

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



November 11, 2022

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 Code Number: 7733
 (URL: <https://www.olympus.co.jp/>)
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 Scheduled date to submit the Quarterly Securities Report: November 11, 2022
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 Holding of quarterly financial results presentation meeting: Yes (for analysts and institutional investors)

(Figures are rounded off to the nearest million yen)

1. Consolidated Financial Results for the Six Months of the Fiscal Year Ending March 31, 2023 (From April 1, 2022 to September 30, 2022)

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

	Revenue		Operating profit		Profit before tax		Profit	
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%
Six months ended								
September 30, 2022	417,060	15.8	93,603	32.5	89,321	30.5	66,940	7.1
September 30, 2021	360,069	–	70,662	–	68,422	–	62,513	–

	Profit attributable to owners of parent		Total comprehensive income		Basic earnings per share	Diluted earnings per share
	(¥ million)	%	(¥ million)	%	(¥)	(¥)
Six months ended						
September 30, 2022	66,836	7.1	150,268	123.5	52.50	52.45
September 30, 2021	62,397	–	67,207	–	48.53	48.51

Note: The Scientific Solutions Business has been classified as a discontinued operation from the second quarter under review. Due to this, the amounts presented for revenue, operating profit and profit before tax are the amounts from continuing operations from which the discontinued operation has been excluded. The amounts presented for profit and profit attributable to owners of parent are aggregates of continuing operations and discontinued operation. As the businesses have been similarly reclassified in the six months ended September 30, 2021, changes from the same period of the previous fiscal year are not presented.

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of parent	Ratio of equity attributable to owners of parent to total assets
	(¥ million)	(¥ million)	(¥ million)	%
As of				
September 30, 2022	1,486,123	644,096	643,024	43.3
March 31, 2022	1,357,999	511,362	510,168	37.6

2. Dividends

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

Note: Revisions of the forecast most recently announced: No

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending March 31, 2023 (From April 1, 2022 to March 31, 2023)

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

	Revenue		Operating profit		Profit before tax		Profit attributable to owners of parent		Basic earnings per share
	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥)
Full year	892,000	–	212,000	–	206,000	–	387,000	–	305.28

Note: Revisions of the forecast most recently announced: Yes

The Scientific Solutions Business has been classified as a discontinued operation from the second quarter under review. Due to this, the amounts presented for revenue, operating profit and profit before tax in the forecast of financial results for the fiscal year ending March 31, 2023 are the amounts from continuing operations. The amounts presented for profit attributable to owners of parent and basic earnings per share are aggregates of continuing operations and discontinued operation. Changes from the same period of the previous fiscal year are not presented.

* Notes

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

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

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

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

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

As of September 30, 2022	1,285,892,000 shares
As of March 31, 2022	1,299,294,333 shares

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

As of September 30, 2022	12,740,982 shares
As of March 31, 2022	26,261,612 shares

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

Six months ended September 30, 2022	1,273,103,624 shares
Six months ended September 30, 2021	1,285,643,846 shares

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

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

(Caution concerning forward-looking statements)

The forward-looking statements, including forecast of financial results, contained in these materials are based on information currently available to Olympus Corporation and on certain assumptions deemed to be reasonable. Accordingly, Olympus Corporation cannot make promises to achieve such forecasts. Actual business and other results may differ substantially due to various factors. Please refer to the section of “Explanation of Forecast of Consolidated Financial Results and Other Forward-looking Statements” on page 7 of the attached material for the conditions that form the assumptions for the forecast and cautions concerning the use thereof.

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

(1) Explanation of Results of Operations

In the six months ended September 30, 2022, Olympus Corporation concluded a share transfer agreement related to the transfer of our Group's Scientific Solutions Business with K.K. BCJ-66, a special purpose company indirectly owned by funds advised by Bain Capital Private Equity, LP (together with its affiliates, "Bain Capital"). Due to this, profit (loss) from the Scientific Solutions Business has been classified as profit (loss) from discontinued operation from the second quarter under review, and corresponding items for the six months ended September 30, 2021, have been restated in a similar manner. Furthermore, the amounts presented for revenue, operating profit, profit before tax and profit from continuing operations are the amounts from continuing operations from which the discontinued operation has been excluded, while the amounts presented for profit and profit attributable to owners of parent are aggregates of continuing operations and discontinued operation.

Additionally, the Olympus Group has formerly had four reportable segments: "Endoscopic Solutions," "Therapeutic Solutions," "Scientific Solutions," and "Others." However, from the second quarter under review, they have been changed to three segments: "Endoscopic Solutions," "Therapeutic Solutions," and "Others."

Trends in overall business results

The global economy in the six months ended September 30, 2022 saw a continued move to recovery as economic activities recovered from the challenging conditions created by the global spread of COVID-19. Nevertheless, impacts were felt from the lockdown in Shanghai, the war in Ukraine, and global inflation along with rising raw material prices, supply chain constraints, and shortages of semiconductors and other components. Amid a recovery in economic activities and a gradual economic recovery, the Japanese economy was also impacted by rapid yen depreciation and from the same factors affecting the global economy, that is rising raw material prices, supply chain constraints, and shortages of semiconductors and other components.

Even under such circumstances, the Olympus Group are promoting initiatives toward sustainable growth according to the management strategy announced in November 2019 based, aiming to develop itself as a truly global medtech company.

Based on this management strategy, Olympus Corporation is allocating management resources to the medical field, mainly in Endoscopic Solutions Business and Therapeutic Solutions Business, and we are working to strengthen our management base in order to achieve sustainable growth. As part of these efforts, on August 29, 2022, we concluded an agreement to transfer all shares of Evident Corporation ("Evident"), a wholly owned subsidiary of Olympus Corporation to which our Scientific Solutions Business was transferred through a company split. All shares are scheduled to be transferred in January 2023.

Business results

Business results of continuing operations are presented in (1) to (9), and business results of the sum of continuing operations and discontinued operation are presented in (10) below.

