To Shareholders

Internet Disclosure for Notice Regarding the Convocation of the General Meeting of Shareholders For FY2022

June 2, 2022

OLYMPUS CORPORATION

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

I. Matters Concerning Subscription Rights to Shares, etc.

1. Summary of Subscription Rights to Shares

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

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

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

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

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

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

Issue number	Category	Number of subscription rights to shares	Class and number of shares to be issued upon exercise of subscription rights to shares	Number of holders
The first subscription rights to shares	Directors (excluding Outside Directors) and Executive Officers	54	Common stock 21,600 shares	3
The second subscription rights to shares	Directors (excluding Outside Directors) and Executive Officers	54	Common stock 21,600 shares	3
The third subscription rights to shares	Directors (excluding Outside Directors) and Executive Officers	56	Common stock 22,400 shares	3
The fourth subscription rights to shares	Directors (excluding Outside Directors) and Executive Officers	56	Common stock 22,400 shares	3

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

II. Framework to Ensure Fairness of Operations and Overview of Status of Management of Such Framework

All activities of Olympus are based on our Corporate Philosophy, “Making people’s lives healthier, safer and more fulfilling.”

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

1. Framework to ensure that the execution of duties by Olympus’s executive officers and employees and by the directors and employees of subsidiaries complies with applicable laws and regulations and the Articles of Incorporation

[Framework]

(1) In order to ensure a system in which Executive Officers and employees of Olympus and directors and employees of subsidiaries perform their duties in compliance with applicable laws and regulations as well as the Articles of Incorporation, Olympus shall establish “Management Basic Policy,” basic policy the Board of Directors relies on when the Board supervises the execution of duties of Directors and Executive Officers. Furthermore, it shall establish the Olympus Global Code of Conduct and internal corporate regulations, based on the Corporate Philosophy, and shall instill the policies and facilitate initiatives to raise awareness of compliance in the Olympus Group through continuing education and other measures.

(2) Olympus shall also establish a compliance promotion system by appointing an officer in charge of compliance (“Chief Compliance Officer”) and establishing a function in charge of group-wide compliance. The function in charge of group-wide compliance shall be responsible for activities toward the improvement of the group compliance system based on the Global Compliance Management System. Furthermore, it shall continuously conduct education of employees and measures relating to assessment. It shall establish a global contact desk which can be available 24 hours a day in multiple languages so that any employee and external stakeholders, when suspecting there is or may be a violation of laws and regulations, etc., may make a report in addition to a local hotline contact desk in each region.

(3) In addition to having appointed the CEO as the head of CSR, Olympus has appointed an officer in charge of ESG and set goals related to ESG in the Olympus Group and shall continue to work on them. Moreover, Olympus has set ESG-related indicators as part of the performance-linked compensation for executives and is strengthening its efforts as a management strategy.

(4) Olympus shall set up an internal audit function reporting directly to the Chief Executive Officer. The internal audit function shall conduct audits to verify the effectiveness of the various processes for risk management, control and governance in accordance with the internal audit regulations. The internal audit function shall report the results of internal audits to the Chief Executive Officer of Olympus, and the Audit Committee.

(5) In order to ensure the fairness of operations of subsidiaries, Olympus shall dispatch Directors and Audit Committee to major subsidiaries and request them to obtain our approval for significant matters of subsidiaries based on the Job Authority Rules and any other related rules.
(6) In order to ensure the appropriateness and reliability of financial reporting of the Olympus Group, the internal audit function shall continue to conduct improvement activities by regularly evaluating its efforts and operations to ensure that control activities relating to financial reporting function effectively under the internal control system.
(7) Olympus shall be responsible for working with lawyers, the police and other parties to systematically stand firm against anti-social forces and organizations which threaten societal order and safety. The Olympus Group continuously shall conduct measures for excluding anti-social forces and prepare relevant rules and regulations in order to maintain its social responsibility to exclude anti-social forces.

[Overview of Status of Management]
(1) Olympus has established the “Management Basic Policy,” basic policy the Board of Directors relies on when the Board supervises the execution of duties of Directors and Executive Officers. In addition, it establishes and amends internal corporate regulations as necessary. Furthermore, it conducts core value surveys as an important tool for employee engagement which supports the goal of creating sustainable workplaces to examine how our corporate philosophy is performed in daily work and instills the policies.
(2) Under direction of the Chief Compliance Officer, Olympus regularly holds meetings and checks globally important measures. In addition, it provided compliance training to employees. Furthermore, it has established whistleblowing desks and familiarized employees with the whistleblowing system.
(3) Olympus has set short- to medium-term goals related to ESG and established the related policies. In addition, ratings by an ESG evaluation organization were set as an indicator for a part of the long-term incentive compensation which is performance-linked compensation for executives and Olympus is strengthening its efforts as a management strategy.
(4) The internal audit function makes proposals to the Board of Directors and the Audit Committee for discussion in accordance with the internal audit regulations, and reports the audit implementation status and others to the CEO and the Audit Committee, in addition to the Group Executive Committee.
(5) Olympus dispatches Directors and Audit & Supervisory Board Members to major subsidiaries, and deliberates significant matters of subsidiaries in accordance with the Job Authority Rules and other related internal rules.
(6) Olympus reports the internal control evaluation implementation policy of financial reports and its management status to the CEO, the Group Executive Committee, and the Audit Committee.
(7) Olympus conducts investigation on transactions of the Olympus Group in accordance with the rules for eliminating antisocial forces.

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

[Framework]

(1) Pursuant to laws and regulations and the internal rules on document management, Olympus shall maintain and manage documents or electronic data.
(2) Directors may access important documents such as the minutes of a meeting of the Board of Directors and documentary approvals at any time based on the internal rules on document management.

[Overview of Status of Management]
(1) Olympus prepares and saves minutes of the Board of Directors' meetings, Annual Securities Report and internal rules, etc. in accordance with internal rules on document management.
(2) Directors may access important documents at any time whenever necessary.

3. Regulations and other framework relating to managing risks of loss of the Olympus Group
[Framework]
(1) Olympus shall manage its business risks of the Olympus Group based on due deliberations held at meetings of the Board of Directors and the Group Executive Committee, among other meetings, and appropriate operation of the internal approval procedure.
The Board of Directors shall determine basic management policy, matters related to the internal control system, other important matters and important matters related to business execution, as well as deciding matters to delegate to Executive Officers. Also, for important matters not decided by the Board of Directors, Executive Officers shall make a decision, and make a report to the Board of Directors.
(2) Olympus shall manage risks such as those relating to quality, product safety, export control, information security, health and safety, the environment and disasters by designating functions in charge, establishing internal corporate regulations, working for preventive risk management as the Olympus Group, and implementing education and training.
(3) Based on the Internal Control Rules and other related rules, Olympus shall prevent the emergence of serious risks resulting from the business activities of the Olympus Group, and shall create, operate appropriately, and manage a risk management system to minimize damage in the event of such risks emerging.
Moreover, pursuant to the Risk Management Operation Rules, each function in charge in the Olympus Group shall be aware of risks and take preventative measures, and Olympus has a framework which enables prompt actions in the event of an emergency. In the event of a violation of corporate ethics, or an earthquake, fire or accident, the function in charge shall make immediate reports to the Executive Officers and relevant people. The final determination in such circumstance shall be made by the Chief Executive Officer.

