

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



February 10, 2023

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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: February 10, 2023
 Scheduled date to commence dividend payments: –
 Presentation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results presentation meeting: Yes (for analysts and institutional investors)

(Figures are rounded off to the nearest million yen)

1. Consolidated Financial Results for the Nine Months of the Fiscal Year Ending March 31, 2023 (From April 1, 2022 to December 31, 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)	%
Nine months ended								
December 31, 2022	641,545	17.2	142,572	39.5	139,370	43.7	108,369	23.4
December 31, 2021	547,184	–	102,231	–	97,010	–	87,849	–

	Profit attributable to owners of parent		Total comprehensive income		Basic earnings per share	Diluted earnings per share
	(¥ million)	%	(¥ million)	%	(¥)	(¥)
Nine months ended						
December 31, 2022	108,217	23.4	144,564	41.8	85.12	85.04
December 31, 2021	87,667	–	101,950	–	68.19	68.16

Note: The Scientific Solutions Business has been classified as a discontinued operation from the second quarter. 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 nine months ended December 31, 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				
December 31, 2022	1,392,608	605,588	604,468	43.4
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	871,000	–	198,000	–	197,000	–	376,000	–	296.79

Note: Revisions of the forecast most recently announced: Yes

The Scientific Solutions Business has been classified as a discontinued operation from the second quarter. 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 nine 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 December 31, 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 December 31, 2022	25,311,698 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)

Nine months ended December 31, 2022	1,271,290,238 shares
Nine months ended December 31, 2021	1,285,570,532 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 Nine 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, and it has been presented in the same manner for the nine months ended December 31, 2022 and the nine months ended December 31, 2021. 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, they have been changed to three segments: "Endoscopic Solutions," "Therapeutic Solutions," and "Others."

Trends in overall business results

The global economy in the nine months ended December 31, 2022 saw a continued move to recovery as economic activities recovered from the challenging conditions created by the global spread of COVID-19. On the other hand, there is a developing risk of worsening business conditions due to global monetary tightening. Furthermore, impacts were felt from increased COVID-19 infections in China, 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 fluctuations in foreign exchange, and from the same factors affecting the global economy, namely, 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. Originally, it was planned for all the shares to be transferred in January 2023. However, the planned date for executing the share transfer has been changed to March 2023, as it is anticipated that time will be required to obtain approval from the relevant authorities pursuant to competition law and related laws and regulations in Japan and abroad.

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)			
	Nine months ended December 31, 2021	Nine months ended December 31, 2022	Increase (Decrease)	Increase (Decrease) ratio (%)
(1) Revenue	547,184	641,545	94,361	17.2
(2) Cost of sales	181,117	207,821	26,704	14.7
(3) Selling, general and administrative expenses	259,112	306,085	46,973	18.1
(4) Share of profit (loss) of investments accounted for using equity method/Other income/Other expenses	(4,724)	14,933	19,657	–
(5) Operating profit	102,231	142,572	40,341	39.5
(6) Finance income (loss)	(5,221)	(3,202)	2,019	–
(7) Profit before tax	97,010	139,370	42,360	43.7
(8) Income taxes	14,043	33,751	19,708	140.3
(9) Profit from continuing operations	82,967	105,619	22,652	27.3
(10) Profit attributable to owners of parent	87,667	108,217	20,550	23.4
Exchange rate (Yen/USD)	111.10	136.51	25.41	–
Exchange rate (Yen/EUR)	130.62	140.59	9.97	–
Exchange rate (Yen/CNY)	17.25	19.88	2.63	–

(1) Revenue

Revenue increased by ¥94,361 million year on year to ¥641,545 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 ¥26,704 million year on year to ¥207,821 million. The cost-to-sales ratio improved 0.7 percentage points year on year to 32.4% due to changes to the respective sales shares for each geological region resulting from increased sales in China during the nine months ended December 31, 2022, as well as the impact from foreign exchange due to the depreciating yen, despite there being an increase in procurement costs for raw materials such as semiconductors.