	(Millions of yen)			
	Six months ended September 30, 2021	Six months ended September 30, 2022	Increase (Decrease)	Increase (Decrease) ratio (%)
(1) Revenue	360,069	417,060	56,991	15.8
(2) Cost of sales	118,717	139,534	20,817	17.5
(3) Selling, general and administrative expenses	168,930	198,535	29,605	17.5
(4) Share of profit (loss) of investments accounted for using equity method/Other income/Other expenses	(1,760)	14,612	16,372	–
(5) Operating profit	70,662	93,603	22,941	32.5
(6) Finance income (loss)	(2,240)	(4,282)	(2,042)	–
(7) Profit before tax	68,422	89,321	20,899	30.5
(8) Income taxes	9,990	19,795	9,805	98.1
(9) Profit from continuing operations	58,432	69,526	11,094	19.0
(10) Profit attributable to owners of parent	62,397	66,836	4,439	7.1
Exchange rate (Yen/U.S. dollar)	109.80	133.97	24.17	–
Exchange rate (Yen/Euro)	130.90	138.73	7.83	–
Exchange rate (Yen/Renminbi)	16.99	19.88	2.89	–

(1) Revenue

Revenue increased by ¥56,991 million year on year to ¥417,060 million. This increase was due to an increase in revenue in the Endoscopic Solutions Business and Therapeutic Solutions Business despite a decrease in revenue in other businesses. Details are as described in “Analysis of the performance by segment” below.

(2) Cost of sales

Cost of sales increased by ¥20,817 million year on year to ¥139,534 million. The cost-to-sales ratio deteriorated 0.5 percentage points year on year to 33.5% due to surging procurement costs of materials, primarily in semiconductors.

(3) Selling, general and administrative expenses

Selling, general and administrative expenses increased by ¥29,605 million year on year to ¥198,535 million. In particular, expenses for sales activities and costs increased in relation to strengthening the business operation foundation such as quality assurance, compliance with laws and regulations, etc.

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

The sum of share of profit (loss) of investments accounted for using equity method, other income, and other expenses amounted to ¥14,612 million, and the profit or loss improved by ¥16,372 million year on year. Regarding other income, while gain on step acquisition of Medi-Tate Ltd. of approximately ¥2,800 million and gain on sale of fixed assets of approximately ¥1,400 million were recorded in the previous fiscal year, gain on sale of fixed assets of approximately ¥16,400 million was recorded in the current fiscal year, resulting in an increase of ¥12,118 million year on year. Details on the gain on step acquisition of Medi-Tate Ltd. are as described in the note (page 32) related to (Business combinations). On the other hand, regarding other expenses, in the previous fiscal year, an impairment loss of approximately ¥1,600 million for an equity investment in European associates and ¥4,400 million in costs related to the promotion of the business transformation plan “Transform Olympus” were recorded, but in the current fiscal year, costs related to the promotion of Transform Olympus decreased by approximately ¥2,700 million, leading to a decrease of ¥4,282 million year on year.

(5) Operating profit

Reflecting the factors stated above, operating profit increased by ¥22,941 million year on year to ¥93,603 million.

(6) Finance income (loss)

Finance loss, which reflects finance income and finance costs, deteriorated ¥2,042 million year on year to ¥4,282 million. The deterioration in finance loss was due mainly to the increase of foreign exchange losses as a result of the U.S. dollar appreciating against various currencies.

(7) Profit before tax

Reflecting the factors stated above, profit before tax increased by ¥20,899 million year on year to ¥89,321 million.

(8) Income taxes

The increased profit before tax led income taxes to increase by ¥9,805 million year on year to ¥19,795 million.

(9) Profit from continuing operations

Reflecting the factors stated above, profit from continuing operations increased by ¥11,094 million year on year to ¥69,526 million.

(10) Profit attributable to owners of parent (the aggregate of continuing operations and discontinued operation)

Reflecting the factors stated above and profit from discontinued operation, profit attributable to owners of parent increased by ¥4,439 million year on year to ¥66,836 million.

(Impact of foreign exchanges rates)

Compared to the same period of the previous fiscal year, the yen depreciated against the U.S. dollar, euro, and renminbi. The average exchange rate during the current period was ¥133.97 against the U.S. dollar (¥109.80 in the same period of the previous fiscal year), ¥138.73 against the euro (¥130.90 in the same period of the previous fiscal year) and ¥19.88 against the renminbi (¥16.99 in the same period of the previous fiscal year), which caused revenue and operating profit to increase by ¥49,710 million and ¥21,102 million, respectively, year on year.

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

(Millions of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022	Increase (Decrease)	Increase (Decrease) ratio (%)
Revenue	220,565	258,472	37,907	17.2
Operating profit (loss)	61,645	68,899	7,254	11.8

Consolidated revenue in the Endoscopic Solutions Business amounted to ¥258,472 million (up 17.2% year on year), while operating profit amounted to ¥68,899 million (up 11.8% year on year).

In the gastrointestinal endoscopes field, lockdowns in various cities in China, notably Shanghai, caused supply chain disruptions and impacted capital investment and reduced case numbers in hospitals. However, other regions showed positive year-on-year growth, and in particular, sales in Europe and North America rose. By product, sales of the gastrointestinal endoscopic system “EVIS X1” series contributed to increased sales. The ratio of the “EVIS X1” series to total sales also gradually increased.

In the surgical endoscopes field, sales of the surgical endoscopy system “VISERA ELITE II” were solid. Sales increased in North America, leading to positive year-on-year growth.

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

The increase in operating profit in the Endoscopic Solutions Business was mainly due to the effect of the absence of the previous year's impairment loss and other expenses of approximately ¥1,600 million for an equity investment in associates accounted for using equity method located in Europe as well as the increase in revenue, despite the cost-to-sales ratio deteriorating due to surging procurement costs of materials such as semiconductors, there were increases in sales expenses associated with EVIS X1 and other products, and expenses related to strengthening the business operation foundation such as quality assurance, compliance with laws and regulations, etc.

Therapeutic Solutions Business

	Six months ended September 30, 2021	Six months ended September 30, 2022	Increase (Decrease)	Increase (Decrease) ratio (%)
Revenue	133,101	152,935	19,834	14.9
Operating profit (loss)	30,262	29,788	(474)	(1.6)

Consolidated revenue in the Therapeutic Solutions Business amounted to ¥152,935 million (up 14.9% year on year), while operating profit amounted to ¥29,788 million (down 1.6% year on year).

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

The urology field achieved favorable performance mainly in North America and Europe, with steady growth in sales of resection electrodes for BPH (Benign Prostatic Hyperplasia) and lithotripsy machine for kidney stones "SOLTIVE SuperPulsed Laser System." Gynecology products, which were grouped in other therapeutic areas in the Therapeutic Solutions Business, have been included in urology in the Therapeutic Solutions Business from the fiscal year ending March 31, 2023.

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

In other therapeutic areas, sales increased mainly in energy devices. In particular, sales of "POWERSEAL" contributed.