[Overview of Status of Management]
(1) Olympus makes a proposal to the Board of Directors for resolution of significant matters of the Olympus Group, such as corporate strategies and business plans, following sufficient deliberations at meetings of the Group Executive Committee. Executive Officers make decisions on matters delegated by the Board of Directors in accordance with the Job Authority Rules and report to the Board of Directors. In addition, Olympus regularly and systematically held the meetings of the Group Executive

Committee and the Board of Directors using online methods as is the case of last year due to the impact of COVID-19. It also performed business risk management of the Group by due operations of approval procedures using the electric approval system.

(2) Olympus, as necessary, establishes and amends internal rules, holds meetings, and provides education regarding risks such as those relating to quality, product safety, export control, information security, health and safety, the environment and disasters. In particular, given cybersecurity incidents which occurred in the fiscal year under review, Olympus has been working to enhance its incident response structure so that we can more promptly respond to incidents across the entire Olympus Group.

(3) Based on the Internal Control Rules and other related rules, Olympus is making risk management efforts as the Olympus Group such as providing necessary education and training and holding meetings. In addition, each business and each function in charge performs risk assessment and conducts training for prompt response in case a disaster occurs. In the fiscal year under review, it conducted workplace vaccinations as a part of measures toward rapid normalization from COVID-19.

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

[Framework]

(1) The Board of Directors shall approve medium- and long-term Corporate Strategic Plans in which the business objectives of the Olympus Group are set forth, and action plans for these, which are called annual business plans. The Board of Directors shall decide on other important matters, and delegate except matters that should be resolved by the Board of Directors to Executive Officers in order to enhance efficient and agile decision-making on the execution of business. In addition, the Board of Directors shall receive reports, once a quarter, on business performance in order to evaluate the status of our annual business plan, and supervise Executive Officers' performance of duties.

(2) The Board of Directors shall determine the assignment of duties among the Executive Officers. In addition, the Board of Directors shall receive, at least once every three months, reports on their duties as performed.

(3) Based on the Job Authority Rules, Organization Rules, and other related rules, the Board of Directors shall approve the responsibilities and authorities of major job ranks. Based on internal corporate regulations including the internal rules on approval procedures and organizational matters, the Board of Directors shall approve the management organization and the separation of duties as well as the responsibility and authority of each of the Representative Director, other Operating Directors and Executive Officers, and receive reports from major management organizations on their duties as performed.

(4) With the establishment of Treasury Control Framework, which regulate financial policies as a base for financial operations of the Olympus Group, Olympus strengthens the governance of the Olympus Group from a financial aspect, and oversees and manages funding, foreign exchange, and transactions with financial institutions for the Olympus Group including the subsidiaries.

[Overview of Status of Management]

(1) The Board of Directors approves annual business plans based on the Corporate Strategic Plans and other important matters. The Board of Directors delegates matters on the execution of business except matters that should be resolved by the Board of Directors to Executive Officers in order to enhance efficient and agile decision-making. During the fiscal year under review, 12 meetings of the Board of Directors were held.

(2) The Board of Directors determines the assignment of duties among the Executive Officers and receives reports on their duties as performed.

(3) The Board of Directors approves the responsibilities and authorities of major job ranks and receives reports on their duties as performed.

(4) Based on the Treasury Control Framework, Olympus regularly oversees and manages funding, foreign exchange, and transactions with financial institutions for the subsidiaries by receiving this information.

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

[Framework]

(1) After Olympus has clarified the management criteria of subsidiaries by means of the Affiliated Company Management Rules and other related rules, the officers responsible for the regional headquarters shall conduct reviews of the situation faced by subsidiaries' management, and periodically report the results of the reviews to the CEO of Olympus.

(2) Olympus shall ensure receiving reports as appropriate and in a timely manner from the subsidiaries in accordance with the Global Consolidated Accounting Control Framework to ensure that we will remain accurately informed of financial position and results of operation of the Olympus Group, and appropriately maintain and manage the consolidated accounting policies.

[Overview of Status of Management]

(1) Based on reports from its subsidiaries, Olympus regularly conducts reviews of the situation faced by subsidiaries' management and reports the results to the Group Executive Committee which the CEO attends and the Audit Committee.

(2) Olympus receives necessary financial information as appropriate and in a timely manner from the subsidiaries in accordance with the Global Consolidated Accounting Control Framework to confirm and approve the content.

6. Framework for matters related to employees whose assignment is to assist in the duties of Olympus' Audit Committee, and matters related to the independence of those employees from the Executive Officers of Olympus, and matters related to ensuring the effectiveness of instructions from the Audit Committee of Olympus to those employees

[Framework]

Olympus shall allocate a dedicated employee who will assist with the Audit Committee's duties. Moreover, Olympus may have a concurrent employee as needed. In addition, we shall set forth internal corporate regulations to ensure independence from execution as stated below, and ensure effectiveness of directions from the Audit Committee to such employees.

(1) While employees who have been assigned to assist in the duties of the Audit Committee assist in those duties, Directors (excluding Audit Committee members), Executive Officers and employees, etc. shall not give them commands or instructions.

(2) The appointment, dismissal, transfer, wage or personnel evaluation of employees who are assisting the Audit Committee with their duties shall be decided only after obtaining the approval of the Audit Committee.

[Overview of Status of Management]

Olympus has established the Office of Audit Committee and allocated two dedicated employees and one concurrent employee as of March 31, 2022. In addition, pursuant provisions of the internal corporate regulations, we have ensured these employees' independence from execution, and ensure effectiveness of directions from the Audit Committee to such employees.

7. Framework regarding reports by Directors (except those who are members of the Audit Committee), Executive Officers and employees of Olympus to the Audit Committee, and reports by Directors and employees of the subsidiaries of Olympus or personnel who have received reports from them to the Audit Committee Olympus

[Framework]

(1) Directors (except those who are members of the Audit Committee), Executive Officers and employees of Olympus, as well as Directors, Audit and Supervisory Board members and employees of subsidiaries shall promptly, and either directly or via the relevant function, submit a report to the Audit Committee in cases where it becomes known that there has been a significant violation of laws or regulations or of the Articles of Incorporation; or when it becomes known that there has been wrongdoing; or when it becomes known that there is risk of substantial harm to Olympus. In other cases where the Audit Committee requests a report from an Executive Officer or employee, etc. of the Olympus Group, in accordance with laws and regulations, or Audit Committee Rules etc., the Director, Executive Officer or employee in question shall promptly report to the Audit Committee.