(3) Selling, general and administrative expenses

Selling, general and administrative expenses increased by ¥46,973 million year on year to ¥306,085 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 ¥14,933 million, and the profit or loss improved by ¥19,657 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, in the current fiscal year, approximately ¥16,400 million in gain on sale of fixed assets was recorded, along with the recording of approximately ¥1,300 million in adjustments to the original acquisition consideration at the time of acquisition due to changes in the fair value of the contingent consideration, which makes up part of the acquisition consideration of Medi-Tate Ltd., resulting in an increase of ¥13,868 million year on year. Details on the gain on step acquisition of Medi-Tate Ltd. are as described in “Business combinations (Acquisition of Medi-Tate Ltd.), (3) Gain on step acquisition” (page 34), and details on change in fair value

are as described in “Business combinations (Contingent consideration of Medi-Tate Ltd.)” (page 37). On the other hand, regarding other expenses, in the previous fiscal year, an impairment loss of approximately ¥1,600 million for development assets in the Endoscopic Solutions Business and approximately ¥5,800 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 ¥3,600 million, leading to a decrease of ¥5,876 million year on year.

(5) Operating profit

Reflecting the factors stated above, operating profit increased by ¥40,341 million year on year to ¥142,572 million.

(6) Finance income (loss)

Finance loss, which reflects finance income and finance costs, improved ¥2,019 million year on year to ¥3,202 million. The main factor for this improvement of loss was an increase in interest income due to a rise in USD interest rates.

(7) Profit before tax

Reflecting the factors stated above, profit before tax increased by ¥42,360 million year on year to ¥139,370 million.

(8) Income taxes

The increased profit before tax led income taxes to increase by ¥19,708 million year on year to ¥33,751 million.

(9) Profit from continuing operations

Reflecting the factors stated above, profit from continuing operations increased by ¥22,652 million year on year to ¥105,619 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 ¥20,550 million year on year to ¥108,217 million.

(Impact of foreign exchanges rates)

Compared to the same period of the previous fiscal year, the yen depreciated against the USD, EUR, and CNY. The average exchange rate during the current period was ¥136.51 against the USD (¥111.10 in the same period of the previous fiscal year), ¥140.59 against the EUR (¥130.62 in the same period of the previous fiscal year) and ¥19.88 against the CNY (¥17.25 in the same period of the previous fiscal year), which caused revenue and operating profit to increase by ¥78,760 million and ¥34,091 million, respectively, year on year.

Analysis of the performance by segment

Endoscopic Solutions Business

	(Millions of yen)			
	Nine months ended December 31, 2021	Nine months ended December 31, 2022	Increase (Decrease)	Increase (Decrease) ratio (%)
Revenue	333,701	398,990	65,289	19.6
Operating profit (loss)	91,600	110,703	19,103	20.9

Consolidated revenue in the Endoscopic Solutions Business amounted to ¥398,990 million (up 19.6% year on year), while operating profit amounted to ¥110,703 million (up 20.9% year on year).

In the gastrointestinal endoscopes field, sales recovered in China, which had been affected by the lockdown in Shanghai and other cities up to the six months ended September 30, 2022, and sales also increased in North

America, resulting in positive year-on-year growth in all regions. By product, sales of the gastrointestinal endoscopic system “EVIS X1” series were favorable, while demand for the prior-generation upper gastrointestinal videoscopes and colorectal videoscopes was also firm, contributing to increased sales. The ratio of the “EVIS X1” series to total sales also gradually increased.

In the surgical endoscopes field, sales in North America, where sales of the surgical endoscopy system “VISERA ELITE II” combined with rigid scopes and surgical videoscopes remained strong, contributed 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 related to development assets recorded in the previous fiscal year as well as the increase in revenue, despite 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

	(Millions of yen)			
	Nine months ended December 31, 2021	Nine months ended December 31, 2022	Increase (Decrease)	Increase (Decrease) ratio (%)
Revenue	203,714	233,942	30,228	14.8
Operating profit (loss)	43,845	48,116	4,271	9.7

Consolidated revenue in the Therapeutic Solutions Business amounted to ¥233,942 million (up 14.8% year on year), while operating profit amounted to ¥48,116 million (up 9.7% year on year).

The GI-entotherapy field saw positive growth, primarily in North America and Europe. 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 increased due to the increase in revenue and the recognition of around ¥1,300 million in other income due to adjustments to the original acquisition consideration at the time of acquisition prompted by changes in the fair value of the contingent consideration, which makes up part of the acquisition consideration of Medi-Tate Ltd., despite 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. For details on the gain on step acquisition of Medi-Tate Ltd. and details on change in fair value, please see “Business combinations (Acquisition of Medi-Tate Ltd.), (3) Gain on step acquisition” (page 34) and “Business combinations (Contingent consideration of Medi-Tate Ltd.)” (page 37), respectively.

