the market environment deteriorates further than forecasted and net realizable value declines significantly, losses may be incurred.

- Impairment of non-financial assets (Notes “3. Significant Accounting Policies, (11) Impairment of non-financial assets,” and “16. Impairment of non-financial assets”)

The Olympus Group tests for impairment of property, plant and equipment, goodwill, and intangible assets in accordance with Note “3. Significant accounting policies.” In the calculation of the recoverable amount in the impairment test, assumptions are made regarding future cash flows, discount rates, etc. These assumptions are determined based on management’s best estimates and judgment. However, they may be affected by the results of changes in uncertain future economic conditions, and if they require revision, they may have a significant impact on the consolidated financial statements.

- Measurement of provisions (Notes “3. Significant Accounting Policies, (13) Provisions,” and “20. Provisions”)

Provisions are measured based on the best estimates for expenditures as of the fiscal year closing date expected to be required to settle future obligations. Estimates of expenditures expected to be required to settle future obligations are calculated based on a comprehensive consideration of possible future outcomes. Changes in uncertain future economic conditions may affect assumptions used to calculate the provisions. Accordingly, there are risks that such changes could result in significant adjustments to measurements of provisions in the future accounting periods.

- Contingent liabilities (Notes “3. Significant Accounting Policies, (14) Contingent liabilities,” and “42. Contingent liabilities”)

Contingencies are disclosed when an item could have a significant impact on future operations, taking into account all available evidence at the reporting date and considering the likelihood and monetary impact of the event.

- Measurement of defined benefit obligation (Notes “3. Significant Accounting Policies, (16) Employee benefits,” and “23. Employee benefits”)

For defined benefit pension plans, the net value of the defined benefit obligations and the fair value of plan assets is recognized as either liabilities or assets. Defined benefit obligations are calculated based on the same types of assumptions used in the actuarial calculation, which include estimates of the discount rate, the retirement rate, the mortality rate, and the rate of compensation increase. These assumptions are established by comprehensively judging a variety of available information, including market trends, such as interest rate changes. 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 (Notes “3. Significant Accounting Policies, (21) Income taxes,” and “37. Income taxes”)

Deferred tax assets are recognized to the extent that it is probable that taxable income will be available against which deductible temporary differences, etc. can be utilized. Judgements on the likelihood that taxable income will be available are made based on the timing and amount of taxable income estimated based on the business plans including assumptions of the growth rate and operating profit ratio. These estimates are determined based on management’s best estimates. However, they may be affected by the results of changes in uncertain future economic conditions and the actual results may differ from these forecasts.

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. Business Segments

(1) Overview of reportable segments

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

In the past, the Olympus Group had four reportable segments: “Endoscopic Solutions,” “Therapeutic Solutions,” “Scientific Solutions,” and “Others.” However, from the second quarter of the fiscal year ended March 31, 2023, the Olympus Group has changed to three reportable segments: “Endoscopic Solutions,” “Therapeutic Solutions,” and “Others.” The change is due to Olympus Corporation classifying the Scientific Solutions Business as a discontinued operation with the conclusion of a share transfer agreement related to the transfer of Scientific Solutions Business of the Olympus Group with K.K. BCJ-66, a special purpose company indirectly owned by funds advised by Bain Capital.

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

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
Others	Biomedical materials, orthopedic equipment

(2) Revenue, business results and other items by reportable segment

Revenue, business results and other items of each reportable segment of the Olympus Group were as follows. The accounting treatment used for reportable segments is the same as described in Note “3. Significant Accounting Policies.”

Fiscal year ended March 31, 2022

(Millions of yen)

	Reportable Segment				Adjustment (Notes 2, 3, 4, 5)	Amount on consolidated financial statements
	Endoscopic Solutions	Therapeutic Solutions	Others	Total		
Revenue						
Revenue from outside customers	461,547	275,586	12,990	750,123	–	750,123
Intersegment revenue (Note 1)	–	–	373	373	(373)	–
Total	461,547	275,586	13,363	750,496	(373)	750,123
Operating profit (loss)	133,204	60,826	(2,018)	192,012	(45,824)	146,188
Finance income						1,351
Finance costs						5,838
Profit before tax						141,701
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	1,093	51,551	6,300	57,851
Impairment losses	2,006	488	–	2,494	902	3,396
Segment assets	493,582	412,914	20,863	927,359	430,640	1,357,999
Investments accounted for using equity method	1,514	–	–	1,514	–	1,514
Capital expenditures	40,437	16,343	997	57,777	8,416	66,193

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

Fiscal year ended March 31, 2023

(Millions of yen)

	Reportable Segment				Adjustment (Notes 2, 3, 4, 5, 6)	Amount on consolidated financial statements
	Endoscopic Solutions	Therapeutic Solutions	Others	Total		
Revenue						
Revenue from outside customers	551,823	318,207	11,893	881,923	–	881,923
Intersegment revenue (Note 1)	–	–	252	252	(252)	–
Total	551,823	318,207	12,145	882,175	(252)	881,923
Operating profit (loss)	152,769	63,692	(914)	215,547	(28,938)	186,609
Finance income						3,860
Finance costs						8,175
Profit before tax						182,294
Other items						
Share of profit (loss) of investments accounted for using equity method	505	(14)	–	491	–	491
Depreciation and amortization	37,495	19,159	1,059	57,713	5,879	63,592
Impairment losses	1,342	883	3	2,228	265	2,493
Segment assets	555,546	452,969	20,638	1,029,153	479,155	1,508,308
Investments accounted for using equity method	664	346	–	1,010	–	1,010
Capital expenditures	43,001	15,854	1,428	60,283	11,740	72,023

- Notes: 1. Intersegment revenue is based on actual market prices.
2. Adjustment for operating profit (loss) is corporate expenses that mainly consist of elimination of transactions among segments, as well as general and administrative expenses and fundamental research expenses that are not attributable to reportable segments.
3. Adjustment for operating profit (loss) includes gain on sale of fixed assets at Olympus Corporation of ¥16,395 million that is not attributable to reportable segments.
4. Adjustment for segment assets is corporate assets that are not attributable to reportable segments and assets of discontinued operation.
5. Adjustment for depreciation and amortization is the amount of depreciation and amortization related to corporate assets that are not attributable to reportable segments.
6. Adjustment for capital expenditures is the amount of increase in fixed assets related to corporate assets that are 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)

	2022	2023
Japan	118,826	122,516
North America	261,351	322,167
Europe	194,366	222,164
China	100,974	117,094
Asia and Oceania	61,104	77,807
Others	13,502	20,175
Total	750,123	881,923

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 fiscal years ended March 31, 2022 and 2023, revenue from external customers in the United States was ¥243,871 million and ¥300,080 million, respectively. In no single country or region other than Japan, the United States and China was revenue from external customers significant in the fiscal years ended March 31, 2022 and 2023.

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

(Millions of yen)

	2022	2023
Japan	150,796	138,682
Americas	214,365	220,391
Europe and Middle East	139,256	153,367
Asia and Oceania	29,696	26,474
Total	534,113	538,914

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 ¥205,699 million and ¥217,723 million as of March 31, 2022 and 2023, 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 ¥55,905 million and ¥58,358 million as of March 31, 2022 and 2023, 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, 2022 and 2023.

(5) Major customers

Information on revenue attributable to major customers for the fiscal years ended March 31, 2022 and 2023 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 is as follows. Cash and cash equivalents in the Consolidated Statement of Cash Flows are as follows:

(Millions of yen)

	2022	2023
Cash and deposits	294,580	164,551
Short-term investments	7,992	4,778
Cash and cash equivalents in the consolidated statement of financial position	302,572	169,329
Cash and cash equivalents included in assets held for sale	–	36,183
Cash and cash equivalents in the consolidated statement of cash flows	302,572	205,512

8. Trade and Other Receivables

The breakdown of trade and other receivables as of March 31, 2022 and 2023 was as follows:

(Millions of yen)

	2022	2023
Trade notes receivable and trade accounts receivable	151,043	141,877
Other receivables	14,955	14,074
Contract assets	728	1,239
Lease receivables	50,517	65,003
Allowance for doubtful accounts	(10,958)	(10,541)
Total	206,285	211,652
Current	178,428	174,672
Non-current	27,857	36,980
Total	206,285	211,652

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, 2022 and 2023 was as follows:

(Millions of yen)

	2022	2023
Merchandise and finished goods	64,116	66,578
Work in progress	40,428	33,528
Raw materials and supplies	62,824	62,888
Total	167,368	162,994

The amounts of inventories recorded as cost of sales for the fiscal years ended March 31, 2022 and 2023 were ¥199,627 million and ¥224,363 million, respectively.

Write-downs of inventories recognized as expenses for the fiscal years ended March 31, 2022 and 2023 were ¥18,542 million and ¥19,741 million, respectively.

Inventories include materials not expected to be used for manufacturing 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, 2022 and 2023 were ¥4,135 million and ¥3,842 million, respectively.

10. Other Financial Assets

The breakdown of other financial assets as of March 31, 2022 and 2023 was as follows:

		(Millions of yen)	
		2022	2023
Financial assets measured at fair value through profit or loss			
Derivative assets		1,874	6,860
Equity securities and others		956	937
Financial assets measured at amortized cost			
Deposits with withdrawal restrictions		6,023	6,128
Lease and guarantee deposits		4,359	3,614
Other		8,738	8,396
Financial assets measured at fair value through other comprehensive income			
Equity securities and others		4,471	6,901
Total		26,421	32,836
Current		10,269	11,360
Non-current		16,152	21,476
Total		26,421	32,836

11. Other Current Assets and Other Non-current Assets

The breakdown of other current assets and other non-current assets as of March 31, 2022 and 2023 was as follows:

		(Millions of yen)	
		2022	2023
Prepaid expenses		14,528	10,643
Consumption tax receivables		7,285	6,462
Other		7,894	7,811
Total		29,707	24,916
Current		27,565	22,421
Non-current		2,142	2,495
Total		29,707	24,916

12. Assets Held for Sale

The breakdown of assets held for sale and liabilities directly associated with assets held for sale is as follows:

(Millions of yen)

	2022	2023
Assets		
Cash and cash equivalents	–	36,183
Trade and other receivables	–	34,712
Inventories	–	35,931
Land	4,683	1,371
Buildings and structures	2	5,798
Machinery and vehicles	–	2,577
Tools, furniture and fixtures	–	3,246
Construction in progress	–	220
Right-of-use assets	–	8,168
Other property, plant and equipment	–	4,910
Intangible assets	–	15,808
Goodwill	–	2,790
Deferred tax assets	–	1,872
Other financial assets	–	3,792
Other current assets	–	9,804
Other non-current assets	–	2,439
Total	4,685	169,621
Liabilities		
Trade and other payables	–	9,109
Accrued expenses	–	10,685
Provisions	–	627
Deferred tax liabilities	–	4,225
Other financial liabilities	–	9,187
Other current liabilities	–	7,309
Other non-current liabilities	–	2,111
Total	–	43,253

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

Assets classified as assets held for sale and liabilities directly associated with assets held for sale as of March 31, 2023 are as follows.