(2) Chief Compliance Officer shall regularly make reports to the Audit Committee on the status of compliance within the Olympus Group. In addition, Chief Compliance Officer shall regularly make reports on details of issues reported and results of investigations in accordance with the Internal Reporting System.

(3) The internal audit function of Olympus shall regularly report the status of internal audit in the Olympus Group to the Audit Committee of Olympus.

[Overview of Status of Management]

(1) Olympus has established a structure where Directors, Executive Officers, Corporate Officers and employees of Olympus and its subsidiaries promptly submit a report to the Audit Committee in cases where they become aware of facts such as the breach of laws and regulations. In addition, in other cases

where the Audit Committee requests a report from them, they shall promptly report to the Audit Committee.

(2) Chief Compliance Officer regularly and as needed makes reports to the Audit Committee on the status of compliance and internal reporting as well as results of investigation.

(3) The officer in charge of internal audit function regularly and as needed reported to the Audit Committee on internal audit plans and audit status.

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

[Framework]

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

[Overview of Status of Management]

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

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

[Framework]

When an advance payment or reimbursement of expenses is requested for execution of duties of Audit Committee members, Olympus shall promptly, in accordance with Olympus's rules and regulations, process disbursement except for such case that the expense is obviously deemed unnecessary for execution of duties by Audit Committee members.

[Overview of Status of Management]

Olympus reimburses required expenses as appropriate upon request from Audit Committee Members.

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

[Framework]

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

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

(3) Olympus shall ensure that the Audit Committee is permitted to have its members attend important meetings, and that they have an opportunity to state their opinion.

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

(5) Olympus shall ensure that it provides the Audit Committee with, upon their request, opportunities of collaboration between the Audit Committee and Audit Committee of the subsidiaries and collecting information from employees of the subsidiaries.

[Overview of Status of Management]

(1) Directors, Executive Officers, Corporate Officers and employees of Olympus ensures effectiveness of the audit of Olympus by cooperating with the Audit Committee for investigations by interviews and on-site inspections.

(2) The Audit Committee regularly and as needed exchanges opinions with Directors, Executive Officers, Corporate Officers and Accounting Auditors.

(3) Olympus ensures opportunities where the Audit Committee Members attend important meetings such as meetings of the Group Executive Committee.

(4) The internal audit function regularly and as needed reports to the Audit Committee. In addition, the Audit Committee are allowed to exercise authority to give instructions and make commands to the internal audit function as necessary.

(5) Olympus holds liaison meetings with Audit & Supervisory Board Members of subsidiaries and affiliates upon the request of the Audit Committee, and provides opportunities to exchange opinions with the Audit & Supervisory Board Members of the subsidiaries. In addition, the Audit Committee receives reports from officers in charge of major subsidiaries both in Japan and overseas.

III. Basic Policy on Control of Company

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

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

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

IV. Consolidated Statement of Changes in Equity (April 1, 2021 to March 31, 2022)

(Millions of yen)

Items	Equity attributable to owners of parent						Non-controlling interests	Total equity
	Share capital	Capital surplus	Treasury shares	Other components of equity	Retained earnings	Total		
Balance at April 1, 2021	124,643	90,835	(98,048)	(1,347)	278,243	394,326	1,154	395,480
Profit					115,742	115,742	228	115,970
Other comprehensive income				45,031		45,031		45,031
Comprehensive income	–	–	–	45,031	115,742	160,773	228	161,001
Purchase of treasury shares			(30,001)			(30,001)		(30,001)
Disposal of treasury shares		(111)	115			4		4
Cancellation of treasury shares		(82,340)	82,340		–	–		–
Dividends from surplus					(15,428)	(15,428)	(188)	(15,616)
Transfer from retained earnings to capital surplus		82,366			(82,366)	–		–
Transfer from other components of equity to retained earnings				(8,866)	8,866	–		–
Share-based payment transactions		489	5			494		494
Total transactions with owners	–	404	52,459	(8,866)	(88,928)	(44,931)	(188)	(45,119)
Balance at March 31, 2022	124,643	91,239	(45,589)	34,818	305,057	510,168	1,194	511,362

V. Notes to Consolidated Financial Statements

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

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

2. Scope of consolidation
   Status of consolidated subsidiaries
   Number of consolidated subsidiaries: 106
   Names of principal consolidated subsidiaries:
   Olympus Corporation of the Americas, Olympus Europa Holding SE, Olympus Corporation of Asia Pacific Limited, Olympus (China) Co., Ltd.
   Change in scope of consolidation
   Newly added consolidated subsidiaries: 13
   Evident Corporation and other 11 companies are included in consolidated subsidiaries as these companies were newly established in the fiscal year under review.
   Medi-Tate Ltd., which was an equity-method affiliate of the Company, is included in consolidated subsidiaries as the Company acquired additional shares in the fiscal year under review.

   Excluded companies: 7
   Olympus Systems Corporation is excluded from consolidated subsidiaries as the Company sold all the shares held in the fiscal year under review.
   Olympus Service Facility Portugal – Tecnologias Opticas e Digitais, Lda and one other company are excluded from consolidated subsidiaries as these companies merged with another consolidated subsidiary in the fiscal year under review.
   Olympus Memory Works Corp. and three other companies are excluded from consolidated subsidiaries due to liquidation in the fiscal year under review.

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

4. Items concerning accounting policies

(1) Financial assets

(i) Initial recognition and measurement

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

(ii) Classification and subsequent measurement

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

(Financial assets measured at amortized cost)

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

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

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

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

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

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

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

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

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

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

(iii) Impairment of financial assets

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

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

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

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

(iv) Derecognition

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

(2) Derivatives and hedge accounting

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

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

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

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

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

When any forecast transaction is no longer expected to occur, hedge accounting is discontinued, and any related cumulative gain or loss that has been recognized as other components of equity is transferred to profit or loss. Even if hedge accounting was discontinued, the amount that had been recognized as other components of equity until hedge accounting was discontinued continues to be recognized in other components of equity until future cash flows occur when these future cash flows are expected to occur. The Group does not use fair value hedges or net investment hedges in foreign operations.

(3) Inventories

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

(4) Property, plant and equipment

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

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

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

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

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

(5) Goodwill

Goodwill is carried at cost less any accumulated impairment losses.

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

(6) Intangible assets

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

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

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

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

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

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

(7) Leases

(i) Leases as lessee

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

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

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

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

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

(ii) Leases as lessor

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

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

In operating lease transactions, the relevant leased properties are recognized in the Consolidated Statements of Financial Position, and lease payments receivable are recognized as revenue over the lease terms on a straight-line method.