Operating profit in the Therapeutic Solutions Business decreased due to the decreasing effect of the absence of the previous year's recording in other income of a gain on step acquisition of Medi-Tate Ltd. of around ¥2,800 million along with increased costs related to the strengthening of quality assurance, compliance, etc., and increased costs such as sales expenses accompanying the recovery in business operations despite recording increased revenue during the period. For details on the gain on step acquisition of Medi-Tate Ltd., please see the note (page 32) related to (Business combinations).

Others

	Six months ended September 30, 2021	Six months ended September 30, 2022	Increase (Decrease)	Increase (Decrease) ratio (%)
Revenue	6,403	5,653	(750)	(11.7)
Operating profit (loss)	(1,136)	(788)	348	-

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

Consolidated revenue in other businesses amounted to ¥5,653 million (down 11.7% year on year), while operating loss amounted to ¥788 million (compared with an operating loss of ¥1,136 million in the same period of the previous fiscal year).

Revenue decreased with the end of the sales of medical devices to the animal market, despite sales of FH ORTHO SAS increasing in conjunction with the effect from COVID-19 settling down. Operating profit in

other businesses improved due to such factors as the absence of the previous fiscal year's recording in costs associated with the liquidation of AVS (subsidiary that conducted sales of medical devices for the animal market), despite decreased revenue.

(2) Financial Position

[Assets]

As of the end of the second quarter under review, total assets increased by ¥128,124 million compared to the end of the previous fiscal year to ¥1,486,123 million mainly due to foreign exchange impact caused by yen depreciation. With the conclusion of the share transfer agreement related to the transfer of the Scientific Solutions Business, the ¥122,512 million in assets in the Scientific Solution Business expected to be transferred have been reclassified as assets held for sale. In current assets, while cash and deposits decreased by ¥46,807 million due mainly to the reclassification to assets held for sale, income taxes paid of ¥57,787 million, and an increase in inventories of ¥20,066 million, income taxes receivable increased by ¥17,190 million, and in non-current assets, goodwill increased by ¥24,958 million due to the impact of foreign exchange.

[Liabilities]

Total liabilities decreased by ¥4,610 million from the end of the previous fiscal year to ¥842,027 million. With the conclusion of the share transfer agreement related to the transfer of the Scientific Solutions Business, the ¥34,404 million in liabilities in the Scientific Solution Business expected to be transferred have been reclassified as liabilities directly associated with assets held for sale. On the other hand, other non-current liabilities decreased by ¥20,405 million due mainly due the decrease in unpaid expenses including the decrease from the reclassification to liabilities directly associated with assets held for sale, and income tax payments led to a decrease in unpaid income taxes of ¥18,935 million.

[Equity]

Total equity increased by ¥132,734 million from the end of the previous fiscal year to ¥644,096 million. The increase was due mainly to a ¥77,912 million increase in other components of equity, which was primarily attributable to an ¥86,044 million increase in foreign currency translation adjustments, as well as the recording of ¥66,836 million in profit attributable to owners of parent, despite the distribution of surplus.

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

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

As a result of the foregoing, equity attributable to owners of parent to total assets increased from 37.6% as of the end of the previous fiscal year to 43.3%.

(3) Cash Flows

Cash and cash equivalents at the end of the second quarter under review reached ¥297,389 million, a decrease of ¥5,183 million from the end of the previous fiscal year. The following are the cash flows for the six months ended September 30, 2022.

Cash flows from operating activities

Net cash provided by operating activities for the six months ended September 30, 2022 was ¥6,307 million (compared with ¥68,833 million provided for the six months ended September 30, 2021). Cash flows from operating activities increased mainly due to the recording of ¥89,321 million in profit before tax and adjustment for depreciation and amortization of ¥35,818 million, despite the payment of ¥57,787 million in income taxes, an increase in inventories of ¥20,066 million and a decrease due to factors such as gain on sale and retirement of fixed assets in amount of ¥15,769 million made as an adjustment in association with the sale of land in Hatagaya, etc.

Cash flows from investing activities

Net cash used in investing activities for the six months ended September 30, 2022 was ¥15,653 million (compared with ¥50,453 million used for the six months ended September 30, 2021). Cash flows from investing activities decreased mainly due to expenditures of ¥20,387 million from the acquisition of property, plant and equipment including production equipment, etc. and expenditures of ¥9,804 million from the acquisition of intangible assets including research and development assets, despite recording proceeds of ¥19,514 million from the sale of property, plant and equipment including land in Hatagaya.

Cash flows from financing activities

Net cash used in financing activities for the six months ended September 30, 2022, was ¥35,452 million (compared with ¥44,078 million used for the six months ended September 30, 2021). This was mainly due to the payment of ¥17,822 million for dividends and redemption of bonds of ¥10,000 million.

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

In terms of our earnings forecasts for the fiscal year ending March 31, 2023, we have revised the forecasted values announced in our “Consolidated Financial Results for the Three Months of the Fiscal Year Ending March 31, 2023” on August 9, 2022.

The Scientific Solutions Business has been classified as a discontinued operation from the second quarter under review. Due to this, the amounts presented for revenue, operating profit and profit before tax are the amounts from continuing operations from which the discontinued operation has been excluded. The amount presented for profit attributable to owners of parent is an aggregate of continuing operations and discontinued operation.

In terms of our earnings forecasts for the fiscal year ending March 31, 2023, the forecast for revenue has been revised upward, based on a consideration of the trend of yen depreciation in the current foreign exchange market compared to our assumptions at the start of the period. On the other hand, the forecasts for operating profit and profit before tax have each been revised downward, due to the expected impact of higher raw material prices and increased expenses. Also, the forecast for profit attributable to owners of parent has been revised upward, taking into account profit of ¥230,000 million from a discontinued operation, including the gain from the transfer of the Scientific Solutions Business. Foreign exchange rates assumed in the forecasts for the third quarter onward are ¥146 per U.S. dollar, ¥140 per euro, and ¥20.30 per renminbi. The exchange rate assumptions for the full year, reflecting the results of the first half of the current fiscal year, are ¥139.99 per U.S. dollar, ¥139.36 per euro, and ¥20.09 per renminbi.