(Transfer of Scientific Solutions Business)

On August 29, 2022, Olympus Corporation concluded a share transfer agreement related to the transfer of Scientific Solutions Business of the Olympus Group with K.K. BCJ-66, a special purpose company indirectly owned by funds advised by Bain Capital. Accordingly, from the fiscal year ended March 31, 2023, the assets and liabilities related to the Scientific Solutions Business of the Olympus Group have been classified as a disposal group classified as held for sale. The transfer was completed on April 3, 2023. For details, please see “V. Financial Information, Notes to Consolidated Financial Statements, 44. Subsequent Events, (Transfer of Scientific Solutions Business).”

(Transfer of collagen business and dental product sales business)

On March 28, 2023, Olympus Terumo Biomaterials Corporation, a consolidated subsidiary of Olympus Corporation, executed a company split agreement with GC Japan for the transfer of the collagen products

development, manufacture and sales business and dental products sales business, which are included in the other businesses of the Olympus Group. As a result, from the fiscal year ended March 31, 2023, the assets and liabilities related to the collagen business and the dental products sales business owned by Olympus Terumo Biomaterials Corporation have been classified as a disposal group classified as held for sale. Transfer completion is scheduled for July 2023.

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, 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
Additions	13,009	5,289	24,453	1,056	15,078	58,885
Additions through business combinations	–	–	3	–	–	3
Depreciation	(15,738)	(7,216)	(25,492)	(328)	–	(48,774)
Impairment losses	(297)	(85)	–	–	–	(382)
Sales and disposals	(4,150)	(820)	(4,301)	(149)	–	(9,420)
Transfer to assets held for sale	(11,651)	(2,720)	(6,159)	(1,382)	(183)	(22,096)
Reclassification	9,358	2,036	3,877	10	(14,298)	983
Exchange differences on translation of foreign operations	5,865	889	4,344	422	755	12,275
Other	132	21	(10)	1	(0)	145
Balance at March 31, 2023	118,289	20,847	67,617	18,157	13,821	238,731

Notes: 1. No borrowing costs were capitalized for the fiscal years ended March 31, 2022 and 2023.

2. Depreciation of property, plant and equipment is included in “Cost of sales,” “Selling, general and administrative expenses” and “Profit from discontinued operation” on the consolidated statement of profit or loss.

3. Changes of carrying amount ¥3,416 million and ¥2,706 million by company housing Olympus Corporation contracted and loaned to employees is recorded “Additions” and “Sales and disposals” of “Buildings and structures” for the fiscal years ended March 31, 2022 and 2023, 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, 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
Balance at March 31, 2023	252,867	63,132	293,700	19,444	13,821	642,964

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, 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
Balance at March 31, 2023	134,578	42,285	226,083	1,287	–	404,233

(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, 2021	51,624	4,487	2,173	264	58,548
Balance at March 31, 2022	50,341	5,112	1,881	260	57,594
Balance at March 31, 2023	43,930	4,325	1,747	160	50,162

Note: Right-of-use assets increased during the fiscal years ended March 31, 2022 and 2023 by ¥16,122 million and ¥15,109 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)

	Goodwill	Intangible assets			Total
		Capitalized development costs	Software	Other	
Balance at April 1, 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 2)	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
Additions	–	–	5,584	541	6,125
Additions through internal development	–	13,984	–	–	13,984
Additions through business combinations (Note 3)	6,340	2,439	–	–	2,439
Amortization	–	(9,484)	(3,432)	(5,051)	(17,967)
Impairment losses	–	(1,255)	(477)	(379)	(2,111)
Sales and disposals	–	(7)	(28)	(445)	(480)
Transfer to assets held for sale	(3,011)	(11,595)	(1,040)	(334)	(12,969)
Reclassification	–	(1,174)	179	1,278	283
Exchange differences on translation of foreign operations	14,678	1,183	214	3,980	5,377
Other	–	(4)	14	131	141
Balance at March 31, 2023	182,505	56,047	12,355	46,781	115,183

- Notes: 1. Amortization of capitalized development costs is recorded as “Cost of sales” and “Profit from discontinued operation” on the consolidated statement of profit or loss. Amortization cost excluding capitalized development costs is recorded in “Cost of sales,” “Selling, general and administrative expenses” and “Profit from discontinued operation” on the consolidated statement of profit or loss.
2. 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.”
3. Of additions through business combinations, major components included in “Capitalized development costs” are ¥2,439 million in research and development assets held by Odin Medical Ltd. Ltd. For details on business combinations, please see Note “40. Business Combinations.”

Acquisition cost

(Millions of yen)

	Goodwill	Intangible assets			
		Capitalized development costs	Software	Other	Total
Balance at April 1, 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
Balance at March 31, 2023	182,505	90,277	62,793	174,448	327,518

Accumulated amortization and accumulated impairment losses

(Millions of yen)

	Goodwill	Intangible assets			
		Capitalized development costs	Software	Other	Total
Balance at April 1, 2021	–	31,303	44,694	111,025	187,022
Balance at March 31, 2022	–	37,323	47,048	125,482	209,853
Balance at March 31, 2023	–	34,230	50,438	127,667	212,335

(2) Significant intangible assets

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.

Significant intangible assets recognized at March 31, 2023 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 ¥15,345 million and ¥9,321 million, respectively, and the remaining amortization period was 13 years each, as of March 31, 2023.

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 continuing operations, excluding discontinued operation, in the fiscal years ended March 31, 2022 and 2023 were ¥63,582 million and ¥64,287 million, respectively.

15. Commitments

Commitments to acquire property, plant and equipment and intangible assets subsequent to March 31, 2022 and 2023 were as follows:

(Millions of yen)

	2022	2023
Property, plant and equipment	5,972	10,452
Intangible assets	1,825	289
Total	7,797	10,741

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)	
	2022	2023
Property, plant and equipment		
Buildings and structures	163	297
Machinery and vehicles	4	85
Tools, furniture and fixtures	82	-
Intangible assets		
Capitalized development costs	2,061	1,255
Software	1,086	477
Other	-	379
Total	3,396	2,493

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

Olympus Corporation recognized impairment losses of ¥1,630 million on development assets in the Endoscopic Solutions Business, which were written down to their recoverable amount since Olympus Corporation 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.

Olympus Corporation 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.

Major impairment losses recognized in the fiscal year ended March 31, 2023 were as follows.

Olympus Corporation recognized impairment losses of ¥1,009 million on development assets in the Endoscopic Solutions Business, which were written down to their recoverable amount since Olympus Corporation 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 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)	
	2022	2023
Endoscopic solutions segment	21,339	29,692
Therapeutic solutions segment	137,501	149,458
Scientific solutions segment	2,174	–
Other		
Orthopedic business	3,484	3,355
Total	164,498	182,505

The Olympus Group tested goodwill for impairment on March 31, 2022 and 2023.

Individually significant goodwill carried on the consolidated statement of financial position is the goodwill allocated to the Endoscopic solutions segment and Therapeutic solutions segment. Of the goodwill recorded as a result of the business combination in the fiscal year ended March 31, 2023, the goodwill of Odin Medical Ltd. is allocated to the Endoscopic 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 1.7% - 4.0% and 1.7% - 3.8%, respectively, as of March 31, 2022, and 1.7% - 4.1% and 1.6% - 5.2%, respectively, as of March 31, 2023.

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, 2022 and 2023, were 7.7% and 10.7%, 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.

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. Olympus Corporation 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.

The goodwill attributable to the Scientific solutions segment is transferred to assets held for sale during the fiscal year ended March 31, 2023.

17. Trade and Other Payables

The breakdown of trade and other payables as of March 31, 2022 and 2023 was as follows:

		(Millions of yen)	
		2022	2023
Notes and account payable		45,316	45,826
Other payable		15,231	17,093
	Total	60,547	62,919

18. Bonds and Borrowings

The breakdown of bonds and borrowings as of March 31, 2022 and 2023 was as follows:

		(Millions of yen)			
		2022	2023	Average interest rate (%)	Maturity
Short-term borrowings		67	3	0.00	–
Current portion of bonds payable		39,966	9,989	0.27	March 2024
Current portion of long-term borrowings		12,248	39,978	0.10	November 2023
Bonds (excluding current portion)		140,356	136,129	1.21	December 2024 to July 2030
Long-term borrowings (excluding current portion)		193,490	153,958	0.52	May 2024 to September 2029
	Total	386,127	340,057		
Current		52,281	49,970		
Non-current		333,846	290,087		
	Total	386,127	340,057		

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, 2022 and 2023 was as follows:

(Millions of yen)

Company	Bond name	Issue date	2022	2023	Interest rate (%)	Maturity date
Olympus Corporation	22nd unsecured bonds	September 20, 2017	9,994	–	0.22	September 2022
Olympus Corporation	23rd unsecured bonds	March 7, 2019	9,979	9,989	0.27	March 2024
Olympus Corporation	24th unsecured bonds	December 5, 2019	29,971	–	0.06	December 2022
Olympus Corporation	25th unsecured bonds	December 5, 2019	19,949	19,968	0.20	December 2024
Olympus Corporation	26th unsecured bonds	July 18, 2020	24,925	24,947	0.25	July 2025
Olympus Corporation	27th unsecured bonds	July 19, 2020	24,891	24,904	0.47	July 2030
Olympus Corporation	Dollar-denominated unsecured bonds due 2026	December 8, 2021	60,613	66,310	2.14	December 2026
Total			180,322	146,118		

The breakdown of long-term borrowings, including current portion, as of March 31, 2022 and 2023 was as follows:

(Millions of yen)