(8) Impairment of non-financial assets

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

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

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

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

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

(9) Non-current assets or 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.
An entity 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.

(10) 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.

(11) Employee benefits accruals

(i) Post-employment benefits

The Olympus Group adopts defined benefit pension plans and defined contribution pension plans.
The Olympus Group calculates the present value of defined benefit obligations and associated current service cost as well as past service cost by using the projected unit credit method.
Discount rate used for discounting to the present value of defined benefit obligations is determined by reference to market yields on high quality corporate bonds of which currency and due date are consistent with those of the post-employment benefit obligations.
Asset or liability associated with a defined benefit plan is calculated by subtracting the fair value of plan assets from the present value of defined benefit obligations of each plan.
Any difference due to remeasurement arising from defined benefit pension plans is recognized as other comprehensive income in the period when the difference arose, and immediately transferred to retained earnings. Past service costs are expensed as incurred.
Contributions to defined contribution pension plans are recognized as expenses according to the period during which employees rendered the relevant services.

(ii) Short-term employee benefits

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

(iii) Other long-term employee benefits

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

(12) Revenue

The Olympus Group is principally engaged in the manufacture and sales of endoscopes, therapeutic devices, scientific and other products.

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

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

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

Therapeutic Solutions Business

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

Scientific Solutions Business

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

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

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

Other Businesses

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

5. Notes to accounting estimates

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 these estimates.

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 reviewed and in subsequent periods.

Information regarding accounting estimates and assumptions that may have a significant impact on the consolidated financial statements is as follows.

- Valuation of inventories (Notes “4. Items concerning accounting policies, (3) 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 unsold inventories that remain outside the operating cycle, the net realizable value, etc. is calculated by 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. The amount of inventories recorded in the consolidated financial statements for the fiscal year under review is ¥167,368 million.

- Impairment of non-financial assets (Notes "4. Items concerning accounting policies, (8) Impairment of non-financial assets")
  The Olympus Group tests for impairment of property, plant and equipment, goodwill, and intangible assets in accordance with Notes "4. Items concerning 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.
  In the test for impairment of goodwill, the recoverable amount is calculated based on the value in use. The value in use is calculated primarily by discounting estimated cash flows to the present value based on the business plans approved by management and, after the period of the business plans are completed, on the continuing value founded on the growth rate.
  Business plans are limited to five years, reflect the management's evaluation of future trends in the industry and historical data, and are consistent with external and internal information, and future cash flows are estimated based on these business plans.
  The principal assumptions in estimating the value in use are the growth rate in the business plan, the operating margin, and the growth and discount rates after the periods of the plans are completed.
  The amounts of property, plant and equipment, goodwill, and intangible assets recorded in the consolidated financial statements for the fiscal year under review were ¥247,112 million, ¥164,498 million, and ¥120,361 million, respectively.

- Measurement of provisions (Notes "4. Items concerning accounting policies, (10) 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. The amount of provisions recorded in the consolidated financial statements for the fiscal year under review is ¥24,897 million.

- Notes to contingent liabilities (Notes to Consolidated Statements of Financial Position 3)

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 obligations (Notes “4. Items concerning accounting policies, (11) Employee benefits accruals”)
  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. Uncertain future economic conditions or changes in social conditions may affect the assumptions used in the actuarial calculation. Accordingly, there are risks that such changes could result in significant adjustments to the measurements of defined benefit obligations in future accounting periods. The amount of retirement benefit assets and retirement benefit obligations recorded in the consolidated financial statements for the fiscal year under review is ¥25,975 million and ¥40,001 million, respectively.

- Recoverability of deferred tax assets
  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. 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. The amounts of deferred tax assets and deferred tax liabilities recorded in the consolidated financial statements for the fiscal year under review is ¥57,783 million and ¥13,087 million, respectively.

- Impact of COVID-19
  Although the impact of the spread of COVID-19 differ by region, the impact is currently expected to continue diminishing overall as vaccinations become available worldwide, and we have assumed that the Company’s sales activities will also begin to normalize. Based on such assumptions, the Company makes accounting estimates related to impairment tests for fixed assets, including goodwill, assessment of recoverability of deferred tax assets, etc.

Notes to Consolidated Statements of Financial Position

1. Allowance for doubtful accounts directly deducted from assets
   (1) Current assets ¥4,841 million
   (2) Non-current assets ¥7,933 million

   The amount of ¥5,634 million of allowance for doubtful accounts is the amount expected to be unrecoverable with respect to ¥5,634 million of long-term accounts receivable-other that is commission fees related to Receiver Funds and is included as an excess amount in "trade and other receivables" of non-current assets. Although these fees were paid to the external partners of multiple Receiver Funds, the Company has requested payment from these external partners of Receiver Funds, because the fees were not agreed and a portion was recovered during the fiscal year under review.

2. Accumulated depreciation for property, plant and equipment and accumulated impairment losses
   ¥417,964 million

3. Contingent liabilities

   Liabilities for guarantees

Guaranteed party	Description of guarantee	Amount
Employees	Housing fund loans, etc.	¥1 million
Total		¥1 million

Notes to Consolidated Statement of Changes in Equity

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

   Common stock 1,299,294,333 shares

2. Items concerning dividends

   (1) Paid dividends

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

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

   The Company has made the following resolution on the dividends at a meeting of the Board of Directors held on May 11, 2022.

Class of shares	Total dividends (Millions of yen)	Source of dividends	Dividend per share (Yen)	Record date	Effective date
Common stock	17,822	Retained earnings	14	March 31, 2022	June 3, 2022

3. Class and number of potential shares resulting from the exercise of subscription rights to shares (excluding shares for which the exercise period has not commenced) as of March 31, 2022

   Common stock 429,600 shares

Notes to Financial Instruments

1. Items concerning status of financial instruments

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

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

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

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

2. Items concerning fair value of financial instruments

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

   Level 1: Fair value measured at market prices (unadjusted) in active markets for identical assets or liabilities
   Level 2: Fair value measured using observable prices other than those categorized within Level 1, either directly or indirectly
   Level 3: Fair value measured using a valuation technique which includes inputs that are not based on observable market data

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

   (1) Financial instruments measured at fair value

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

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

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

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

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

The breakdown of major financial instruments measured at fair value by fair value measurement level as of March 31, 2022 is as follows.

(Millions of yen)

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

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

(Millions of yen)

	Fiscal year ended March 31, 2022
Balance at the beginning of the year	2,348
Gains and losses (Note)	
Profit or loss	(58)
Other comprehensive income	34
Purchases	1,978
Transfer to investments accounted for using the equity method	(597)
Other	190
Balance at the end of the year	3,895

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

Gains or losses recognized in profit or loss, which related to the financial instruments held at the end of the current fiscal year, are ¥136 million for the current fiscal year.