Others

	(Millions of yen)			
	Nine months ended December 31, 2021	Nine months ended December 31, 2022	Increase (Decrease)	Increase (Decrease) ratio (%)
Revenue	9,769	8,613	(1,156)	(11.8)
Operating profit (loss)	(1,480)	(917)	563	–

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 ¥8,613 million (down 11.8% year on year), while operating loss amounted to ¥917 million (compared with an operating loss of ¥1,480 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 loss 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 third quarter under review, total assets increased by ¥34,609 million compared to the end of the previous fiscal year to ¥1,392,608 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 ¥132,273 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 ¥126,824 million due to the reclassification to assets held for sale, income taxes paid of ¥80,539 million, and an increase in inventories of ¥31,354 million, income taxes receivable increased by ¥27,031 million, and in non-current assets, goodwill increased by ¥18,499 million due to the impact of foreign exchange and the acquisition of Odin Medical Ltd.

[Liabilities]

Total liabilities decreased by ¥59,617 million from the end of the previous fiscal year to ¥787,020 million. With the conclusion of the share transfer agreement related to the transfer of the Scientific Solutions Business, the ¥32,799 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 current liabilities decreased by ¥33,796 million due to a decrease in accrued expenses, etc., bonds and borrowings included in current liabilities and non-current liabilities decreased by ¥33,392 million due mainly to redemption of bonds, and income tax payments led to a decrease in unpaid income taxes of ¥16,433 million.

[Equity]

Total equity increased by ¥94,226 million from the end of the previous fiscal year to ¥605,588 million. The increase was due mainly to a ¥33,394 million increase in other components of equity, which was primarily attributable to the recording of ¥108,217 million in profit attributable to owners of parent and a ¥35,381 million increase in exchange differences on translation of foreign operations, despite the distribution of surplus and purchase of treasury shares.

Furthermore, Olympus Corporation canceled treasury shares on June 8, 2022, based on resolution of the Board of Directors meeting held on May 11, 2022, and purchased treasury shares based on resolution of the Board of Directors meeting held on November 11, 2022, with the result that treasury shares increased by ¥9,702 million.

The amount of the above cancellation was deducted from other capital surplus in capital surplus, with the result that capital surplus decreased by ¥23,271 million, 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 43.4%.

(3) Cash Flows

Cash and cash equivalents at the end of the third quarter under review reached ¥211,323 million, a decrease of ¥91,249 million from the end of the previous fiscal year. The following are the cash flows for the nine months ended December 31, 2022.

Cash flows from operating activities

Net cash provided by operating activities for the nine months ended December 31, 2022 was ¥54,943 million (compared with ¥115,256 million provided for the nine months ended December 31, 2021). Cash flows from operating activities increased due to a total increase of ¥175,849 million as a result of the recording of ¥139,370 million in profit before tax, gain on sale and retirement of fixed assets in amount of ¥15,834 million made as an adjustment in association with the sale of land in Hatagaya, and adjustment for depreciation and amortization of ¥52,313 million, despite a decrease due to factors such as the payment of ¥80,539 million in income taxes and an increase in inventories of ¥31,354 million, etc.

Cash flows from investing activities

Net cash used in investing activities for the nine months ended December 31, 2022 was ¥37,860 million (compared with ¥57,124 million used for the nine months ended December 31, 2021). Cash flows from investing activities decreased mainly due to expenditures of ¥33,953 million from the acquisition of property, plant and equipment including production equipment, etc. and expenditures of ¥15,234 million from the acquisition of intangible assets including research and development assets, despite recording proceeds of ¥19,840 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 nine months ended December 31, 2022, was ¥112,434 million (compared with ¥9,313 million used for the nine months ended December 31, 2021). This was mainly due to redemption of bonds of ¥40,000 million, an increase in payments for purchase of treasury shares and change in deposits due to the purchase of treasury shares of ¥39,999 million, and the payment of ¥17,822 million for dividends.

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

In terms of our earnings forecasts for the fiscal year ending March 31, 2023, we have revised the forecasted values announced in our “Consolidated Financial Results for the Six Months of the Fiscal Year Ending March 31, 2023” on November 11, 2022, taking into consideration the strong yen in the current foreign exchange rates compared to the previous forecast.

The Scientific Solutions Business has been classified as a discontinued operation from the second quarter. 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 addition, foreign exchange rates assumed in the forecasts for the third quarter onward are ¥131 per USD, ¥140 per EUR, and ¥19.10 per CNY. The exchange rate assumptions for the full year, reflecting the results of the nine months ended December 31, 2022, are ¥135.13 per USD, ¥140.44 per EUR, and ¥19.68 per CNY.