Financial institution	2022	2023	Interest rate (%)	Maturity date
Japanese Bank	13,063	13,119	0.86	September 2029
Japanese Bank	1,464	1,471	0.73	September 2027
Japanese Bank	10,000	10,000	1.38	September 2025
Japanese Bank	9,608	9,679	0.53	August 2027
Japanese Bank	10,000	10,000	1.39	September 2025
Japanese Bank	6,120	–	2.91	February 2023
Japanese Bank	6,120	–	2.92	March 2023
Japanese Bank	9,639	9,696	0.55	June 2028
Japanese Bank	39,912	39,969	0.10	November 2023
Japanese Bank	49,710	49,810	0.32	April 2025
Japanese Bank	39,831	39,911	0.22	May 2024
Japanese Bank	10,000	10,000	0.37	May 2024
Other	271	281		
Total	205,738	193,936		

19. Other Financial Liabilities

The breakdown of other financial liabilities as of March 31, 2022 and 2023 was as follows:

(Millions of yen)

	2022	2023
Financial liabilities measured at fair value through profit or loss		
Derivative liabilities	4,037	1,216
Contingent consideration	6,100	8,226
Financial liabilities measured at amortized cost		
Lease liabilities	65,015	57,162
Other	15,463	18,299
Total	90,615	84,903
Current	26,015	23,235
Non-current	64,600	61,668
Total	90,615	84,903

20. Provisions

The changes in provisions during the fiscal year ended March 31, 2023 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, 2022	4,284	4,507	7,954	8,152	24,897
Increase during the year	221	70	667	2,321	3,279
Decrease (Provisions used)	(1,601)	–	(1,397)	(2,752)	(5,750)
Decrease (Provisions reversed)	(548)	(20)	(477)	(792)	(1,837)
Transfer to liabilities directly associated with assets held for sale	(482)	–	–	(122)	(604)
Exchange differences on translation of foreign operations	966	351	–	721	2,038
Balance at March 31, 2023	2,840	4,908	6,747	7,528	22,023
Current	2,621	4,868	6,747	4,875	19,111
Non-current	219	40	–	2,653	2,912
Total	2,840	4,908	6,747	7,528	22,023

(1) Provision for product warranties

For products sold subject to a quality assurance warranty, Olympus Corporation 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

Olympus Corporation 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. 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, 2022 and 2023 was as follows:

			(Millions of yen)	
			2022	2023
Accrued expenses			117,143	106,458
Contract liabilities			53,650	55,533
Other			26,217	20,040
	Total		197,010	182,031
Current			180,941	163,837
Non-current			16,069	18,194
	Total		197,010	182,031

22. Government Grants

Government grants included in other current liabilities and other non-current liabilities as of March 31, 2022 and 2023 were as follows:

			(Millions of yen)	
			2022	2023
Other current liabilities			443	285
Other non-current liabilities			2,038	1,753

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.

23. Employee Benefits

Olympus Corporation 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.

(1) Defined benefit plans

1) Reconciliation of defined benefit obligations

The changes in defined benefit obligations were as follows:

	(Millions of yen)	
	2022	2023
Balance at April 1	179,340	175,633
Current service cost	6,943	6,410
Past service cost	343	(80)
Interest cost	2,461	3,235
Remeasurements of defined benefit plans		
Actuarial gains and losses arising from changes in demographic assumptions	480	(366)
Actuarial gains and losses arising from changes in financial assumptions	(7,718)	(20,351)
Other	(1,219)	2,954
Contributions by employees	156	151
Benefits paid	(11,094)	(7,283)
Transfer to liabilities associated with assets held for sale	-	(12,751)
Effects of business combinations and disposals	(494)	-
Exchange differences on translation of foreign operations	6,462	5,101
Other	(27)	(17)
Balance at March 31	175,633	152,636

2) Reconciliation of fair value of plan assets

The change in the fair value of plan assets during the fiscal year ended March 31, 2023 is presented below.

The Olympus Group conducts a financial verification based on Olympus Corporation'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, 2024, the Olympus Group plans to contribute ¥4,616 million to the plan.

(Millions of yen)

	2022	2023
Balance at April 1	159,571	161,607
Interest income	1,988	2,669
Remeasurements		
Return on plan assets	(410)	(8,546)
Contributions by employer	6,646	19,572
Contributions by employees	134	160
Benefits paid	(10,288)	(6,449)
Transfer to liabilities associated with assets held for sale	–	(12,924)
Exchange differences on translation of foreign operations	4,058	3,301
Other	(92)	(142)
Balance at March 31	161,607	159,248

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)

	2022	2023
Present value of the funded defined benefit obligations	157,914	136,957
Fair value of plan assets	(161,607)	(159,248)
Subtotal	(3,693)	(22,291)
Present value of the unfunded defined benefit obligations	17,719	15,679
Net defined benefit liabilities (assets)	14,026	(6,612)
Amounts recognized in the consolidated statement of financial position		
Retirement benefit liability	40,001	20,416
Retirement benefit asset	(25,975)	(27,028)
Net defined benefit liabilities (assets)	14,026	(6,612)

4) Components of plan assets

The breakdown of plan assets by category was as follows:

(Millions of yen)		
	2022	2023
Assets with quoted market prices in an active market		
Japanese equity securities	1,440	1,368
Overseas debt securities	742	556
Cash and cash equivalents	10,849	11,170
Total	13,031	13,094
Assets without quoted market prices in an active market		
Overseas equity securities	15,300	13,188
Overseas debt securities	10,540	28,150
General account for life insurance companies	52,929	46,626
Jointly managed money trust	52,933	45,943
Other (Note 1)	16,874	12,247
Total	148,576	146,154
Total of plan assets	161,607	159,248

Note: Insurance contracts concluded through annuity buy-in transactions included in "Other" amounted to ¥14,187 million and ¥9,707 million as of the end of the fiscal years ended March 31, 2022 and 2023, 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 main significant actuarial assumptions used to measure present value of defined benefit obligations were as follows:

	2022	2023
Discount rate	0.74%	2.60%

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)		
	2022	2023
Discount rate		
0.5% increase (decrease in obligations)	(12,282)	(8,717)
0.5% decrease (increase in obligations)	14,362	10,120

7) Weighted average duration

The weighted average durations of the defined benefit obligations were 14.3 years and 13.2 years as of March 31, 2022 and 2023, respectively.

(2) Defined contribution plans

The amounts recognized as expenses related to the defined contribution plan were ¥16,736 million and ¥18,783 million for the fiscal years ended March 31, 2022 and 2023, 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	
	2022	2023
Authorized shares	4,000,000,000	4,000,000,000
Issued shares (Note 1)		
As of April 1	1,370,914,963	1,299,294,333
Increase or decrease (Note 2) (Note 3)	(71,620,630)	(33,115,633)
As of March 31	1,299,294,333	1,266,178,700
Treasury shares (Note 4)		
As of April 1	85,279,921	26,261,612
Increase or decrease (Note 5) (Note 6)	(59,018,309)	(13,620,394)
As of March 31	26,261,612	12,641,218

- Notes: 1. All of the shares of Olympus Corporation 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 decrease in the fiscal year ended March 31, 2023, was due to the cancellation of 13,402,333 shares of treasury shares and 19,713,300 shares of treasury shares conducted effectively on June 8, 2022 and March 28, 2023, respectively.
4. Olympus Corporation 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. Stock-based Compensation."
5. 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 share repurchase conducted between December 21, 2021, and February 18, 2022 on contract basis.
6. The main changes in the fiscal year ended March 31, 2023, were a decrease of 13,402,333 shares due to the cancellation of treasury shares conducted effectively on June 8, 2022, an increase of 19,713,300 shares due to the share repurchase conducted between November 14, 2022, and January 16, 2023 on contract basis and a decrease of 19,713,300 shares due to the cancellation of treasury shares conducted effectively on March 28, 2023.

(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 Olympus Corporation's retained earnings distributable as dividends is measured based on the amount of retained earnings carried on Olympus Corporation'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. Olympus Corporation 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 of associates accounted for using equity method	Total
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
Other comprehensive income	47,093	(1,280)	(84)	7,320	–	53,049
Reclassification to retained earnings	–	–	(233)	(7,320)	–	(7,553)
Transfer to other components of equity related to disposal group held for sale	(3,019)	–	(15)	–	–	(3,034)
Balance at March 31, 2023	80,656	(3,781)	405	–	–	77,280

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

Olympus Corporation 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 of associates accounted for using equity method

Olympus Corporation'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.

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 adjusted earnings per share (adjusted EPS) as an equity-related key performance indicator. In the corporate strategy announced on May 12, 2023, the Olympus Group has defined a target of achieving an adjusted EPS CAGR of more than 8% starting from the fiscal year ending March 31, 2024 through the fiscal year ending March 31, 2026.

(Yen)

	2022	2023
Adjusted EPS (Notes 1, 2)	—	96.09

Notes: 1. This is EPS after adjusting special factors, and the amount differs from the amount shown in Note "32. Earnings per share." In calculating adjusted EPS, other income and other expenses, etc., are excluded from profit, which is the basis for the calculation.

2. Adjusted EPS for the fiscal year ended March 31, 2022 was not calculated, as the Olympus Group has defined a target of CAGR starting from the fiscal year ended March 31, 2023.

26. Dividends

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

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

Dividends paid during the fiscal year ended March 31, 2023 were as follows:

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

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	Total dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
May 12, 2023 Board of Directors	Common stock	20,057	16	March 31, 2023	June 6, 2023

27. Stock-based Compensation

The Olympus Group has adopted equity-settled stock option plans for Directors, Executive Officers, Corporate Officers, and senior management of Olympus Corporation and its subsidiaries (hereinafter the “Employees of the Olympus Group”) 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 Olympus Corporation (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. Olympus Corporation introduced a restricted stock compensation system and performance-based stock compensation system from the fiscal 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 (shares)	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

	2022		2023	
	Number of equity securities (shares)	Weighted average exercise price (Yen)	Number of equity securities (shares)	Weighted average exercise price (Yen)
Outstanding at beginning of year	513,200	1	429,600	1
Granted	–	–	–	–
Exercised	(83,600)	1	(126,800)	1
Expired	–	–	–	–
Outstanding at end of year	429,600	1	302,800	1
Exercisable at end of year	211,200	1	148,400	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 ¥2,325 and ¥2,474 for the fiscal years ended March 31, 2022 and 2023, respectively.
3. The weighted average remaining lives of unexercised stock options year were 23.0 years and 22.0 years as of March 31, 2022 and 2023, respectively.

(2) Restricted stock compensation system

1) Overview of restricted stock compensation system

The restricted stock compensation system is for Olympus Corporation's Executive Officers and Corporate Officers.