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

(Millions of yen)

	Fiscal year ended March 31, 2022
Balance at the beginning of the year	3,608
Business combinations, etc.	2,834
Change in fair value	(594)
Other	252
Balance at the end of the year	6,100

(2) Financial instruments measured at amortized cost

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

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

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

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

(Other financial assets and other financial liabilities)

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

(Bonds and borrowings)

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

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

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

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

(Millions of yen)

	Amount recorded in the Consolidated Statements of Financial Position	Fair value	Variance
Financial assets			
Lease receivables	50,517	50,513	(4)
Financial liabilities			
Bonds	180,322	178,341	(1,981)
Borrowings	145,903	146,336	433

Notes to Revenue Recognition

1. Disaggregation of revenue

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

(Millions of yen)

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

Note: Revenue recognized from other sources includes lease revenue and others according to IFRS 16.

2. Contract balance

The balance of receivables from contracts with customers, contract assets, and contract liabilities is as follows:

Fiscal year under review (from April 1, 2021 to 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

In the Consolidated Statements 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.

Revenue recognized during the fiscal year under review which was included in contract liabilities at the beginning of the period was ¥41,702 million. In addition, for the fiscal year under review, the amount of revenue recognized from performance obligation satisfied (or partly satisfied) in the previous period is immaterial.

3. Transaction price allocated to the remaining performance obligation

Revenue by timing of satisfaction of remaining performance obligations is as follows. The Company has applied the practical expedient and does not disclose transactions of which the expected contract period is within one year or less.

(Millions of yen)

	As of March 31, 2022
Within one year	13,670
Over one year	9,594
Total	23,264

Notes to Per-Share Information

1. Equity attributable to owners of parent per share ¥400.75
2. Basic earnings per share ¥90.22

Notes to Significant Subsequent Events

(Cancellation of treasury shares)

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

(1) Type of shares to be cancelled:	Common shares of the Company
(2) Number of shares to be cancelled:	13,402,333 shares (1.03% of total number of issued shares before the cancellation)
(3) Date of cancellation:	June 8, 2022

(Transfer of Scientific Solutions Business through company split)

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

(1) Background and purpose of the company split

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

(2) Summary of the company split

(i) Method of the company split

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

(ii) Schedule of the company split

Decision date by Board of Directors:	December 17, 2021
Date of Company Split agreement:	January 14, 2022
Effective date of Company Split:	April 1, 2022

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

(iii) Details of allocation related to company split

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

(iv) Rights and obligations succeeded by the successor company

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

(v) Summary of the successor company of the absorption-type company split

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

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

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

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

(1) Background and purpose of the merger

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

(2) Summary of the merger

(i) Method of the merger

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

(ii) Schedule of the merger

Decision date of merger:	December 17, 2021
Date of Merger Agreement:	December 17, 2021
Effective date of merger:	April 1, 2022

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

(iii) Details of allocation related to the merger

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

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

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

(Transfer of Significant Assets)

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

(1) Details of the Asset to be Transferred

(i) Name and location of the asset Land: Approx. 10,395m^2 (2-chome Hatagaya, Shibuya-ku, Tokyo)

(ii) Current status: Parking lot

(iii) Gain on transfer: Approx. ¥16,395 million

(2) Overview of the Transferee

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

(3) Schedule of Transfer

(i)	Date of decision	March 30, 2022
(ii)	Date of contract signing	March 30, 2022
(iii)	Property delivery date	April 27, 2022

Other Notes

1. Other income and other expenses

   (1) Other income

   Major items of other income are as follows.

   (Gain on step acquisition)

   The Company recorded gain on step acquisition of ¥2,826 million in "Other income" due to the acquisition of Medi-Tate Ltd. Details through a business combination. The details of the business combination are described in "4. Business combinations."

   (Gain on sale of fixed assets)

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

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

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

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

   A part of acquisition consideration of Veran Medical Technologies, Inc. acquired in the fiscal year ended March 31, 2021 is set to be paid based on the achievement levels of designated performance metrics. Due to the delay in achieving this earnings indicator, the fair value of the contingent consideration that is a part of acquisition consideration has changed during the fiscal year under review and accordingly ¥1,249 million was recorded in "Other income."

   (2) Other expenses

   Major items of other expenses are as follows.

   (Business restructuring expenses)

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

   The Company recorded ¥9,353 million in "Other expenses" as expenses related to the spin-off of the Scientific Business, which was carried out for the purpose of establishing a globally integrated business structure that matches the nature of the business and a management structure that facilitates flexible and swift decision making.

   (Impairment losses)

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

2. Business segments

(1) Overview of reportable segments

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

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

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

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

(2) Revenue, business results and other items of reportable segments

Revenue, business results and other items of reportable segments are as follows. The accounting method used for reportable segments is the same as the accounting policies that are described in "Notes to Important Items That Form the Basis for Preparing the Consolidated Financial Statements, 4. Items concerning accounting policies."

Fiscal year ended March 31, 2022

(Millions of yen)

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

Notes:

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

(3) Information by region

Information by region of revenue of the Group is as follows.

(Millions of yen)

	Fiscal year ended March 31, 2022
Japan	135,197
North America	293,441
Europe	217,858
China	125,406
Asia and Oceania	77,484
Others	19,481
Total	868,867

Notes:

1. Revenue is based on the location of the customer, and is classified by country or region.
2. Major countries and regions other than Japan are as follows:

(1) North America	USA, Canada
(2) Europe	Germany, UK, France, etc.
(3) Asia and Oceania	Singapore, Hong Kong, Korea, Australia, etc.
(4) Others	Central and South America, Africa, etc.

Revenue from external customers in the USA during the fiscal year ended March 31, 2022, was ¥273,429 million. There is no single country or region, except for Japan, the USA, and China, whose revenue from the external customers was material in the fiscal year ended March 31, 2022.

3. Assets held for sale and liabilities directly associated with assets held for sale

Breakdown of assets held for sale is as follows.

(Millions of yen)

	As of March 31, 2022
Assets	
Land	4,683
Buildings and structures	2
Total	4,685

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

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

4. Business combinations

(Acquisition of Medi-Tate Ltd.)

(1) Outline of business combination

(i) Name and description of acquired business

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

(ii) Primary reason for business combination

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

(iii) Acquired ratio of holding capital with voting rights

100%

(iv) Acquisition date

May 27, 2021

(v) Acquisition method to govern the acquired company

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

(2) Acquisition-related expense

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

(3) Gain on step acquisition

As a result of revaluing the equity interest of the acquired company held just prior to the acquisition date at fair value on the acquisition date, we recognized a gain on step acquisition of ¥2,826 million. Gains on step acquisition are recorded in “Other income” in the 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. The allocation of consideration paid has been completed in the fiscal year ended March 31, 2022, and there is no material change in the amount from the initial provisional amount. The balance of intangible assets of ¥8,866 million is comprised of technology-related assets related to products of Medi-Tate, which are measured based on future sales growth rate, diminishing value rate, discount rate and other assumptions. The estimated useful lives of technology-related assets are 14 years.