	Revenue (Millions of yen)	Operating profit (Millions of yen)	Profit before tax (Millions of yen)	Profit attributable to owners of parent (Millions of yen)	Basic earnings per share (Yen)
Previous Forecast (A)	1,019,000	231,000	225,000	172,000	135.11
Revised Forecast (B)	892,000	212,000	206,000	387,000	305.28
Increase (Decrease) (B-A)	(127,000)	(19,000)	(19,000)	215,000	170.17
Increase (Decrease) ratio (%)	(12.5)	(8.2)	(8.4)	125.0	125.9
Reference: Previous forecast after reclassification (C)	874,000	213,500	207,500	172,000	135.11
Increase (Decrease) (B-C)	18,000	(1,500)	(1,500)	215,000	170.17
Increase (Decrease) ratio (%)	2.1	(0.7)	(0.7)	125.0	125.9

- Notes: 1. The previous forecast after reclassification reflects the reclassification of a discontinued operation.
2. Basic earnings per share is estimated based on the "Notice Regarding Share Repurchase and Cancellation of Treasury Shares" released today.

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

	(Millions of yen)	
	As of March 31, 2022	As of September 30, 2022
ASSETS		
Current assets		
Cash and cash equivalents	302,572	255,765
Trade and other receivables	178,428	187,461
Other financial assets	10,269	10,416
Inventories	167,368	171,182
Income taxes receivable	3,718	20,908
Other current assets	27,565	23,335
Subtotal	689,920	669,067
Assets held for sale	4,685	122,512
Total current assets	694,605	791,579
Non-current assets		
Property, plant and equipment	247,112	239,697
Goodwill	164,498	189,456
Intangible assets	120,361	116,126
Retirement benefit asset	25,975	23,628
Investments accounted for using equity method	1,514	1,184
Trade and other receivables	27,857	32,581
Other financial assets	16,152	26,095
Deferred tax assets	57,783	63,736
Other non-current assets	2,142	2,041
Total non-current assets	663,394	694,544
Total assets	1,357,999	1,486,123

	(Millions of yen)	
	As of March 31, 2022	As of September 30, 2022
LIABILITIES AND EQUITY		
Liabilities		
Current liabilities		
Trade and other payables	60,547	55,898
Bonds and borrowings	52,281	44,427
Other financial liabilities	26,015	28,564
Income taxes payable	34,353	15,418
Provisions	22,114	20,490
Other current liabilities	180,941	160,536
Subtotal	376,251	325,333
Liabilities directly associated with assets held for sale	–	34,404
Total current liabilities	376,251	359,737
Non-current liabilities		
Bonds and borrowings	333,846	345,371
Other financial liabilities	64,600	64,596
Retirement benefit liability	40,001	41,404
Provisions	2,783	3,150
Deferred tax liabilities	13,087	11,140
Other non-current liabilities	16,069	16,629
Total non-current liabilities	470,386	482,290
Total liabilities	846,637	842,027
Equity		
Share capital	124,643	124,643
Capital surplus	91,239	91,506
Treasury shares	(45,589)	(22,111)
Other components of equity	34,818	112,730
Other components of equity related to disposal group held for sale	–	5,093
Retained earnings	305,057	331,163
Total equity attributable to owners of parent	510,168	643,024
Non-controlling interests	1,194	1,072
Total equity	511,362	644,096
Total liabilities and equity	1,357,999	1,486,123

(2) Condensed Quarterly Consolidated Statements of Profit or Loss

	(Millions of yen)	
	Six months ended September 30, 2021	Six months ended September 30, 2022
Continuing operations		
Revenue	360,069	417,060
Cost of sales	118,717	139,534
Gross profit	241,352	277,526
Selling, general and administrative expenses	168,930	198,535
Share of profit (loss) of investments accounted for using equity method	399	371
Other income	7,251	19,369
Other expenses	9,410	5,128
Operating profit	70,662	93,603
Finance income	594	1,764
Finance costs	2,834	6,046
Profit before tax	68,422	89,321
Income taxes	9,990	19,795
Profit from continuing operations	58,432	69,526
Discontinued operation		
Profit (loss) from discontinued operation	4,081	(2,586)
Profit	62,513	66,940
Profit attributable to:		
Owners of parent	62,397	66,836
Non-controlling interests	116	104
Profit	62,513	66,940
Earnings per share		
Basic earnings (loss) per share		
Continuing operations	¥45.36	¥54.53
Discontinued operation	¥3.17	¥(2.03)
Basic earnings per share	¥48.53	¥52.50
Diluted earnings (loss) per share		
Continuing operations	¥45.34	¥54.48
Discontinued operation	¥3.17	¥(2.03)
Diluted earnings per share	¥48.51	¥52.45

(3) Condensed Quarterly Consolidated Statements of Comprehensive Income

	(Millions of yen)	
	Six months ended September 30, 2021	Six months ended September 30, 2022
Profit	62,513	66,940
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	659	(53)
Remeasurements of defined benefit plans	40	90
Total of items that will not be reclassified to profit or loss	699	37
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	3,754	86,044
Cash flow hedges	90	(2,753)
Share of other comprehensive income of associates accounted for using equity method	151	-
Total of items that may be reclassified to profit or loss	3,995	83,291
Total other comprehensive income	4,694	83,328
Comprehensive income	67,207	150,268
Comprehensive income attributable to:		
Owners of parent	67,091	150,164
Non-controlling interests	116	104
Comprehensive income	67,207	150,268

(4) Condensed Quarterly Consolidated Statements of Changes in Equity

Six months ended September 30, 2021

(Millions of yen)

	Equity attributable to owners of parent						Non-controlling interests	Total equity
	Share capital	Capital surplus	Treasury shares	Other components of equity	Retained earnings	Total		
Balance at April 1, 2021	124,643	90,835	(98,048)	(1,347)	278,243	394,326	1,154	395,480
Profit					62,397	62,397	116	62,513
Other comprehensive income				4,694		4,694		4,694
Comprehensive income	–	–	–	4,694	62,397	67,091	116	67,207
Purchase of treasury shares			(0)			(0)		(0)
Disposal of treasury shares		(23)	23			0		0
Cancellation of treasury shares		(82,340)	82,340			–		–
Dividends from surplus					(15,428)	(15,428)	(188)	(15,616)
Transfer from retained earnings to capital surplus		82,337			(82,337)	–		–
Transfer from other components of equity to retained earnings				(40)	40	–		–
Share-based payment transactions		160				160		160
Total transactions with owners	–	134	82,363	(40)	(97,725)	(15,268)	(188)	(15,456)
Balance at September 30, 2021	124,643	90,969	(15,685)	3,307	242,915	446,149	1,082	447,231

Six months ended September 30, 2022

(Millions of yen)