Under the restricted stock compensation system, Olympus Corporation's Executive Officers and Corporate Officers serving in qualifying positions wholly transfer their rights to monetary compensation receivable from Olympus Corporation as in kind property contributions to the system and receive newly issued shares of Olympus Corporation's common stock, conditional upon their meeting a specified continuous-tenure requirement.

Issuance of Olympus Corporation's common stock as restricted stock compensation is contingent on Olympus Corporation 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 Olympus Corporation to reclaim the shares at no cost under certain specified circumstances. Olympus Corporation abolished the restricted stock compensation system due to the introduction of the subsequent grant-type restricted stock compensation (RSU: Restricted Stock Unit) system effectively from the fiscal year ended March 31, 2021. Therefore, no shares will be granted under the restricted stock compensation system from the fiscal year ended March 31, 2021, onward.

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

No items to report.

(3) Performance-based stock compensation (PSU: Performance Share Unit) system

1) Overview of Performance Share Unit (PSU) system (hereinafter the "PSU system")

The PSU system is generally for Executive Officers and Corporate Officers of Olympus Corporation, and it covers the Employees of the Olympus Group from the fiscal year ended March 31, 2023.

Under the PSU system, at the beginning of the performance evaluation period, the standard number of common stock units to be delivered after the end of the performance evaluation period is determined based on the amount of basic salary. The number of share units to be allotted is the number of the standard number of common stock units multiplied by the payment rate determined according to the

degree of attainment at the end of the performance period. The eligible persons wholly transfer their rights to monetary compensation receivable equivalent to the number of such allotted share units as in kind property contributions and receive newly issued shares of Olympus Corporation's common stock.

The performance evaluation period is three fiscal 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 evaluation indicators and targets set by the Compensation Committee.

The performance evaluation indicators and targets at the start of the performance evaluation period and the payment rate at the end of the performance evaluation period for Corporate Officers and the Employees of the Olympus Group are determined by the Representative Executive Officer.

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

The weighted average fair value at the grant date under this system for the fiscal years ended March 31, 2022 and 2023 were ¥1,947 and ¥2,307, respectively.

The number of shares delivered correspond to the Directors' standard variable compensation 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 evaluation targets set by the Compensation Committee or Representative Executive Officer as described above in (3) 1).

(4) Restricted Stock Unit system

1) Overview of Restricted Stock Unit system (hereinafter the "RSU system")

The RSU system is generally for Directors, Executive Officers and Corporate Officers of Olympus Corporation, and it covers the Employees of the Olympus Group from the fiscal year ended March 31, 2023.

Under the RSU system, on the condition that the eligible persons remain employed by Olympus Corporation during the vesting period, the eligible persons are granted the right to acquire the predetermined number of shares of Olympus Corporation's common stock at a predetermined time based on the amount of basic salary, etc. at the beginning of the transfer restriction period. The eligible persons wholly transfer all their rights to monetary compensation receivable according to that number of granted units after the end of the vesting period as in kind property contributions and receive newly issued shares of Olympus Corporation's common stock.

RSUs are delivered as newly issued shares of Olympus Corporation's common stock for Directors who live in Japan at the time of retirement, in principle, and for Directors who do not live in Japan after the standard vesting period in their region. The vesting period of RSUs for Executive Officers, Corporate Officers and the Employees of the Olympus Group was three years until the fiscal year ended March 31, 2022, and the number of shares equivalent to all the granted units was delivered after the vesting period. From the fiscal year ended March 31, 2023, shares are delivered by one-third of the number of granted units each year as the vesting period deems to be one year.

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 fiscal years ended March 31, 2022 and 2023 were ¥2,160 and ¥2,236, respectively.

As for the number of shares, Olympus Corporation's common stock determined by Olympus Corporation in advance are delivered after the end of the vesting period as stated in (4) 1) above.

(5) Stock compensation expenses

(Millions of yen)

	2022	2023
Selling, general and administrative expenses	400	1,690

28. Revenue

(1) Disaggregation of Revenue

The organization of the Olympus Group has basically consisted of the Endoscopic Solutions Business, Therapeutic Solutions Business, Scientific Solutions Business, and Others, but, from the second quarter, the organization has been changed to basically consist of the Endoscopic Solutions Business, Therapeutic Solutions Business, and Others. The change is due to Olympus Corporation classifying the Scientific Solutions Business as a discontinued operation with the conclusion of a share transfer agreement related to the transfer of Scientific Solutions Business of the Olympus Group with K.K. BCJ-66, a special purpose company indirectly owned by funds advised by Bain Capital.

Revenue recorded in Endoscopic Solutions Business, Therapeutic Solutions Business and Others is stated as revenue, as these segments are the units for which separate financial information is available and according to which reporting is periodically conducted to decide how to allocate management resources and assess business performance. Revenue is geographically disaggregated by customer location. Relationship between the disaggregated revenue and revenue of each reportable segment is as follows:

For the fiscal year ended March 31, 2022

(Millions of yen)

	Endoscopic Solutions	Therapeutic Solutions	Others	Total
Japan	65,908	44,988	7,930	118,826
North America	161,066	100,074	211	261,351
Europe	117,045	72,789	4,532	194,366
China	68,299	32,651	24	100,974
Asia and Oceania	39,662	21,149	293	61,104
Others	9,567	3,935	0	13,502
Total	461,547	275,586	12,990	750,123
Revenue from contracts with customers	409,183	269,092	12,990	691,265
Revenue from other sources	52,364	6,494	—	58,858

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

For the fiscal year ended March 31, 2023

(Millions of yen)

	Endoscopic Solutions	Therapeutic Solutions	Others	Total
Japan	70,472	46,170	5,874	122,516
North America	198,134	123,874	159	322,167
Europe	134,307	82,411	5,446	222,164
China	82,906	34,147	41	117,094
Asia and Oceania	51,891	25,543	373	77,807
Others	14,113	6,062		20,175
Total	551,823	318,207	11,893	881,923
Revenue from contracts with customers	483,667	307,679	11,893	803,239
Revenue from other sources	68,156	10,528	—	78,684

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.

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

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

Lease transactions for medical devices as the lessor are recorded in accordance with Note “3. Significant Accounting Policies, (10) Leases.” Olympus Corporation receives lease fees concerning leasing contracts based on payment conditions specified 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.

Regarding the sale of products by the Therapeutic Solutions Business, when control over products is transferred to a customer—at the time Olympus Corporation delivers the products to the customer—the legal title to the products and physical possession of the products, and significant risks and rewards of ownership of the products are transferred to the customer; then Olympus Corporation obtains the right to receive payments from the customer. At that point, Olympus Corporation recognizes the revenue. The revenue from the sale of products is measured in transaction prices related to the contract

with the customer. Olympus Corporation receives a consideration for a transaction primarily within a year after satisfaction of performance obligations, and the consideration does not include a significant financial component.

3) Other Businesses

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

(2) Contract balances

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

For the fiscal 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

For the fiscal year ended March 31, 2023

	(Millions of yen)	
	April 1, 2022	March 31, 2023
Receivables from contracts with customers	145,912	137,177
Contract assets	728	1,239
Contract liabilities	53,650	55,533

In the consolidated statement of financial position, receivables from contracts with customers and contract assets are included in trade and other receivables and contract liabilities are included 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.

The amounts of revenues from continuing operations recognized during the fiscal years ended March 31, 2022 and 2023 which were included in contract liabilities at the beginning of the period were ¥40,724 million and ¥50,919 million, respectively. In addition, for the fiscal years ended March 31, 2022 and 2023, the amounts of revenue recognized from performance obligation satisfied (or partly satisfied) in the previous period are immaterial.

(3) Transaction price allocated to the remaining performance obligations

The amounts of revenue by timing of satisfaction of remaining performance obligations are as follows: Olympus Corporation 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)	
	2022	2023
Within 1 year	13,670	18,068

	2022	2023
Over 1 year	9,568	12,074
Total	23,238	30,142

29. Selling, General and Administrative Expenses

Major items of selling, general and administrative expenses for the fiscal years ended March 31, 2022 and 2023 were as follows:

	(Millions of yen)	
	2022	2023
Personnel expenses (Note)	196,276	231,862
Depreciation	30,708	34,151
Advertising and promotion expenses	13,274	15,448

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, 2022 (April 1, 2021 - March 31, 2022)

(Gain on step acquisition)

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

(Gain on sale of fixed assets)

Olympus Corporation 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 Olympus Corporation’s foreign subsidiaries regarding indirect taxes, ¥3,049 million, which is no longer expected to be incurred in the current fiscal year, is recorded in “Other income.”

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

Olympus Corporation recorded ¥1,249 million in “Other income” due to the change in fair value of contingent consideration, which makes up part of the acquisition consideration of Veran Medical Technologies, Inc. For details on the change in fair value, please see Note “40. Business Combinations.”

Fiscal year ended March 31, 2023 (April 1, 2022 - March 31, 2023)

(Gain on sale of fixed assets)

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

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

Olympus Corporation recorded ¥1,381 million in “Other income” due to adjustments to the original acquisition consideration at the time of acquisition resulting from changes in the fair value of the contingent consideration, which makes up part of the acquisition consideration of Medi-Tate Ltd. For details on the 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, 2022 (April 1, 2021 - March 31, 2022)

(Business restructuring expenses)

Olympus Corporation recorded ¥8,836 million for the cost related to promotion such as the business transformation plan “Transform Olympus” in “Other expenses.”

(Impairment losses)

Olympus Corporation recognized impairment losses of ¥1,630 million on development assets in the Endoscopic Solutions Business, which were written down to their recoverable amount since Olympus Corporation 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.”

Fiscal year ended March 31, 2023 (April 1, 2022 - March 31, 2023)

(Business restructuring expenses)

Olympus Corporation recorded ¥2,361 million for the cost related to promotion of the business transformation plan “Transform Olympus” in “Other expenses.”

(Quality-related expenses)

Olympus Corporation recorded ¥1,937 million for the cost related to strengthening the global quality assurance functions and ensuring quality compliance in “Other expenses.”