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

(5) Contingent consideration

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

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

(6) Impacts on the Olympus Group

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

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

(Revised provisional amounts)

For the following business combinations that occurred in the previous fiscal year, provisional amounts have been revised during the fiscal year under review. As a result, we have retroactively revised the figures at the end of the previous fiscal year in the consolidated statement of financial position.

(Acquisition of Veran Medical Technologies, Inc.)

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

In the fiscal year under review, 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 under review, 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

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

(Acquisition of Quest Photonic Devices B.V.)

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

In the fiscal year under review, 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 under review, 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 retroactively revised the figures for the previous fiscal year in the consolidated statements of financial position. The major adjustments as of March 31, 2021 were intangible assets and deferred tax liabilities as of March 31, 2021, increased by ¥1,908 million and ¥477 million, respectively, and goodwill decreased by ¥1,431 million.

5. Loss of control

Transfer of Olympus Systems Corporation

(1) Overview of transaction

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

(2) 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

(3) 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.

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

The Company recorded a gain of ¥605 million associated with the loss of control of Olympus Systems Corporation under “Other income” in the consolidated statement of profit or loss.

6. Provisions to cover the costs associated with market response

The Company has decided to voluntarily replace the old type of duodenoscopes with a fixed tip cap with the new type with a removable tip cap, which is easier to clean and disinfect, against the background of obtaining regulatory approval for the new type of duodenoscopes with a removable tip cap in the United States, and has recorded the amount deemed necessary for this market response as provision. Up until now, the Company had been proceeding with the recall for the old-type product in exchange for the new type. However, in the fiscal year under review, the Company decided to replace the old-type product with the new product recommended by the FDA at no charge with the objective of speeding up the progress, and due to a change to the amount of money deemed necessary for the market response, a reversal of part of that provision has been made. As a result, cost of sales in the Endoscopic Solutions Business decreased by ¥4,153 million.

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

7. Cancellation and purchase of treasury shares

(Cancellation of treasury shares)

Based on resolution of the Board of Directors meeting held on May 7, 2021, the Company canceled treasury shares on June 4, 2021. Due to this cancellation, treasury shares decreased by 71,620,630 shares during the fiscal year under review.

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

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

(Purchase of treasury shares)

At a meeting of the Board of Directors held on December 17, 2021, the Company resolved the purchase of treasury shares and the specific means of acquisition as provided for in Article 459 Section 1 of the Companies Act and Article 32 of the Company's Articles of Incorporation, and carried out as follows:

(1) Details of the resolution passed at the meeting of the Board of Directors held on December 17, 2021:

1. Class of shares	Common shares of the Company
2. Total number of shares to be acquired	16,000,000 shares (maximum)
3. Total share acquisition value	¥30,000 million (maximum)
4. Acquisition period	December 21, 2021 to March 31, 2022
5. Acquisition method	Market purchase based on a discretionary trading contract on the Tokyo Stock Exchange

(2) Treasury shares acquired based on the above resolution by the Board of Directors

1. Total number of shares acquired	12,681,000 shares
2. Total share acquisition value	¥30,000 million
3. Acquisition period	December 21, 2021 to February 18, 2022 (contract basis)

8. Company split associated with the restructuring of domestic sales functions

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

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

1. Overview of transaction

(i) Names and description of businesses subject to transaction

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

(ii) Effective date of company split

October 1, 2021

(iii) Legal form of company split

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

(iv) Name of the company after the company split

Olympus Marketing, Inc.

2. Description of transaction including purpose of the transaction

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

9. Establishment of a subsidiary

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

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

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

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

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

(3) Identify promising new markets for future growth

(4) Generate financial return on invested capital

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

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

VI. Non-Consolidated Statement of Changes in Net Assets (April 1, 2021 to March 31, 2022)

(Millions of yen)

Items	Shareholders' equity						
	Share capital	Capital surplus			Retained earnings		
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings: Reserve for advanced depreciation	Other retained earnings: Retained earnings carried forward	Total retained earnings
Balance at April 1, 2021	124,643	91,063	9	91,072	1,084	226,059	227,143
Changes during the year							
Dividends from surplus						(15,428)	(15,428)
Decrease by company split						(25,703)	(25,703)
Profit						84,844	84,844
Acquisition of treasury shares							
Disposal of treasury shares			(35)	(35)			
Cancellation of treasury shares			(82,340)	(82,340)			
Transfer from retained earnings to capital surplus			82,366	82,366		(82,366)	(82,366)
Reversal of reserve for advanced depreciation					(37)	37	–
Net changes in items other than shareholders' equity							
Net changes during the year	–	–	(9)	(9)	(37)	(38,616)	(38,653)
Balance at March 31, 2022	124,643	91,063	–	91,063	1,047	187,443	188,490

Items	Shareholders' equity		Valuation and translation adjustments			Subscription rights to shares	Total net assets
	Treasury shares	Total shareholders' equity	Net unrealized holding gains (losses) on available-for-sale securities, net of taxes	Deferred gains or losses on hedges	Total valuation and translation adjustments		
Balance at April 1, 2021	(98,048)	344,810	4,488	–	4,488	472	349,770
Changes during the year							
Dividends from surplus		(15,428)					(15,428)
Decrease by company split		(25,703)					(25,703)
Profit		84,844					84,844
Acquisition of treasury shares	(30,001)	(30,001)					(30,001)
Disposal of treasury shares	120	85				(76)	9
Cancellation of treasury shares	82,340	–					–
Transfer from retained earnings to capital surplus		–					–
Reversal of reserve for advanced depreciation		–					–
Net changes in items other than shareholders' equity			(3,959)	(2,303)	(6,262)		(6,262)
Net changes during the year	52,459	13,797	(3,959)	(2,303)	(6,262)	(76)	7,459
Balance at March 31, 2022	(45,589)	358,607	529	(2,303)	(1,774)	396	357,229

VII. Notes to Non-Consolidated Financial Statements

Notes to Items Related to Important Accounting Policies

1. Asset valuation principles and methods
   (1) Securities
      (i) Held-to-maturity securities — Amortized cost method
      (ii) Investment securities in subsidiaries and affiliates
         Cost method based on the moving-average method
      (iii) Available-for-sale securities
         Items other than shares, etc. that do not have a market price
            Market value method (the net unrealized gains and losses on these securities are reported as a separate component of net assets, and the cost of sales is calculated by the moving-average method)
         Shares, etc. that do not have a market price
            Cost method based on the moving-average method
            Contributions to limited liability partnerships engaged in investment business and similar partnerships (contributions deemed as securities as per Article 2, Paragraph 2 of the Financial Instruments and Exchange Act) are reported using a method that treats the amount (net) equivalent to the equity ownership portion based on the latest available financial statements depending on the reporting date stipulated in the partnership agreement.
   (2) Claims and liabilities from derivatives transactions
      Market value method
   (3) Inventories — Reported using the moving-average method (for the value stated in the balance sheet, the book value is written down based on the decreased profitability)

2. Depreciation and amortization method for fixed assets
   (1) Property, plant and equipment (excluding lease assets)
      Straight-line method
      (i) Vehicles, tools and fixtures — Based on useful lives as per the Corporation Tax Act
      (ii) Other property, plant and equipment — Based on useful lives prescribed by the Company determined in accordance with estimated functional useful years
   (2) Intangible assets (excluding lease assets)
      Straight-line method
      Based on useful lives as per the Corporation Tax Act
      Software for internal use is reported using the usable period

within the Company (3 to 5 years).