	Equity attributable to owners of parent							Non-controlling interests	Total equity
	Share capital	Capital surplus	Treasury shares	Other components of equity	Other components of equity related to disposal group held for sale	Retained earnings	Total		
Balance at April 1, 2022	124,643	91,239	(45,589)	34,818	–	305,057	510,168	1,194	511,362
Profit						66,836	66,836	104	66,940
Other comprehensive income				83,328			83,328		83,328
Comprehensive income	–	–	–	83,328	–	66,836	150,164	104	150,268
Purchase of treasury shares			(2)				(2)		(2)
Disposal of treasury shares		(56)	56				0		0
Cancellation of treasury shares		(23,271)	23,271				–		–
Dividends from surplus						(17,822)	(17,822)	(226)	(18,048)
Transfer from retained earnings to capital surplus		23,231				(23,231)	–		–
Transfer from other components of equity to retained earnings				(323)	323		–		–
Share-based payment transactions		363	153				516		516
Transfer to other components of equity related to disposal group held for sale				(5,093)	5,093		–		–
Total transactions with owners	–	267	23,478	(5,416)	5,093	(40,730)	(17,308)	(226)	(17,534)
Balance at September 30, 2022	124,643	91,506	(22,111)	112,730	5,093	331,163	643,024	1,072	644,096

(5) Condensed Quarterly Consolidated Statements of Cash Flows

	(Millions of yen)	
	Six months ended September 30, 2021	Six months ended September 30, 2022
Cash flows from operating activities		
Profit before tax	68,422	89,321
Profit (loss) before tax from discontinued operation	5,424	(3,973)
Depreciation and amortization	31,875	35,818
Loss (gain) on step acquisitions	(2,826)	–
Interest and dividend income	(498)	(1,508)
Interest expenses	2,010	2,993
Loss (gain) on sale and retirement of fixed assets	(1,527)	(15,769)
Share of loss (profit) of investments accounted for using equity method	(399)	(371)
Decrease (increase) in trade and other receivables	6,351	3,168
Decrease (increase) in inventories	(7,156)	(20,066)
Increase (decrease) in trade and other payables	(14,146)	(4,918)
Increase (decrease) in retirement benefit liability	174	(672)
Decrease (increase) in retirement benefit asset	400	940
Increase (decrease) in provisions	(1,374)	(3,038)
Other	(13,776)	(16,680)
Subtotal	72,954	65,245
Interest received	395	1,478
Dividends received	103	30
Interest paid	(1,821)	(2,659)
Income taxes paid	(2,798)	(57,787)
Net cash provided by operating activities	68,833	6,307
Cash flows from investing activities		
Payments into time deposits	–	(2,137)
Purchase of property, plant and equipment	(21,211)	(20,387)
Proceeds from sale of property, plant and equipment	2,063	19,514
Purchase of intangible assets	(10,733)	(9,804)
Purchase of investment securities	(256)	(3,517)
Payments for acquisition of subsidiaries	(21,334)	–
Proceeds from sale of subsidiaries	724	–
Other	294	678
Net cash used in investing activities	(50,453)	(15,653)

	(Millions of yen)	
	Six months ended September 30, 2021	Six months ended September 30, 2022
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings and commercial papers	(5,364)	(122)
Repayments of lease liabilities	(8,128)	(9,543)
Repayments of long-term borrowings	(15,004)	–
Dividends paid	(15,428)	(17,822)
Dividends paid to non-controlling interests	(188)	(226)
Redemption of bonds	–	(10,000)
Other	34	2,261
Net cash provided by (used in) financing activities	<u>(44,078)</u>	<u>(35,452)</u>
Effect of exchange rate changes on cash and cash equivalents	1,655	39,615
Net increase (decrease) in cash and cash equivalents	<u>(24,043)</u>	<u>(5,183)</u>
Cash and cash equivalents at beginning of period	217,478	302,572
Cash and cash equivalents at end of period	<u>193,435</u>	<u>297,389</u>

(6) Notes to Condensed Quarterly Consolidated Financial Statements

(Notes on premise of going concern)

No items to report

(Reporting entity)

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

The Olympus Group is principally engaged in the manufacturing and sales of endoscopic, therapeutic and scientific, and other products, but in the second quarter of the fiscal year ending March 31, 2023, following the classification of the Scientific Solutions Business as discontinued operation, we have changed our reportable segments. Details are as described in (Business segments).

(Basis of preparation)

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

The condensed quarterly consolidated financial statements of the Olympus Group have been prepared in accordance with IAS 34. Since the requirements for a "Specified Company of Designated International Accounting Standards" set forth in Article 1-2 of the "Regulation on Terminology, Forms, and Preparation Methods of Quarterly Consolidated Financial Statements" are satisfied, the Olympus Group adopts the provisions of Article 93 of the same Regulation. The condensed quarterly consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements and should be used in conjunction with the Olympus Group's annual consolidated financial statements as of March 31, 2022.

These condensed quarterly consolidated financial statements were approved by Director, Representative Executive Officer, President and CEO Yasuo Takeuchi, and Executive Officer and CFO Chikashi Takeda on November 11, 2022.

(2) Basis of measurement

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

(3) Functional currency and presentation currency

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

(4) Changes in presentation methods

(Changes caused by the classification of the Scientific Solutions Business as discontinued operation)

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

Due to this, the Scientific Solutions Business has been classified as a discontinued operation from the second quarter under review. As a result, a portion of the Condensed Consolidated Statements of Profit or Loss, Condensed Consolidated Statements of Cash Flows and Significant Notes Thereto for the six months ended September 30, 2021 and the second quarter ended September 30, 2021 have been reclassified in line with the presentation style for the six months ended September 30, 2022 and the second quarter ended September 30, 2022.

(Condensed Quarterly Consolidated Statements of Cash Flows)

(Cash flows from operating activities)

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

As a result, in the Condensed Consolidated Statements of Cash Flows for the six months ended September 30, 2021, negative ¥15,303 million presented as “Other” in “Cash flows from operating activities” was reorganized into “Loss (gain) on sale and retirement of fixed assets” of negative ¥1,527 million and “Other” of negative ¥13,776 million.

(Cash flows from investing activities)

In the six months ended September 30, 2021, because “Purchase of investment securities,” which had previously been included in “Other” of “Cash flows from investing activities” increased in monetary importance, it has been listed independently from the six months ended September 30, 2022. Furthermore, due to the decreased importance of “Payments for loans receivable” and “Collection of loans receivable,” which had previously been listed independently, they have been disclosed in “Other” from the six months ended September 30, 2022. To reflect this change in the presentation method, we have reorganized our Condensed Consolidated Financial Statements for the six months ended September 30, 2021.