	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)	892,000	212,000	206,000	387,000	305.28
Revised Forecast (B)	871,000	198,000	197,000	376,000	296.79
Increase (Decrease) (B-A)	(21,000)	(14,000)	(9,000)	(11,000)	(8.49)
Increase (Decrease) ratio (%)	(2.4)	(6.6)	(4.4)	(2.8)	(2.8)

Notes: Basic earnings per share is estimated based on the “Notice Regarding Share Repurchase and Cancellation of Treasury Shares” released on January 18, 2023.

(5) Business Risks

During the nine months ended December 31, 2022, the following material changes have occurred with regard to business-related risks, etc. stated in the annual securities report for the previous fiscal year.

The future outlooks described below are based on the forecasts of the Olympus Group made as of the submission date of this quarterly financial results report.

< Risks Associated with Business Environment >

(Risks Associated with Changes in Policy of Medical Administration and Product-related Laws and Regulations and Infection Prevention)

Risks	<p>In the medical field, healthcare system reforms are being continuously implemented in Japan and overseas with the aim of curbing medical care costs and improving the quality of life (QOL) of patients by improving the safety and efficacy of healthcare services. As a result, legal and regulatory requirements for medical device applications and registrations in each country, including the US Food and Drug Administration (FDA) and European Medical Device Regulations (EU-MDR), are increasing every year. In addition, the requirements concerning infection prevention and reprocessing (i.e., cleaning, disinfection, and sterilization) are becoming more complex.</p> <p>The Olympus Group’s earnings may be adversely affected if: (i) amendments to healthcare laws and regulations or related administrative policies; and (ii)-a Olympus Group fails to launch new products or services in a timely manner or (ii)-b Olympus Group otherwise needs to take certain actions corresponding to such amendments or changes.</p> <p>In March 2018, FDA has issued warning letters to duodenal endoscopy manufacturers including the Olympus Group, due to non-compliance with the mandatory post-marketing surveillance studies relating to the cleaning and disinfection of such products. Subsequently, we completed the post-marketing surveillance studies while cooperating with the FDA and in February 2020, we submitted the final report for the post-marketing surveillance studies. We are currently implementing the post-marketing surveillance studies concerning successor devices that we started selling in the U.S. in 2020, further regulatory actions may be taken by the FDA depending on the future progress.</p> <p><u>Olympus received Warning Letters from the FDA regarding Aizu Olympus Co., Ltd. in November 2022, and Olympus Medical Systems Corporation in December 2022. The content of the Warning Letters cites quality system issues related to processes and records for design and manufacturing, as well as late submission of Medical Device Reports (MDRs), further regulatory actions may be taken by the FDA depending on the future progress.</u></p>
Countermeasures	<p>The Olympus Group contributes to the improvement of patients’ quality of life through its product lineup that contributes to early diagnosis and minimally invasive treatment. Through product lifecycle management and infection prevention strategies, the Olympus Group is working on the development and selection of safe products, product development that is in compliance with laws and regulations, and the sharing of materials to be submitted to each country. In addition, through such efforts as training human resources and strengthening our capabilities to respond within the Olympus Group, such as sections dealing with quality, laws and regulations, Olympus Group, while continuing periodic audits and verification procedures, is improving the processes for corrective action and preventative action in order to quickly respond to change in market requirements. Furthermore, for matters related to policy of medical administration and regulations, Olympus Corporation, while conducting periodic monitoring and providing status updates to the management, is periodically training employees engaged in applicable operations to ensure best practices are shared by all while ensuring a thorough understanding of applicable laws and regulations.</p>

With the exception of the above, during the nine months ended December 31, 2022, there was no occurrence of new business-related risks or material changes in the business-related risks described in the annual securities report for the previous fiscal year.

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 December 31, 2022
ASSETS		
Current assets		
Cash and cash equivalents	302,572	175,748
Trade and other receivables	178,428	172,757
Other financial assets	10,269	17,672
Inventories	167,368	170,912
Income taxes receivable	3,718	30,749
Other current assets	27,565	22,430
Subtotal	689,920	590,268
Assets held for sale	4,685	132,273
Total current assets	694,605	722,541
Non-current assets		
Property, plant and equipment	247,112	233,353
Goodwill	164,498	182,997
Intangible assets	120,361	110,575
Retirement benefit asset	25,975	23,447
Investments accounted for using equity method	1,514	1,018
Trade and other receivables	27,857	33,025
Other financial assets	16,152	20,860
Deferred tax assets	57,783	63,007
Other non-current assets	2,142	1,785
Total non-current assets	663,394	670,067
Total assets	1,357,999	1,392,608