(3) Lease assets

Finance lease assets not involving the transfer of ownership

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

3. Accounting principles for allowances and provisions

(1) Allowance for doubtful accounts

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

(2) Provision for product warranties

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

(3) Provision for retirement benefits

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

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

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

(4) Provisions for business restructuring

To provide for expenses arising from business restructuring, the expected amount of these expenses is accounted.

4. Accounting principles for revenue and expenses

The Company is principally engaged in the manufacture and sales of endoscopes, therapeutic devices, and scientific products.

Endoscopic Solutions Business

The Endoscopic Solutions Business sells medical devices, including gastrointestinal endoscopes and surgical endoscopes, as well as provides medical services such as repair for these products, to customers who are primarily the group companies.

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

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

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 the group companies.

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

Scientific Solutions Business

The Scientific Solutions Business sells biological microscopes, industrial microscopes, industrial endoscopes, non-destructive testing equipment, X-ray fluorescence (XRF) analyzers, etc. to customers who are primarily the group companies.

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

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

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

(1) Treatment method for important deferred assets

Stock issuance expense and bond issuance expense

Total expense recorded at the time of occurrence

(2) Hedge accounting methods

(i) Hedge accounting methods

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

(ii) Hedging instruments and hedged items

・ Hedging instruments	Foreign exchange forward contracts, interest rate swap contracts, interest rate currency swap contracts
・ Hedged items	Forecasted transactions for foreign currency-denominated accounts receivable, borrowings, foreign-currency denominated bonds, foreign- currency denominated bond interests, foreign-currency deposits

(iii) Hedging policy

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

(iv) Method of assessing hedge effectiveness

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

(3) Application of the consolidated tax payment system

The consolidated tax payment system is adopted.

Notes to Non-Consolidated Balance Sheet

1. Accumulated depreciation for property, plant and equipment ¥99,216 million

2. Contingent liabilities
   Liabilities for guarantees ¥2,706 million
   The above amount includes ¥2,704 million in contracted guarantees to subsidiaries and affiliates.

3. Short-term monetary claims to subsidiaries and affiliates ¥323,653 million

4. Short-term monetary liabilities to subsidiaries and affiliates ¥106,699 million

5. Discounted bills of exchange for export ¥194 million

6. Allowance for doubtful accounts
   ¥5,634 million of allowance for doubtful accounts is the amount expected to be unrecoverable with respect to ¥5,634 million that is commission fees related to Receiver Funds, and included as an excess amount in Long-term accounts receivable-other under Investments and other assets. Although these fees were paid to the external partners of multiple Receiver Funds, the Company has requested payment from these external partners of Receiver Funds because the fees were not agreed and a potion was recovered during the fiscal year under review.

Notes to Non-Consolidated Statement of Income

Total transactions with subsidiaries and affiliates	
Amounts resulting from business transactions	
Revenue	¥340,379 million
Net purchases	¥286,936 million
Other business transactions	¥26,742 million
Amount resulting from non-business transactions	¥62,544 million

Notes to Accounting Estimates

The preparation of non-consolidated financial statements 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 these estimates.

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 reviewed and in subsequent periods.

Information regarding accounting estimates and assumptions that may have a significant impact on the non-consolidated financial statements is as follows.

1. Valuation of 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 unsold inventories that remain outside the operating cycle, the net realizable value, etc. is calculated by 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.

The amount of inventories recorded in the non-consolidated financial statements for the fiscal year under review is ¥82,963 million.

2. Impairment of fixed assets

For property, plant and equipment and intangible assets for which there are indications that the asset or asset group may be impaired at the end of the fiscal year, in the event the total undiscounted future cash flows from the asset or asset group will be less than the carrying amount, the Company records an impairment loss by reducing the carrying amount down to the recoverable amount.

In the recognition and measurement of impairment loss, 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 non-consolidated financial statements.

The amounts of property, plant and equipment and intangible assets recorded in the non-consolidated financial statements for the fiscal year under review are ¥53,490 million and ¥6,524 million, respectively, and the amount of impairment loss recorded was ¥84 million.

3. 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 probability of occurrence and monetary impact of the event.

4. Measurement of defined benefit obligations

For defined benefit pension plans, the net value of the defined benefit obligations and the fair value of plan assets and unrecognized items such as actuarial gains and losses 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.

Uncertain future economic conditions or changes in social conditions may affect the assumptions used in the actuarial calculation. Accordingly, there are risks that such changes could result in significant adjustments to the measurements of defined benefit obligations in future accounting periods.

The amount of prepaid pension expenses recorded in the non-consolidated financial statements for the fiscal year under review is ¥15,749 million.

5. Recoverability of deferred tax assets

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.

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.

The amount of net deferred tax assets recorded in the non-consolidated financial statements for the fiscal year under review is ¥26,215 million, and the amount before offsetting with deferred tax liabilities is ¥31,829 million.

6. Impact of COVID-19

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

Based on such assumptions, the Company makes accounting estimates related to assessment of recoverability of deferred tax assets, etc.

Notes to Non-Consolidated Statement of Changes in Net Assets

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

   Common stock 1,299,294,333 shares

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

   Common stock 26,261,612 shares

   The number of treasury shares of common stock at the end of the current fiscal year increased by 641 shares as a result of the purchase of shares constituting less than one unit, decreased by 83,600 shares as a result of the exercise of stock options, increased by 8,903 shares as a result of acquisition without charge from retired Directors and Corporate Officers who were under the performance-linked share-based remuneration plan, decreased by 4,623 shares as a result of the disposal of shares for restricted share remuneration, increased by 12,681,000 shares as a result of purchase of treasury shares and decreased by 71,620,630 shares as a result of cancellation of treasury shares.