As a result, the negative ¥256 million which had previously been displayed in the “Other” category of “Cash flows from investing activities” has been listed independently as negative ¥256 million in “Purchase of investment securities,” and the negative ¥126 million in “Payments for loans receivable” and ¥420 million in “Collection of loans receivable” have been reorganized into “Other,” resulting in a reorganization of ¥294 million.

(Significant accounting policies)

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

(Significant accounting estimates and associated judgments)

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

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

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

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

(Business segments)**(1) Overview of reportable segments**

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

In the past, the Olympus Group had four reportable segments: “Endoscopic Solutions,” “Therapeutic Solutions,” “Scientific Solutions,” and “Others.” However, from the second quarter of the fiscal year ending March 31, 2023, we have changed to three reportable segments: “Endoscopic Solutions,” “Therapeutic Solutions,” and “Others.” The change is due to Olympus Corporation classifying the Scientific Solutions Business as a discontinued business operation with the conclusion of a share transfer agreement related to the transfer of our Group’s Scientific Solutions Business with K.K. BCJ-66, a special purpose company indirectly owned by funds advised by Bain Capital. For details on discontinued operation, please see (Discontinued operation).

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

Reportable Segment	Principal products and services
Endoscopic Solutions Business	Gastrointestinal endoscopes, surgical endoscopes, medical service
Therapeutic Solutions Business	Gastroenterology devices, urology products, respiratory products, energy devices, ENT products, gynecology products
Others	Biomedical materials, orthopedic equipment

(2) Revenue and business results for reportable segments

Revenue and business results of each reportable segment of the Olympus Group are as follows. The accounting treatment used for reportable segments is as described in Note “(Significant accounting policies).”

Six months ended September 30, 2021

	Reportable Segment				Adjustment (Note 2)	(Millions of yen)
	Endoscopic Solutions	Therapeutic Solutions	Others	Total		Amount on condensed quarterly consolidated financial statements
Revenue						
Revenue from outside customers	220,565	133,101	6,403	360,069	–	360,069
Intersegment revenue (Note 1)	–	–	196	196	(196)	–
Total revenue	220,565	133,101	6,599	360,265	(196)	360,069
Operating profit (loss)	61,645	30,262	(1,136)	90,771	(20,109)	70,662
Finance income						594
Finance costs						2,834
Profit before tax						68,422
Other items						
Share of profit (loss) of investments accounted for using equity method	446	(47)	–	399	–	399
Depreciation and amortization	16,261	7,966	751	24,978	3,511	28,489
Impairment losses	1,775	–	–	1,775	478	2,253

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.

Six months ended September 30, 2022

	Reportable Segment				Adjustment (Note 2, 3)	(Millions of yen)
	Endoscopic Solutions	Therapeutic Solutions	Others	Total		Amount on condensed quarterly consolidated financial statements
Revenue						
Revenue from outside customers	258,472	152,935	5,653	417,060	–	417,060
Intersegment revenue (Note 1)	–	–	162	162	(162)	–
Total revenue	258,472	152,935	5,815	417,222	(162)	417,060
Operating profit (loss)	68,899	29,788	(788)	97,899	(4,296)	93,603
Finance income						1,764
Finance costs						6,046
Profit before tax						89,321
Other items						
Share of profit (loss) of investments accounted for using equity method	371	–	–	371	–	371
Depreciation and amortization	19,114	9,639	857	29,610	2,973	32,583
Impairment losses	332	397	3	732	–	732

Notes:

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

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

(Cash and cash equivalents)

Cash and cash equivalents included in balances at end of period in the condensed quarterly consolidated statement of cash flows are as follows.

	(Millions of yen)	
	Six months ended September 30, 2021 (April 1, 2021 - September 30, 2021)	Six months ended September 30, 2022 (April 1, 2022 - September 30, 2022)
Cash and cash equivalents in the condensed quarterly consolidated statements of financial position	193,435	255,765
Cash and cash equivalents included in assets held for sale	-	41,624
Cash and cash equivalents at end of period in the condensed quarterly consolidated statement of cash flows	193,435	297,389

(Assets held for sale)

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

	(Millions of yen)	
	As of March 31, 2022	As of September 30, 2022
Assets		
Cash and cash equivalents	-	41,624
Trade and other receivables	-	1,811
Inventories	-	24,040
Land	4,683	1,389
Buildings and structures	2	5,720
Machinery and vehicles	-	2,309
Tools, furniture and fixtures	-	1,885
Construction in progress	-	422
Right-of-use assets	-	6,752
Other property, plant and equipment	-	4,370
Intangible assets	-	13,355
Goodwill	-	2,713
Deferred tax assets	-	2,054
Other financial assets	-	3,544
Other current assets	-	8,534
Other non-current assets	-	1,990
Total	4,685	122,512
Liabilities		
Trade and other payables	-	1,273
Accrued expenses	-	9,712
Provisions	-	628
Deferred tax liabilities	-	3,627
Other financial liabilities	-	8,213
Other current liabilities	-	8,694
Other non-current liabilities	-	2,257
Total	-	34,404

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

Assets classified as assets held for sale and liabilities directly associated with assets held for sale as of September 30, 2022 are as follows.

(Transfer of Scientific Solutions Business)

On August 29, 2022, Olympus Corporation concluded a share transfer agreement related to the transfer of our Group's Scientific Solutions Business with K.K. BCJ-66, a special purpose company indirectly owned by funds advised by Bain Capital. Accordingly, from the second quarter under review, the assets and liabilities related to the Scientific Solutions Business of the Olympus Group have been classified in a disposal group classified as held for sale. The transfer is scheduled for January 4, 2023.

(Bonds and borrowings)

There were no significant transactions during the six months ended September 30, 2021.

During the six months ended September 30, 2022, Olympus Corporation redeemed the 22nd unsecured corporate bonds of ¥10,000 million (interest rate 0.220%, due September 20, 2022).

(Equity and other equity items)

Six months ended September 30, 2021 (April 1, 2021 - September 30, 2021)

(Cancellation of treasury shares)

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

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

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

Six months ended September 30, 2022 (April 1, 2022 - September 30, 2022)

(Cancellation of treasury shares)

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

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

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

(Disposal of treasury shares)

Olympus Corporation conducted the disposal of treasury shares based on its restricted stock unit (RSU) system and performance share unit (PSU) system on July 22, 2022. Due to this disposal, treasury shares decreased by 87,840 shares during the six months ended September 30, 2022.

The impact of this disposal is that treasury shares decreased by ¥153 million.

(Dividends)

Dividends paid are as follows.