31. Finance Income and Finance Costs

The breakdown of finance income and finance costs for the fiscal years ended March 31, 2022 and 2023 was as follows:

(Millions of yen)

	2022	2023
Finance income		
Interest income		
Financial assets measured at amortized cost	1,013	3,702
Dividends income		
Financial assets measured through other comprehensive income	167	38
Other	171	120
Total	1,351	3,860
Finance costs		
Interest expenses		
Financial liabilities measured at amortized cost	4,230	4,974
Interest on bonds		
Financial liabilities measured at amortized cost	554	891
Foreign exchange loss (Note 1)	697	2,141
Other	357	169
Total	5,838	8,175

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

	2022	2023
Basic earnings per share		
Continuing operations	86.05	108.78
Discontinued operation	4.17	4.44
Basic earnings per share	90.22	113.22
Diluted earnings per share		
Continuing operations	86.01	108.65
Discontinued operation	4.16	4.43
Diluted earnings per share	90.17	113.08

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

	2022	2023
<hr/>		
Profit used to calculate basic earnings per share and diluted earnings per share		
Profit attributable to owners of parent	115,742	143,432
Profit not attributable to owners of parent	–	–
Profit used to calculate basic earnings per share	<hr/> 115,742	<hr/> 143,432
Continuing operations	110,399	137,809
Discontinued operation	5,343	5,623
Adjustment to profit	–	–
Profit used to calculate diluted earnings per share	<hr/> 115,742	<hr/> 143,432
Continuing operations	110,399	137,809
Discontinued operation	5,343	5,623
<hr/>		
The weighted average number of shares of common stock used to calculate basic earnings per share and diluted earnings per share		
The weighted average number of shares of common stock	1,282,920	1,266,848
Increase in number of shares of common stock		
Subscription rights to shares relating to stock options	480	373
Common stock relating to PSU	–	744
Common stock relating to RSU	203	406
The weighted average number of shares of diluted common stock during the period	<hr/> 1,283,603	<hr/> 1,268,371

33. Other Comprehensive Income

The breakdown of each component of other comprehensive income (including non-controlling interests) for the fiscal years ended March 31, 2022 and 2023 was as follows:

(Millions of yen)

	2022	2023
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	(481)	(103)
Tax effect	(205)	19
Financial assets measured at fair value through other comprehensive income	(686)	(84)
Remeasurements of defined benefit plans		
Amount arising during the year	8,047	9,217
Tax effect	(2,735)	(1,897)
Remeasurements of defined benefit plans	5,312	7,320
Total of items that will not be reclassified to profit or loss	4,626	7,236
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations		
Amount arising during the year	42,407	47,093
Reclassification adjustments	–	–
Before tax effect	42,407	47,093
Tax effect	–	–
Exchange differences on translation of foreign operations	42,407	47,093
Cash flow hedges		
Amount arising during the year	1,622	3,683
Reclassification adjustments	(4,727)	(5,527)
Before tax effect	(3,105)	(1,844)
Tax effect	951	564
Cash flow hedges	(2,154)	(1,280)
Share of other comprehensive income of associates accounted for using equity method		
Amount arising during the year	152	–
Reclassification adjustments	–	–
Before tax effect	152	–
Tax effect	–	–
Share of other comprehensive income of associates accounted for using equity method	152	–
Total of items that may be reclassified to profit or loss	40,405	45,813
Total other comprehensive income	45,031	53,049

34. Cash Flow Information

(1) Non-cash transactions

The major non-cash transactions are follows:

(Millions of yen)

	2022	2023
Right-of-use assets acquired through lease transactions	16,116	15,109

(2) Liabilities arising from financing activities

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

Fiscal year ended March 31, 2022

(Millions of yen)

	Balance at April 1	Movement due to cash inflows/outflows from financing activities	Non-cash items			Balance at March 31
			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.

Fiscal year ended March 31, 2023

(Millions of yen)

	Balance at April 1	Movement due to cash inflows/outflows from financing activities	Non-cash items			Balance at March 31
			Increase due to new lease	Exchange differences on translation of foreign operations	Other	
Short-term borrowings	67	(67)	–	2	1	3
Bonds (Note)	180,322	(40,000)	–	–	5,796	146,118
Long-term borrowings (Note)	205,738	(13,547)	–	1,326	419	193,936
Lease liabilities (Note)	65,015	(20,914)	15,109	3,690	(5,738)	57,162

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, 2022 and 2023.

(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)

	2022	2023
Consideration for acquisitions paid in cash	23,222	4,008
Cash and cash equivalents of assets acquired, at the time the Olympus Group obtained control of the subsidiaries	(1,385)	(149)
Payments for acquisition of subsidiaries	21,837	3,859

(5) Loss of control

Fiscal year ended March 31, 2022

Transfer of Olympus Systems Corporation

(i) Overview of transaction

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

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

Fiscal year ended March 31, 2023

No items to report.

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, 2022	199,234	3,928	364	203,526
Balance at March 31, 2023	204,624	4,584	306	209,514

There was no significant change that had a material impact on allowance for doubtful accounts for “Trade receivables” as of March 31, 2022 and 2023.

(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, 2022	26,502	6,924	604	34,030
Balance at March 31, 2023	25,137	6,881	613	32,631

There was no significant change that had material impacts on allowance for doubtful accounts for “Receivables other than trade receivables” as of March 31, 2022 and 2023.

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

(Millions of yen)

	Receivables other than trade receivables			
	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, 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
Increase	427	–	103	–
Decrease	(1,161)	(48)	(79)	(1)
Other	391	(0)	–	10
Balance at March 31, 2023	4,903	4	6,877	613

(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, 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
Interest rate derivatives	285	285	81	204

As of March 31, 2023

(Millions of yen)

	Carrying amount	Contractual cash flows		
		Total	Within 1 year	Over 1 year
Non-derivative financial liabilities				
Bonds and borrowings	340,057	351,441	52,508	298,933
Lease liabilities	57,162	65,424	14,398	51,026
Derivative financial liabilities				
Currency derivatives	1,067	1,067	1,027	40
Interest rate derivatives	149	149	72	77

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, currency options and currency swaps to reduce the foreign exchange fluctuation risk.

(i) Foreign exchange forward contracts, currency options and currency swaps

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

(Millions of yen)

	2022		2023	
	Contract amount	Fair value	Contract amount	Fair value
Foreign exchange forward contracts:	115,534	(3,063)	165,085	1,559
U.S. dollar	72,307	(1,773)	59,912	591
Other currency	43,227	(1,290)	105,173	968
Currency options	–	–	8,257	(90)
U.S. dollar	–	–	8,257	(90)
Currency swaps	87,910	1,185	97,240	4,325
Receive other currencies / pay Euro	26,537	(121)	30,475	16
Receive Euro / pay other currencies	178	(0)	–	–
Receive U.S. dollar / pay Japanese yen	61,195	1,306	66,765	4,309
Total	203,444	(1,878)	270,582	5,794

(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)	
	2022	2023
U.S. dollar	(209)	(22)
Euro	(162)	(57)

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.

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)	
	2022	2023
Consolidated statement of profit or loss (profit before tax)	(498)	(499)

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.

	2022	2023
Other comprehensive income (before tax effect)	(15)	(5)

(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, 2022 and 2023.

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, 2022

(Millions of yen)

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

As of March 31, 2023

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets measured at fair value through profit or loss				
Derivative assets	–	6,860	–	6,860
Equity securities and others	–	–	937	937
Financial assets measured at fair value through other comprehensive income				
Equity securities and others	470	–	6,431	6,901
Financial liabilities				
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities	–	1,216	–	1,216
Contingent consideration	–	–	8,226	8,226

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

(Millions of yen)

	2022	2023
Balance at April 1	2,348	3,895
Gains and losses (Note)		
Profit or loss	(58)	(66)
Other comprehensive income	34	27
Purchases	1,978	3,705
Transfer to investments accounted for using the equity method	(597)	(203)
Other	190	10
Balance at March 31	3,895	7,368

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 gains of ¥136 million and losses of ¥65 million on financial instruments held as of the fiscal years ended March 31, 2022 and 2023, respectively.

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

(Millions of yen)

	2022	2023
Balance at April 1	3,608	6,100
Business combinations, etc.	2,834	4,095
Settlement	–	(715)
Change in fair value	(594)	(1,758)
Other	252	504
Balance at March 31	6,100	8,226

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 categorized by a specific period, at discounted rates that take into account credit risks and the period up to maturity.

(Other financial assets and other financial liabilities)

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

(Bonds and borrowings)

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

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

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

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

	(Millions of yen)			
	2022		2023	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Lease receivables	50,517	50,513	65,003	64,982
Financial liabilities				
Bonds	180,322	178,341	146,118	141,280
Borrowings	145,903	146,336	134,021	134,287

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)
Bond name	2022
Noah Medical Corporation	1,836
USHIO INC.	1,024
OHARA INC.	508

	(Millions of yen)
Bond name	2023
Delfi Diagnostics, Inc.	3,338
Noah Medical Corporation	2,003
OHARA INC.	470

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

(Millions of yen)

	2022	2023
Fair value at the date of sale	8,280	933
Cumulative gains or losses on sale	4,756	335

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

(Millions of yen)

	2022	2023
Equity instruments derecognized during the year	130	28
Equity instruments held at the end of year	37	10
Total	167	38

(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, 2022 and 2023.

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, 2023, 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, 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%

As of March 31, 2023

(Millions of yen)

	Notional amount	Over 1 year	Carrying amount (Note)		Interest rate
			Assets	Liabilities	
Interest rate swaps	10,000	10,000	–	149	Variable rate receipt: 6-month Japanese yen TIBOR Fixed rate payment: 1.3815%
Interest rate and currency swaps	66,765	66,765	4,309	–	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)

	2022	2023
Interest rate swaps	(285)	(149)
Interest rate and currency swaps	(3,320)	(5,300)

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

Fiscal year ended 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)

Fiscal year ended March 31, 2023

(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	56	80
Interest rate and currency swaps	3,627	(5,607)

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 fundraising 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, 2022 and 2023 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)

	2022	2023
Transferred financial assets	4,533	4,206
Related liabilities	4,533	4,206
Net position of transferred financial assets	—	—

Note: 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. It also leases endoscopes and other equipment, and property owned by Olympus Corporation 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 from continuing operations was as follows:

(Millions of yen)

	2022	2023
Lease income (loss)	7,958	14,717
Interest income	2,365	2,931

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

(Millions of yen)

	2022	2023
Undiscounted lease payments to be received		
Within 1 year	24,712	29,952
More than 1 year, but within 2 years	14,666	17,433
More than 2 years, but within 3 years	8,522	11,091
More than 3 years, but within 4 years	3,605	4,540
More than 4 years, but within 5 years	1,107	1,651
More than 5 years	159	524
Total	52,771	65,191
Unguaranteed residual value	2,167	5,148
Unearned finance income	(4,421)	(5,336)
Net investment in the lease	50,517	65,003

The breakdown of revenue under operating leases from continuing operations was as follows:

	(Millions of yen)	
	2022	2023
Lease income	26,881	31,210
Variable lease payments (Note)	12,627	13,484

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

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

	(Millions of yen)	
	2022	2023
Within 1 year	17,609	17,883
More than 1 year, but within 2 years	11,727	11,553
More than 2 years, but within 3 years	6,609	5,556
More than 3 years, but within 4 years	2,568	2,086
More than 4 years, but within 5 years	602	866
More than 5 years	374	460
Total	39,489	38,404

(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, 2022 and 2023.