Notes to Tax Effect Accounting

Breakdown of deferred tax assets and liabilities by main cause

(Deferred tax assets)	
Inventories	¥3,337 million
Prepaid expenses	¥9,919 million
Accrued bonuses	¥2,064 million
Property, plant and equipment	¥3,862 million
Intangible assets	¥2,973 million
Investment securities	¥2,036 million
Investment securities in subsidiaries and affiliates	¥28,381 million
Allowance for doubtful accounts	¥3,154 million
Loss carry forward	¥8,684 million
Deferred gains or losses on hedges	¥1,017 million
Other	¥2,860 million
Subtotal of deferred tax assets	¥68,287 million
Valuation allowance related to tax loss carry forward	¥(2,184) million
Valuation allowance related to deductible temporary differences	¥(34,274) million
Total deferred tax assets	¥31,829 million
(Deferred tax liabilities)	
Net unrealized holding gains (losses) on available-for-sale securities, net of taxes	¥(163) million
Reserve for advanced depreciation	¥(462) million
Prepaid pension expenses	¥(4,822) million
Other	¥(167) million
Total deferred tax liabilities	¥(5,614) million
Net deferred tax assets	¥26,215 million

Notes to Transactions with Related Party

Type	Company 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)
Subsidiary	Olympus Corporation of the Americas	Ownership Direct 100.0	Sale of the Company's products Concurrent post for officers	Transfer pricing taxation adjustments (Note 1)	30,309	Other receivables	30,309
	Olympus Europa Holding SE	Ownership Direct 100.0	Concurrent post for officers	Underwriting of capital increase (Note 2)	31,476	-	-

Transaction conditions and policy for determining transaction conditions, etc.

Note 1: Adjustments based on an advance pricing arrangement with the Japan and U.S. tax authorities

2: A capital increase conducted by Olympus Europa Holding SE was underwritten.

Notes to Per-Share Information

1. Net assets per share ¥280.30
2. Earnings per share ¥66.13

Notes to Significant Subsequent Events

(Cancellation of treasury shares)

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

(1) Type of shares to be cancelled:	Common shares of the Company
(2) Number of shares to be cancelled:	13,402,333 shares (1.03% of total number of issued shares before the cancellation)
(3) Date of cancellation:	June 8, 2022

(Transfer of Scientific Solutions Business through company split)

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

(1) Overview of transaction

(i) Names and description of businesses subject to transaction

Names of businesses Scientific Solutions Business

Description of business Development, manufacturing, sales and provision of solutions for biological microscopes, industrial microscopes, industrial endoscopes, non-destructive testing equipment, X-ray analyzers, etc.

(ii) Effective date of company split

April 1, 2022

(iii) Legal form of business combination

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

(iv) Name of the company after the combination

Evident Corporation

(2) Description of transaction including purpose of the transaction

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

(3) Outline of accounting treatment applied

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

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

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

(1) Overview of transaction

(i) Description of businesses subject to transaction

Description of business Storing, shipping and logistics planning of Olympus Group products

(ii) Effective date of merger

April 1, 2022

(iii) Legal form of business combination

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

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

Name: Olympus Corporation

Capital: ¥124,643 million

Description of business: Manufacture and sale of medical equipment, scientific equipment, etc.

(2) Description of transaction including purpose of the transaction

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

(3) Outline of accounting treatment applied

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

(Transfer of Significant Assets)

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

(1) Details of the Asset to be Transferred:

(i) Name and location of the asset

Land: Approx. 10,395m^2 (2-chome Hatagaya, Shibuya-ku, Tokyo)

(ii) Current status: Parking lot

(iii) Gain on transfer: In association with this transfer, the Company plans to record gain on sale of fixed assets of ¥16,395 million as extraordinary income in the fiscal year ending March 31, 2023.

(2) Overview of the Transferee

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

(3) Schedule of Transfer

Date of decision	March 30, 2022
Date of contract signing	March 30, 2022
Property delivery date	April 27, 2022

(Capital Increase in Subsidiary)

The Company has decided to underwrite the capital increase implemented by Evident Corporation (“Evident”), a newly established wholly owned subsidiary of the Company (the “Capital Increase”) on April 6, 2022 and made payment on April 7, 2022.

Since the share capital of Evident is equivalent to more than 10/100 (one tenth) of the share capital of the Company as a result of the capital increase, Evident falls under the category of “specified subsidiary” of the Company.

(1) Reason for the Capital Increase

The Company transferred its Scientific Solutions Business through a company split, to Evident on April 1, 2022. In association with this transfer, the Company has decided to execute the Capital Increase for Evident in order to strengthen the management foundation of Evident and its group companies.

(2) Overview of the Capital Increase

Amount of the Capital Increase:	¥47,999 million
Payment date:	April 7, 2022
Capital after the Capital Increase:	¥24,000 million
Capital surplus after the Capital Increase:	¥24,000 million
Ownership ratios after the Capital Increase:	100%

(Loan to subsidiary)

The Company has entered into a revolving credit agreement with Evident Corporation ("Evident"), a newly established wholly owned company, as follows, effective on April 1, 2022 and provided a loan.

Usage of funds:	To strengthen the management foundation of Evident and its group companies
Agreement date:	March 31, 2022
Maximum loan amount:	¥65,000 million
Loan amount:	¥40,000 million
Loan date:	April 4, 2022
Interest rate:	0.25636%
Repayment date:	April 1, 2023

Notes to Company Subject to Consolidated Dividend Regulations

The Company is subject to consolidated dividend regulations.

Other Notes

(Business restructuring expenses)

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

The Company recorded ¥7,525 million in "Business restructuring expenses" as expenses related to the spin-off of the Scientific Business, which was carried out for the purpose of establishing a globally integrated business structure that matches the nature of the business and a management structure that facilitates flexible and swift decision making.

(Gain on sale of fixed assets)

With respect to fixed assets sold by the Company, we recorded ¥1,396 million (gain on sale of land: ¥544 million, gain on sale of buildings: ¥847 million, and gain on sale of structures, etc.: ¥5 million) in "Gain on sale of fixed assets."

(Transfer pricing taxation adjustments)

Regarding transfer price on transactions with Olympus Corporation of the Americas, a subsidiary of the Company located in the U.S., and its subsidiaries, the Company filed an application for an advance pricing arrangement with the Japan and U.S. tax authorities and reached an agreement in mutual consultation with both tax authorities. Transfer pricing taxation adjustments recorded in extraordinary income are adjustments with Olympus Corporation of the Americas based on this agreement.

Business Combination

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

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

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

(1) Overview of transaction

(i) Names and description of businesses subject to transaction

Names of businesses	Endoscopic Solutions Business, Therapeutic Solutions Business
Description of business	Domestic sales functions for the above businesses
Total assets	¥35,688 million
Liabilities	¥9,965 million
Net assets	¥25,703 million

(ii) Date of business combination

October 1, 2021

(iii) Legal form of business combination

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

(iv) Name of the company after the company split

Olympus Marketing, Inc.

(2) Description of transaction including purpose of the transaction

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

(3) Outline of accounting treatment applied

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