Six months ended September 30, 2021

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

Six months ended September 30, 2022

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

(Revenue)

The organization of the Olympus Group has basically consisted of the Endoscopic Solutions Business, Therapeutic Solutions Business, Scientific Solutions Business, and Others, but the organization has been changed to basically consist of the Endoscopic Solutions Business, Therapeutic Solutions Business, and Others.

The change is due to Olympus Corporation classifying the Scientific Solutions Business as a discontinued business operation with the conclusion of a share transfer agreement related to the transfer of our Group's Scientific Solutions Business with K.K. BCJ-66, a special purpose company indirectly owned by funds advised by Bain Capital.

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

Six months ended September 30, 2021

	(Millions of yen)			
	Endoscopic Solutions	Therapeutic Solutions	Others	Total
Japan	31,265	22,159	4,058	57,482
North America	76,797	49,112	99	126,008
Europe	54,553	32,819	2,083	89,455
China	34,835	16,730	16	51,581
Asia and Oceania	18,985	10,436	147	29,568
Others	4,130	1,845	0	5,975
Total	220,565	133,101	6,403	360,069

Six months ended September 30, 2022

	(Millions of yen)			
	Endoscopic Solutions	Therapeutic Solutions	Others	Total
Japan	32,973	22,435	2,967	58,375
North America	95,380	60,229	74	155,683
Europe	62,028	38,091	2,424	102,543
China	36,488	16,996	21	53,505
Asia and Oceania	24,643	12,301	167	37,111

	Endoscopic Solutions	Therapeutic Solutions	Others	Total
Others	6,960	2,883	0	9,843
Total	258,472	152,935	5,653	417,060

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

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

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

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

(Other income and other expenses)

(1) Other income

Major items of other income are as follows.

Six months ended September 30, 2021 (April 1, 2021 - September 30, 2021)

(Gain on step acquisition)

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

(Gain on sale of fixed assets)

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

Six months ended September 30, 2022 (April 1, 2022 - September 30, 2022)

(Gain on sale of fixed assets)

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

(2) Other expenses

Major items of other income are as follows.

Six months ended September 30, 2021 (April 1, 2021 - September 30, 2021)

(Business restructuring expenses)

Olympus Corporation recorded ¥3,963 million for the cost related to promotion of the business transformation plan “Transform Olympus” in “Other expenses.”

(Impairment losses)

For equity investment in associates located in Europe, we estimated a recoverable amount of zero and recorded impairment losses of ¥1,644 million.

Six months ended September 30, 2022 (April 1, 2022 - September 30, 2022)

(Business restructuring expenses)

Olympus Corporation recorded ¥1,699 million for the cost related to promotion of the business transformation plan “Transform Olympus” in “Other expenses.”

(Per-share data)

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

	Six months ended September 30, 2021 (April 1, 2021 - September 30, 2021)	Six months ended September 30, 2022 (April 1, 2022 - September 30, 2022)
Basic earnings (loss) per share		
Continuing operations	¥45.36	¥54.53
Discontinued operation	¥3.17	¥(2.03)
Basic earnings per share	¥48.53	¥52.50
Diluted earnings (loss) per share		
Continuing operations	¥45.34	¥54.48
Discontinued operation	¥3.17	¥(2.03)
Diluted earnings per share	¥48.51	¥52.45

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

	(Millions of yen)	
	Six months ended September 30, 2021 (April 1, 2021 - September 30, 2021)	Six months ended September 30, 2022 (April 1, 2022 - September 30, 2022)
Profit (loss) used to calculate basic earnings per share and diluted earnings per share		
Profit attributable to owners of parent	62,397	66,836
Profit not attributable to common shareholders of parent	-	-
Profit (loss) used to calculate basic earnings per share	62,397	66,836
Continuing operations	58,316	69,422
Discontinued operation	4,081	(2,586)
Adjustment to profit	-	-
Profit (loss) used to calculate diluted earnings per share	62,397	66,836
Continuing operations	58,316	69,422
Discontinued operation	4,081	(2,586)

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

The weighted average number of shares of common stock	1,285,644 thousand shares	1,273,104 thousand shares
Increase in number of shares of common stock		
Subscription rights to shares relating to stock options	499 thousand shares	401 thousand shares
Common stock relating to PSU	-	302 thousand shares
Common stock relating to RSU	170 thousand shares	369 thousand shares
Average number of shares of diluted common stock during the period	1,286,313 thousand shares	1,274,176 thousand shares

(Cash flow information)

Six months ended September 30, 2021 (April 1, 2021 - September 30, 2021)

(Transfer of Olympus Systems Corporation)

(i) Overview of transaction

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

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

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

(iii) Cash flows associated with the loss of control

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

Note: Proceeds from sale of subsidiaries are included in “Cash flows from investing activities” in the consolidated statement of cash flows.

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

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

Six months ended September 30, 2022 (April 1, 2022 - September 30, 2022)

No items to report

(Financial instruments)

Fair value of financial instruments

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

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

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

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

The Olympus Group recognizes transfers of financial instruments between the levels of the fair value hierarchy as if they occurred at the end of each quarter of the fiscal year. There were no significant financial instruments transferred between the levels for the fiscal year ended March 31, 2022 and the six months ended September 30, 2022.

(1) Financial instruments measured at fair value

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

(Other financial assets and other financial liabilities)

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

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

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

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

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

As of March 31, 2022

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

As of September 30, 2022

	(Millions of yen)			
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets measured at fair value through profit or loss				
Derivative assets	–	9,179	–	9,179
Equity securities and others	–	–	1,168	1,168
Financial assets measured at fair value through other comprehensive income				
Equity securities	500	–	7,127	7,627
Financial liabilities				
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities	–	5,479	–	5,479
Contingent consideration	–	–	6,255	6,255

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

	(Millions of yen)	
	Six months ended September 30, 2021 (April 1, 2021 - September 30, 2021)	Six months ended September 30, 2022 (April 1, 2022 - September 30, 2022)
Balance at April 1	2,348	3,895
Gains and losses (Note)		
Profit or loss	(586)	178
Other comprehensive income	34	27
Purchases	253	3,517
Other	2	678
Balance at September 30	2,051	8,295

Note:

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

In terms of the breakdown of gains or losses recognized in profit or loss, for financial products owned at the end of each quarter of the fiscal year, we recorded a loss of ¥586 million and a gain of ¥178 million in the six months ended September 30, 2021 and the six months ended September 30, 2022 under review, respectively.