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 ¥20,240 million and ¥24,114 million for the fiscal years ended March 31, 2022 and 2023, respectively.

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

(Millions of yen)

	2022	2023
Revenue from sublease of right-of-use assets	18	12
Depreciation of right-of-use assets by underlying asset class		
Land	355	326
Buildings and structures	8,727	8,856
Machinery and vehicles	2,604	2,857
Tools, furniture and fixtures	803	868
Interest expense under lease obligations	1,504	1,569
Expenses under short-term leases	448	628
Expenses under leases of low-value asset	761	955

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)	
	2022	2023
Deferred tax assets		
Inventories	8,112	6,974
Prepaid expenses	16,547	9,822
Accrued bonuses	7,704	7,096
Accrued expenses	4,599	4,941
Unrealized intercompany profits	11,992	15,440
Property, plant and equipment	10,037	9,931
Intangible assets	3,305	2,665
Interest rate swaps	87	46
Deferred gains or losses on hedges	1,017	1,623
Retirement benefit liability	6,263	2,084
Loss carryforwards	12,819	5,379
Investments in subsidiaries	-	109,268
Other	8,803	15,876
Total	91,285	191,145
Deferred tax liabilities		
Property, plant and equipment	(5,306)	(6,957)
Financial assets measured at fair value through other comprehensive income	(287)	(176)
Retirement benefit asset	(4,309)	(6,186)
Fair value differences on acquisition	(9,773)	(9,568)
Capitalized development costs	(18,976)	(17,587)
Retained profit of overseas subsidiaries	(2,341)	(2,741)
Other	(5,597)	(3,292)
Total	(46,589)	(46,507)
Net deferred tax assets	44,696	144,638

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)	
	2022	2023
Loss carryforwards	5,117	3,410
Deductible temporary differences	27,317	23,166
Tax credits carried forward	718	800
Total	33,152	27,376

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

(Millions of yen)

	2022	2023
Within 4th year	–	–
5th year and thereafter	5,117	3,410
Total	5,117	3,410

Olympus Corporation does not recognize deferred tax liabilities for the temporary differences associated with undistributed profits of subsidiaries when Olympus Corporation 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 ¥319,744 million and ¥397,604 million as of March 31, 2022 and 2023, respectively.

(2) Income taxes expenses

The breakdown of income tax expenses was as follows:

(Millions of yen)

	2022	2023
Current tax expenses (Note 1)	34,728	35,662
Deferred tax expenses (Notes 2, 3, 4)	(3,653)	8,642
Total of income tax expenses	31,074	44,304

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, 2022 and 2023 decreased by ¥2,246 million and ¥1,344 million, respectively.

In addition, the current tax expense for the fiscal year ended March 31, 2023 includes the corporation tax for the previous fiscal year of ¥85 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 decreased by ¥323 million for the fiscal year ended March 31, 2022 and increased by ¥69 million for the fiscal year ended March 31, 2023, 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 decreased by ¥1,925 million for the fiscal year ended March 31, 2022 and increased by ¥2,485 million for the fiscal year ended March 31, 2023, respectively.
4. The deferred tax expense increased by ¥267 million for the fiscal year ended March 31, 2022 and decreased by ¥386 million for the fiscal year ended March 31, 2023 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, 2022 and 2023 is as follows.

Olympus Corporation’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, 2022 and 2023, respectively. Overseas subsidiaries are subject to income taxes of the countries in which they operate.

	2022	2023
Effective statutory tax rate	30.6%	30.6%
Non-deductible expense, such as entertainment expenses	1.8	2.3
Non-taxable income, such as dividend income	0.1	(0.4)
Tax credit for experimental research cost and others	(1.7)	(1.1)
Different tax rates applied to subsidiaries	(2.1)	(6.7)
Subsidiaries reserve	0.4	1.2
Change in unrecognized deferred tax assets and liabilities	(12.0)	(2.7)
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	3.1	-
Effects of organizational restructuring	-	(1.4)
Other	1.5	2.7
Average actual tax rate	21.9%	24.3%

38. Major Subsidiaries

(1) Structured entities

Major subsidiaries as of March 31, 2023 were as follows:

Company name	Location	Main business	Voting rights held by Olympus Corporation (%)
(Consolidated subsidiaries) Olympus Medical Systems Corp. (Note 2)	Hachioji-shi, Tokyo	Manufacturing Endoscopic Solutions Business products and Therapeutic Solutions Business products	100
Aizu Olympus Co., Ltd. (Note 2)	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 Endoscopic Solutions Business products	100
Shirakawa Olympus Co., Ltd.	Nishigo-mura, Nishishirakawa-gun, Fukushima	Manufacturing Endoscopic Solutions Business products	100
Olympus Marketing, Inc. (Notes 2, 3)	Shinjuku-ku, Tokyo	Sales of Endoscopic Solutions Business products and Therapeutic Solutions Business products	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	Lease of products of the Endoscopic Solutions Business	100
Olympus Digital System Design Corp.	Tachikawa-shi, Tokyo	System development	100
Olympus-Supportmate Corp.	Hachioji-shi, Tokyo	Administration services for domestic subsidiaries and affiliates	100
Evident Corporation (Notes 2, 5)	Tatsuno-machi, Kamiina-gun, Nagano	Sales of Scientific Solutions Business products	100
Evident Nagano Corporation (Notes 1, 5)	Tatsuno-machi, Kamiina-gun, Nagano	Manufacturing Scientific Solutions Business products	100 (100)

Company name	Location	Main business	Voting rights held by Olympus Corporation (%)
Olympus Corporation of the Americas (Note 2)	Pennsylvania, U.S.A.	Holding company of corporate planning and financial support to affiliated companies in Americas region	100
Olympus America Inc. (Notes 1, 2, 3)	Pennsylvania, U.S.A.	Sales of Endoscopic Solutions Business products and Therapeutic Solutions Business products	100 (100)
Olympus Latin America, Inc. (Note 1)	Florida, U.S.A.	Sales of Endoscopic Solutions Business products and Therapeutic Solutions Business products	100 (100)
Gyrus ACMI, Inc. (Notes 1, 2)	Massachusetts, U.S.A.	Manufacturing Therapeutic Solutions Business products	100 (100)
Gyrus ACMI LP (Note 1)	Minnesota, U.S.A.	Manufacturing Therapeutic Solutions Business products	100 (100)
Veran Medical Technologies, Inc. (Note 1)	Missouri U.S.A.	Sales and manufacturing of Therapeutic Solutions Business products	100 (100)
Evident Scientific, Inc. (Notes 1, 4, 5)	Massachusetts, U.S.A.	Manufacturing Scientific Solutions Business products	100 (100)
Olympus Innovation Ventures, LLC (Note 1)	Massachusetts, U.S.A.	Investment in Endoscopic Solutions Business and Therapeutic Solutions Business	100 (100)
Evident Canada Inc. (Notes 1, 4, 5)	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
Olympus Europa SE & Co. KG (Notes 1, 2)	Hamburg, Germany	Holding company and sales of Endoscopic Solutions Business products and Therapeutic Solutions Business products	100 (100)
Evident Technology Center Europe GmbH (Notes 1, 4, 5)	Munster, Germany	Information services and system development	100 (100)
Olympus Deutschland GmbH (Note 1)	Hamburg, Germany	Sales of Endoscopic Solutions Business products and Therapeutic Solutions Business products	100 (100)
Olympus France S.A.S. (Note 1)	Rungis Cedex, France	Sales of Endoscopic Solutions Business products and Therapeutic Solutions Business products	100 (100)
Olympus Winter & Ibe GmbH (Note 1)	Hamburg, Germany	Manufacturing Endoscopic Solutions Business products and Therapeutic Solutions Business products	100 (100)
KeyMed (Medical & Industrial Equipment) Ltd. (Note 1)	Essex, U.K.	Manufacturing and sales of Endoscopic Solutions Business products	100 (100)
Quest Photonic Devices B.V. (Note 1)	North Holland, The Netherlands	Development of Endoscopic Solutions Business products	100 (100)
Arc Medical Design Limited (Note 1)	West Yorkshire, U.K.	Manufacturing Therapeutic Solutions Business products	100 (100)
FH ORTHO SAS (Note 1)	Heimsbrunn, France	Sales and manufacturing of orthopedic equipment	100 (100)
Olympus Global Treasury Services Limited (Note 2)	Essex, U.K.	Fund management of the whole group	100
Odin Medical Ltd.	London, U.K.	Development of Endoscopic Solutions Business products	100
Medi-Tate Ltd. (Note 1)	Or-Akiva, Israel	Development and manufacturing of Therapeutic Solutions Business products	100 (100)
Olympus Corporation of Asia Pacific Limited (Note 2)	Hong Kong	Holding company of corporate planning to affiliated companies in Asia region	100
Olympus Hong Kong and China Limited (Note 1)	Hong Kong	Sales of Endoscopic Solutions Business products and Therapeutic Solutions Business products	100 (100)

Company name	Location	Main business	Voting rights held by Olympus Corporation (%)
Olympus (China) Co., Ltd. (Note 1)	Beijing, P.R.C.	Holding company of corporate planning to affiliated companies in China	100 (100)
Evident (GuangZhou) Co., Ltd. (Notes 1, 4, 5)	Guangzhou, P.R.C.	Manufacturing Scientific Solutions Business products	100 (100)
Olympus (Beijing) Sales & Service Co., Ltd. (Notes 1, 3)	Beijing, P.R.C.	Sales of Endoscopic Solutions Business products and Therapeutic Solutions Business products	100 (100)
Olympus Trading (Shanghai) Limited (Notes 1, 2)	Shanghai, P.R.C.	Sales of Endoscopic Solutions Business products and Therapeutic Solutions Business products	100 (100)
Olympus Korea Co., Ltd.	Seoul, Republic of Korea	Sales of Endoscopic Solutions Business products and Therapeutic Solutions Business products	100
Olympus Singapore Pte. Ltd. (Note 1)	Singapore	Sales of Endoscopic Solutions Business products and Therapeutic Solutions Business products	100 (100)
Olympus Vietnam Co., Ltd.	Vietnam	Manufacturing Therapeutic Solutions Business products	100
Olympus Australia Pty Ltd. (Note 1)	Victoria, Australia	Sales of Endoscopic Solutions Business products and Therapeutic Solutions Business products	100 (100)
61 others	–	–	–
(Equity method affiliated companies)			
Sony Olympus Medical Solutions Inc.	Hachioji-shi, Tokyo	Development of Endoscopic Solutions Business products	49
2 others	–	–	–

- Notes:
- Figures disclosed in parentheses in the “Voting rights held by Olympus Corporation” column represent voting rights held indirectly by Olympus Corporation.
 - The company falls under the category of “specified subsidiary.”
 - Olympus Marketing, Inc., Olympus America Inc., and Olympus (Beijing) Sales & Service Co., Ltd. account for more than one-tenth of consolidated revenue.
 - The names of the following companies have been changed.