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

	(Millions of yen)	
	Six months ended September 30, 2021 (April 1, 2021 - September 30, 2021)	Six months ended September 30, 2022 (April 1, 2022 - September 30, 2022)
Balance at April 1	3,608	6,100
Business combinations	2,148	-
Settlement	-	(551)
Change in fair value	(101)	303
Other	(44)	403
Balance at September 30	5,611	6,255

(2) Financial instruments measured at amortized cost

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

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

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

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

(Other financial assets and other financial liabilities)

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

(Bonds and borrowings)

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

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

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

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

	(Millions of yen)			
	As of March 31, 2022		As of September 30, 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Lease receivables	50,517	50,513	59,094	59,080
Financial liabilities				
Bonds	180,322	178,341	181,652	173,787
Borrowings	145,903	146,336	148,324	149,020

(Discontinued operation)

(1) Outline of discontinued operation

On August 29, 2022, Olympus Corporation concluded a share transfer agreement related to the transfer of our Group's Scientific Solutions Business with K.K. BCJ-66, a special purpose company indirectly owned by funds advised by Bain Capital. Accordingly, the profit (loss) of the Scientific Solutions Business is classified as discontinued operation for the six months ended September 30, 2022 and restated for the six months ended September 30, 2021. The executing date of the transfer is scheduled for January 4, 2023.

(2) Profit (loss) of discontinued operation

Profit (loss) of discontinued operation is as follows.

	(Millions of yen)	
	Six months ended September 30, 2021 (April 1, 2021 - September 30, 2021)	Six months ended September 30, 2022 (April 1, 2022 - September 30, 2022)
Revenue	52,990	52,744
Cost of sales	24,084	26,216
Gross profit	28,906	26,528
Selling, general and administrative expenses	22,529	26,466
Other income	168	231
Other expenses (Note)	951	5,176
Operating profit (loss)	5,594	(4,883)
Finance income	2	995
Finance costs	172	85
Profit (loss) before tax	5,424	(3,973)
Income taxes	1,343	(1,387)
Profit (loss) from discontinued operation	4,081	(2,586)

Note: Other expenses in the six months ended September 30, 2022 include ¥4,880 million in expenses related to the spin-off of the Scientific Business and the strengthening of its management systems.

(3) Cash flows of discontinued operation

Cash flows of discontinued operation are as follows.

	(Millions of yen)	
	Six months ended September 30, 2021 (April 1, 2021 - September 30, 2021)	Six months ended September 30, 2022 (April 1, 2022 - September 30, 2022)
Cash flows of discontinued operation		
Net cash provided by (used in) operating activities	5,144	(10,958)
Net cash used in investing activities	(2,916)	(6,017)
Net cash used in financing activities	(380)	(1,039)

(Business combinations)

Six months ended September 30, 2021 (April 1, 2021 - September 30, 2021)

(Acquisition of Medi-Tate Ltd.)

(1) Outline of business combination

1) Name and description of acquired business

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

2) Primary reason for business combination

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

3) Acquired ratio of holding capital with voting rights

100%

4) Acquisition date

May 27, 2021

5) Acquisition method to govern the acquired company

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

(2) Acquisition-related expense

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

(3) Gain on step acquisition

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

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

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

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

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

(5) Contingent consideration

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

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

(6) Impacts on the Olympus Group

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

review. This is because the amount of impact on condensed quarterly consolidated statements of profit or loss due to such information is not material.

Six months ended September 30, 2022 (April 1, 2022 - September 30, 2022)

No items to report

(Contingent liabilities)

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

(Subsequent events)

(Purchase and cancellation of treasury shares)

At a Board of Directors meeting held on November 11, 2022, Olympus Corporation resolved items related to the purchase of treasury shares as provided for in Article 459 Section 1 of the Companies Act and Article 32 of Olympus Corporation's Articles of Incorporation, as well as the cancellation of treasury shares provided for in Article 178 of the Companies Act.

(1) Reasons for the purchase and cancellation of treasury shares

To strengthen shareholder returns and to improve capital efficiency

(2) Details of items related to the purchase

1. Class of shares:	Common stock of Olympus Corporation
2. Total number of shares to be acquired:	21,000,000 shares (maximum)
(1.65% of total number of issued shares (excluding treasury shares))	
3. Total share acquisition value:	¥50,000 million (maximum)
4. Acquisition period:	November 14, 2022 to February 28, 2023
5. Acquisition method:	Market purchase based on a discretionary trading contract on the Tokyo Stock Exchange

(3) Details of cancellation

1. Class of shares:	Common stock of Olympus Corporation
2. Number of shares to be cancelled:	Total number of treasury shares acquired in (2) above
3. Date of cancellation:	March 28, 2023

(Disposal of treasury shares)

On November 11, 2022, Olympus Corporation decided to dispose of its treasury shares based on its subsequent grant-type restricted stock compensation (RSU: Restricted Stock Unit) as follows.

1. Outline of the disposal of treasury shares

(1) Date of disposal	December 9, 2022
(2) Class and number of shares for disposal	5,940 shares of common stock of Olympus Corporation
(3) Disposal price	2,975.5 yen per share
(4) Total amount of disposal value	¥18 million
(5) Disposal recipients, the number of such recipients, and the number of shares to be disposed of	(i) RSU granted for the fiscal year ended March 2022 One retired executive officer 2,641 shares (ii) Transformational FY22-RSU granted for the fiscal year ended March 2022 One retired executive officer 3,299 shares
(6) Other	Olympus has submitted notice of securities for the disposal of treasury shares in accordance with the Financial Instruments and Exchange Act.

2. Objectives and reasons for the disposal

Olympus Corporation introduced performance share unit (PSU) system in the fiscal year ended March 31, 2018 as a stock compensation to directors (excluding outside directors) and corporate officers until the fiscal year ended March 31, 2019. After its transition into a company with a Nominating Committee, etc. in June 2019, Olympus established the PSU system as stock compensation for executive officers, and also further worked on reviewing its compensation systems under a basic concept to reward the responsibilities of directors (including outside directors) and executive officers with suitable and appropriate treatments through encouraging strong awareness “to maximize the corporate value and to meet expectations of various stakeholders,” and as part of this policy, Olympus introduced restricted stock unit (RSU) system as a stock compensation to directors (including outside directors) and executive officers since the fiscal year ended March 31, 2021.

In this disposal of treasury shares, it shall be implemented as a stock compensation to the retiring executive officers who will be the allottees under the RSU system, and they will pay the entire amount of their monetary compensation claims to Olympus Corporation as contributed assets in kind, and receive Olympus Corporation’s common stock to be disposed of.