Previous name	Current name
Olympus Scientific Solutions Americas Corp.	Evident Scientific, Inc.
Olympus NDT Canada Inc.	Evident Canada Inc.
Olympus Soft Imaging Solutions GmbH	Evident Technology Center Europe GmbH
Olympus (Guangzhou) Industrial Ltd.	Evident (GuangZhou) Co., Ltd.

- On August 29, 2022, Olympus Corporation concluded a share transfer agreement related to the transfer of Scientific Solutions Business of the Olympus Group with K.K. BCJ-66, a special purpose company indirectly owned by funds advised by Bain Capital, and completed the transfer on April 3, 2023. For more information, please refer to Note “44. Subsequent Events (Transfer of Scientific Solutions Business).”
- No company has filed a securities registration statement or securities report.

(2) Significant subsidiaries having non-controlling interests

During the fiscal years ended March 31, 2022 and 2023, there was no individually significant subsidiary having non-controlling interests.

39. Related-party Transactions

(1) Related-party transactions

Fiscal year ended March 31, 2022

There are no significant transactions

Fiscal year ended March 31, 2023

	Name	Ownership (owned) ratio of voting rights, etc. (%)	Relationship with the relevant party	Description of transaction	Amount of transaction (Millions of yen)	Account	Balance at end of year (Millions of yen)
Officer	Yasuo Takeuchi	Ownership Direct 0.0	Director, Representative Executive Officer, President and CEO	Contribution in kind of monetary compensation claims (Note 1)	27	—	—

Note: Contribution in kind of monetary compensation claims is associated with the PSU system.

(2) Remuneration for management executives

(Millions of yen)

	2022	2023
Remuneration and bonuses	1,370	1,665
Stock compensation	353	743
Total	1,723	2,408

40. Business Combinations

Fiscal year ended March 31, 2022

(Acquisition of Medi-Tate Ltd.)

(1) Outline of business combination

1) Name and description of acquired business

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

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

2) Primary reason for business combination

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

3) Acquired ratio of holding capital with voting rights

100%

4) Acquisition date

May 27, 2021

5) Acquisition method to govern the acquired company

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

(2) Acquisition-related expense

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

(3) Gain on step acquisition

As a result of revaluing the equity interest of the acquired company held just prior to the acquisition date at fair value on the acquisition date, we recognized a gain on step acquisition of ¥2,826 million. 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, we have allocated the assets acquired and liabilities assumed. Furthermore, 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 USD40,000 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

Olympus Corporation omits making a description concerning profit or loss information of the said business combination on and after the acquisition date as well as profit or loss information under the assumption that the said business combination was conducted at the beginning of the fiscal year 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.

Furthermore, 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 Olympus Corporation 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 Olympus Corporation 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.

Fiscal year ended March 31, 2023

(Acquisition of Odin Medical Ltd.)

(1) Outline of business combination

1) Name and description of acquired business

Name of the acquired business: Odin Medical Ltd. (hereinafter “Odin”)

Description of business: Development of cloud AI-enabled applications for endoscopy

2) Primary reason for business combination

Odin was founded by renowned clinicians and artificial intelligence experts in the Wellcome / EPSRC Centre for Interventional and Surgical Sciences (WEISS) at University College London to develop applications for next-generation cloud AI for endoscopy.

By incorporating Odin’s solutions, which utilize surgical and clinical data collected and analyzed in real time, Olympus Corporation aims not only to reduce the administrative burden on health care workers and support decision-making in clinical sites, but also to support health care workers to provide better medical care to patients.

3) Acquired ratio of holding capital with voting rights

100%

4) Acquisition date

December 19, 2022

5) Acquisition method to govern the acquired company

Cash consideration for the acquisition of shares

(2) Acquisition-related expense

The acquisition-related expense of ¥199 million has been recorded 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	3,982
Contingent consideration	4,095
Total	8,077
Fair value of assets acquired and liabilities assumed	
Cash and cash equivalents	148
Other current assets	1
Property, plant and equipment	3
Intangible assets	2,434
Trade and other payables	(28)
Other current liabilities	(99)
Deferred tax liabilities	(606)
Other non-current liabilities	(74)
Fair value of assets acquired and liabilities assumed, net	1,779
Goodwill	6,298
Total	8,077

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

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 milestone payment subject to the obtaining of approval for development made by Odin, 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 GBP33,000 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 recording of the part based on changes other than the time value of money as “Other income” or “Other expenses.”

(5) Impacts on the Olympus Group

Olympus Corporation omits making a description concerning profit or loss information of the said business combination on and after the acquisition date as well as profit or loss information under the assumption that the said business combination was conducted at the beginning of the fiscal year ended March 31, 2023. This is because the amount of impact on consolidated statement of profit or loss due to such information is not material.

Furthermore, 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.

(Contingent consideration of Medi-Tate Ltd.)

With regard to the contingent consideration recognized in connection with the acquisition of Medi-Tate Ltd. in the previous fiscal year, due to the delay from the initial schedule in obtaining approval promoted through development activities, we have lowered the fair value from the balance of ¥2,699 million at the beginning of the fiscal year to ¥2,037 million in the fiscal year ended March 31, 2023. Of the ¥662 million difference, the amount of impact of changes in the time value of money of ¥460 million (Note 1) was recorded as “Finance costs” in the consolidated statement of profit or loss, the amount of impact of ¥1,381 million due to the review of the fair value itself (Note 2) was recorded as “Other income” in the consolidated statement of profit or loss, and the amount of impact of exchange rate fluctuations of ¥259 million was recorded as “Exchange differences on translation of foreign operations” in the consolidated statement of comprehensive income, respectively.

- Notes: 1. The amount of contingent consideration is presented at the current value calculated from discounting in the period from the day of payment to the relevant fiscal year-end. Therefore, in principle, the amount increases and “Finance costs” occur as the day of payment approaches.
2. The impact originates from the fact that the amount itself has been reviewed due to the fact that achieving the conditions for the milestone has become difficult as a result of the delay from the initial schedule.

41. Discontinued Operation

(1) Outline of discontinued operation

On August 29, 2022, Olympus Corporation concluded a share transfer agreement related to the transfer of Scientific Solutions Business of the Olympus Group with K.K. BCJ-66, a special purpose company indirectly owned by funds advised by Bain Capital. Due to this transfer, profit (loss) from the Scientific Solutions Business has been classified as profit (loss) from discontinued operation from the second quarter, and it has been presented in the same manner for the fiscal years ended March 31, 2023 and 2022. The transfer was executed on April 3, 2023.

(2) Profit (loss) of discontinued operation

Profit (loss) of discontinued operations is as follows:

(Millions of yen)

	2022	2023
Revenue	118,744	135,421
Cost of sales	53,749	60,045
Gross profit	64,995	75,376
Selling, general and administrative expenses	47,889	57,361
Other income	764	215
Other expenses (Note)	10,160	11,195
Operating profit	7,710	7,035
Finance income	544	551
Finance costs	82	173
Profit before tax	8,172	7,413
Income taxes expenses	2,829	1,790
Profit from discontinued operation	5,343	5,623

Note: Other expenses include ¥9,353 million and ¥11,073 million in the fiscal year ended March 31, 2022 and 2023, respectively, related to the spin-off of the Scientific Solutions Business and the strengthening of its management systems.

(3) Cash flows of discontinued operation

Cash flows of discontinued operation are as follows:

(Millions of yen)

Cash flows of discontinued operation	2022	2023
Net cash provided by (used in) operating activities	10,284	(13,151)
Net cash used in investing activities	(7,688)	(11,725)
Net cash used in financing activities	(826)	(2,891)

42. Contingent Liabilities

The Olympus Group has the following guarantees:

(Millions of yen)

	2022	2023
Employees (mortgages)	1	0
Total	1	0

(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

(Transfer of shares of OM Digital Solutions Corporation)

(1) Overview of transaction

Olympus Corporation transferred the Imaging Business on January 1, 2021 to OJ Holdings, Ltd., a special purpose company established by Japan Industrial Partners, Inc. In this transfer of the business, OM Digital Solutions Corporation was newly established as a subsidiary of Olympus Corporation, the Imaging Business was succeeded to OM Digital Solutions Corporation through a company split, and Olympus Corporation transferred 95% of the shares of OM Digital Solutions Corporation (95% of total number of issued shares) to OJ Holdings, Ltd.

On March 20, 2023, Olympus Corporation transferred 5% of the shares of OM Digital Solutions Corporation (5% of total number of issued shares) to OJ Holdings, Ltd.

(2) Ownership ratio before and after the share transfer

1) Ratio of voting rights owned before transfer 5%

2) Ratio of voting rights owned after transfer -%

Note: Olympus Corporation has dissolved its capital relationship with OM Digital Solutions Corporation through this share transfer.

(3) Impact on business results

The impact of this share transfer on the Olympus Corporation's consolidated financial statements was immaterial.

44. Subsequent Events

(Transfer of Scientific Solutions Business)

On August 29, 2022, Olympus Corporation concluded a share transfer agreement related to the transfer of Scientific Solutions Business of the Olympus Group with K.K. BCJ-66, a special purpose company indirectly owned by funds advised by Bain Capital, and completed the transfer on April 3, 2023.

(1) Reasons for transfer

As a truly global medical technology company, Olympus Corporation announced its corporate strategy for achieving sustainable growth (hereinafter "Corporate Strategy") on November 6, 2019. Based on this corporate strategy, we are aggressively 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 such circumstances, Olympus Corporation transferred its Science Solutions business, which had different business characteristics to the medical field, to Evident Corporation (hereinafter "Evident"). We focused on enhancing corporate value for the entire Olympus Group by establishing management systems that were complementary to the respective business characteristics, while proceeding with the task of examining all options, including the transfer of the shares of Evident. As a result of such examination, we reached the conclusion that based on the Corporate Strategy, the optimal path for enhancing corporate value of the Olympus Group and realizing autonomous and sustainable growth for the Science Solutions Business was to transfer all shares of Evident to Bain Capital.

(2) Name of counterparty of the share transfer transaction

K.K. BCJ-66

(3) Date of the share transfer

April 3, 2023

(4) Name and business description of the consolidated subsidiary to be transferred and details of transactions with Olympus Corporation

Name:	Evident Corporation
Description of business:	Business related to the development, manufacturing and sale, provision of solutions, and other activities dealing with biological microscopes, industrial microscopes, industrial endoscopes, non-destructive testing equipment, X-ray analyzers, etc.
Details of transactions with Olympus Corporation:	Financing support

(5) Number of shares to be transferred, transfer price, gain or loss on transfer and shareholding ratio after the transfer

1) Number of shares held before transfer:	100 shares (shareholding ratio: 100%)
2) Number of shares to be transferred:	100 shares
3) Number of shares held after transfer:	- shares (shareholding ratio: -%)
4) Transfer price:	Transfer price based on the agreement is ¥427,674 million. Under the agreement, the price has not been finalized and is subject to price adjustment.

Although this is currently under review, gain on transfer of the Scientific Solutions Business and expenses, such as related income taxes, are expected to total ¥347,900 million and ¥125,500 million, respectively.

(Subsidiary share transfer)

On April 21, 2023, Olympus Corporation concluded an agreement to transfer all shares of Gyrus Medical Limited, a consolidated subsidiary of Olympus Corporation whose business is the manufacture of products for the Therapeutic Solutions Business, to ATL TECHNOLOGY UK HOLDINGS LIMITED.

Olympus Corporation lost control of Gyrus Medical Limited on the same day that the transfer of shares in accordance with this share transfer agreement was completed. Consideration for this share transfer shall be GBP25 million in cash and GBP4 million in contingent consideration, but loss (gain) on transfer is currently undecided as it is being calculated.

(Share repurchase and cancellation of treasury shares)

At the meeting of the Board of Directors held on May 12, 2023, Olympus Corporation resolved items related to the repurchase of its own shares and the specific means of repurchase as provided for in Article 459 Section 1 of the Companies Act and Article 32 of Olympus Corporation's Articles of Incorporation, as well as the cancellation of treasury shares provided for in Article 178 of the Companies Act. Olympus Corporation carried out the repurchase of its own shares as follows:

(1) Reasons for the share repurchase and the cancellation of treasury shares

To strengthen shareholder returns and to improve capital efficiency

(2) Details of items related to the repurchase

- | | |
|--|---|
| 1. Class of shares: | Common stock of Olympus Corporation |
| 2. Total number of shares to be repurchased: | 55,000,000 shares (maximum)
(4.39% of total number of issued shares (excluding treasury shares)) |
| 3. Total amount of shares to be repurchased: | ¥100,000 million (maximum) |
| 4. Repurchase period: | May 15, 2023 to January 31, 2024
Market purchase based on a discretionary trading contract on the Tokyo Stock Exchange |
| 5. Repurchase method: | |

(3) Treasury shares repurchased based on the above resolution by the Board of Directors

- | | |
|--|---|
| 1. Total number of shares repurchased: | 875,100 shares |
| 2. Total amount of shares repurchased: | ¥1,986 million |
| 3. Repurchase period: | May 15, 2023 to July 31, 2023 (Delivery base) |

(4) Details of cancellation

- | | |
|--------------------------------------|--|
| 1. Class of shares: | Common stock of Olympus Corporation |
| 2. Number of shares to be cancelled: | All of the shares to be repurchased as stated in (2) above |
| 3. Date of cancellation: | February 29, 2024 |

(Transfer of collagen business and dental product sales business)

On March 28, 2023, Olympus Terumo Biomaterials Corporation (hereafter “OTB”), a consolidated subsidiary of Olympus Corporation, executed a company split agreement with GC Japan (hereafter “GC”) for the transfer of the collagen products development, manufacture and sales business and dental products sales business, which are included in the other businesses of the Olympus Group. The transfer was completed on July 3, 2023.

(1) Reasons for transfer

OTB was mainly engaged in the plastic surgery business and the collagen business, but from the perspective of maximizing resource distribution within OTB and the value of both the plastic surgery business and the collagen business, it was decided to transfer these businesses to GC, which has a strong interest in the collagen business and is more willing to invest in it.

(2) Name of counterparty to the company split

GC Japan

(3) Date of the company split

July 3, 2023

(4) Transfer price

Transfer price based on the agreement is ¥1,757 million. Under the agreement, the price has not been finalized and is subject to price adjustment.

The gain on transfer from this company split is currently under review, but is expected to be ¥1,220 million.

From the previous fiscal year, the assets and liabilities related to the collagen business and the dental products sales business owned by OTB are classified as a disposal group classified as held for sale. For details, please see Note “12. Assets Held for Sale.”

(Additional acquisition of interests in subsidiaries)

On July 24, 2023, Olympus Corporation and Terumo Corporation (hereafter “Terumo”) agreed that the Olympus Group will acquire all shares of OTB, a consolidated subsidiary of Olympus Corporation. Effective August 4, 2023, the Olympus Group acquired all shares of OTB. With the acquisition of all shares, OTB will become a wholly owned subsidiary of the Olympus Group.

(1) Reason for additional acquisition of interests

Since April 2007, Olympus Corporation and Terumo have been conducting a joint business with OTB. As a result of careful consideration, it was determined that managing OTB as a wholly owned subsidiary of the Olympus Group is the best way to further improve its corporate value, and an agreement was reached between both companies.

(2) Acquired ratio of holding capital with voting rights

33.4%

The Olympus Group’s equity interest before acquisition was 66.6% and after acquisition was 100%.

(3) Date of the additional acquisition of interests

August 4, 2023

(4) Method of acquiring additional equity

Repurchase of our shares from a non-controlling shareholder in consideration for cash

(5) Impacts on the Olympus Group

The impact of the additional acquisition of equity on the Olympus Group is currently under review. The difference of ¥1,492 million between the ¥1,429 million decrease in non-controlling interests on the date of acquisition and the fair value of consideration paid of ¥2,921 million is recognized as a reduction in capital surplus in the Consolidated Statement of Financial Position.

(Disposal of treasury shares)

Olympus Corporation has disposed of treasury shares based on the restricted stock unit (hereafter “RSU system”) and performance share unit (hereafter “PSU system”) plans as follows.

In the fiscal year ended March 31, 2018, Olympus Corporation introduced the PSU system as a form of stock compensation for Directors (excluding Outside Directors) and Corporate Officers through the fiscal year ended March 31, 2019. Even after the transition to a company with a nominating committee, etc. in June 2019, Olympus Corporation continued the PSU system as a form of stock compensation for Executive Officers and Corporate Officers. Moreover, to increase awareness among Directors (including Outside Directors) and Executive Officers of “maximizing corporate value and responding to the expectations of a wide range of stakeholders, we revised the compensation system with a basic policy of providing compensation in line with roles and responsibilities. As part of these efforts, in the fiscal year ended March 31, 2021, Olympus Corporation introduced the RSU system as a form of stock compensation for Directors

(including Outside Directors) and Executive Officers. Additionally, starting in the fiscal year ended March 31, 2022, Olympus Corporation introduced the same RSU system as a form of stock compensation for Corporate Officers. This disposal of treasury shares is conducted in the form of stock compensation to Directors, Executive Officers, and Corporate Officers receiving allotments based on the RSU system and PSU system whereby shares of common stock of Olympus Corporation are paid in as contribution in kind for the full amount of monetary remuneration claims against Olympus Corporation.

Outline of the disposal of treasury shares

(1) Date of disposal	July 25, 2023	
(2) Class and number of shares for disposal	515,101 shares of common stock of Olympus Corporation	
	Breakdown:	
	RSU	138,462 shares
	PSU	376,639 shares
(3) Disposal price	¥2,247 per share	
(4) Total amount of disposal value	¥1,157 million	
(5) Disposal recipients, the number of such recipients, and the number of shares to be disposed of	<p>(i) RSU granted for the fiscal year ended March 31, 2021</p> <p>Two non-executive directors (retirees) and four executive officers 73,597 shares</p> <p>(ii) RSU granted for the fiscal year ended March 31, 2022</p> <p>Two non-executive directors (retirees) and one corporate officer (retiree) 4,177 shares</p> <p>(iii) RSU granted for the fiscal year ended March 31, 2022</p> <p>One corporate officer (retiree) 2,027 shares</p> <p>(iv) RSU granted for the fiscal year ended March 31, 2023</p> <p>Four non-executive directors (including retirees) and six executive officers 58,661 shares</p> <p>(v) PSU granted for the performance evaluation period starting from the fiscal year ended March 31, 2021 and ending in the fiscal year ended March 31, 2023</p> <p>One non-executive director, seven executive officers (including retirees) and 14 corporate officers (including retirees) 376,639 shares</p> <p>*Retired executive officers and corporate officers include those who retired in the fiscal years ended March 31, 2021 and 2022, and executive officers who retired due to the transfer of Evident (April 3, 2023).</p>	

Other Information

Quarterly information for the fiscal year ended March 31, 2023

(Cumulative period)	Three months	Six months	Nine months	Year-end
Revenue	192,265	417,060	641,545	881,923
Profit before tax	42,048	89,321	139,370	182,294
Profit attributable to owners of parent	24,860	66,836	108,217	143,432
Basic earnings per share (yen)	19.53	52.50	85.12	113.22

(Accounting period)	First quarter	Second quarter	Third quarter	Fourth quarter
Basic earnings per share (yen)	19.53	32.97	32.64	28.08

Note: On August 29, 2022, Olympus Corporation concluded a share transfer agreement related to the transfer of Scientific Solutions Business of the Olympus Group with K.K. BCJ-66, a special purpose company indirectly owned by funds advised by Bain Capital. Accordingly, profit (loss) from the Scientific Solutions Business has been classified as profit (loss) from a discontinued operation from the second quarter ended September 30, 2022. Due to this transfer, revenue and profit before tax for the three months ended June 30, 2022 have been reclassified to the amounts from continuing operations, excluding the discontinued operation.