	(Millions of yen)	
	As of March 31, 2022	As of December 31, 2022
LIABILITIES AND EQUITY		
Liabilities		
Current liabilities		
Trade and other payables	60,547	56,784
Bonds and borrowings	52,281	53,223
Other financial liabilities	26,015	27,180
Income taxes payable	34,353	17,920
Provisions	22,114	20,201
Other current liabilities	180,941	147,145
Subtotal	376,251	322,453
Liabilities directly associated with assets held for sale	–	32,799
Total current liabilities	376,251	355,252
Non-current liabilities		
Bonds and borrowings	333,846	299,512
Other financial liabilities	64,600	62,570
Retirement benefit liability	40,001	38,652
Provisions	2,783	3,069
Deferred tax liabilities	13,087	11,200
Other non-current liabilities	16,069	16,765
Total non-current liabilities	470,386	431,768
Total liabilities	846,637	787,020
Equity		
Share capital	124,643	124,643
Capital surplus	91,239	91,903
Treasury shares	(45,589)	(55,291)
Other components of equity	34,818	68,212
Other components of equity related to disposal group held for sale	–	2,427
Retained earnings	305,057	372,574
Total equity attributable to owners of parent	510,168	604,468
Non-controlling interests	1,194	1,120
Total equity	511,362	605,588
Total liabilities and equity	1,357,999	1,392,608

(2) Condensed Quarterly Consolidated Statements of Profit or Loss

	(Millions of yen)	
	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Continuing operations		
Revenue	547,184	641,545
Cost of sales	181,117	207,821
Gross profit	366,067	433,724
Selling, general and administrative expenses	259,112	306,085
Share of profit (loss) of investments accounted for using equity method	577	490
Other income	8,043	21,911
Other expenses	13,344	7,468
Operating profit	102,231	142,572
Finance income	970	2,983
Finance costs	6,191	6,185
Profit before tax	97,010	139,370
Income taxes	14,043	33,751
Profit from continuing operations	82,967	105,619
Discontinued operation		
Profit from discontinued operation	4,882	2,750
Profit	87,849	108,369
Profit attributable to:		
Owners of parent	87,667	108,217
Non-controlling interests	182	152
Profit	87,849	108,369
Earnings per share		
Basic earnings per share		
Continuing operations	¥64.39	¥82.96
Discontinued operation	¥3.80	¥2.16
Basic earnings per share	¥68.19	¥85.12
Diluted earnings per share		
Continuing operations	¥64.36	¥82.88
Discontinued operation	¥3.80	¥2.16
Diluted earnings per share	¥68.16	¥85.04

(3) Condensed Quarterly Consolidated Statements of Comprehensive Income

	(Millions of yen)	
	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Profit	87,849	108,369
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	(619)	(129)
Remeasurements of defined benefit plans	(166)	141
Total of items that will not be reclassified to profit or loss	(785)	12
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	15,000	37,787
Cash flow hedges	(265)	(1,604)
Share of other comprehensive income of associates accounted for using equity method	151	-
Total of items that may be reclassified to profit or loss	14,886	36,183
Total other comprehensive income	14,101	36,195
Comprehensive income	101,950	144,564
Comprehensive income attributable to:		
Owners of parent	101,768	144,412
Non-controlling interests	182	152
Comprehensive income	101,950	144,564

(4) Condensed Quarterly Consolidated Statements of Changes in Equity

Nine months ended December 31, 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					87,667	87,667	182	87,849
Other comprehensive income				14,101		14,101		14,101
Comprehensive income	–	–	–	14,101	87,667	101,768	182	101,950
Purchase of treasury shares			(1,802)			(1,802)		(1,802)
Disposal of treasury shares		(46)	50			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		82,337			(82,337)	–		–
Transfer from other components of equity to retained earnings				(3,006)	3,006	–		–
Share-based payment transactions		272	6			278		278
Total transactions with owners	–	223	80,594	(3,006)	(94,759)	(16,948)	(188)	(17,136)
Balance at December 31, 2021	124,643	91,058	(17,454)	9,748	271,151	479,146	1,148	480,294

Nine months ended December 31, 2022

(Millions of yen)

	Equity attributable to owners of parent							Non-controlling interests	Total equity
	Share capital	Capital surplus	Treasury shares	Other components of equity	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						108,217	108,217	152	108,369
Other comprehensive income				36,195			36,195		36,195
Comprehensive income	–	–	–	36,195	–	108,217	144,412	152	144,564
Purchase of treasury shares			(33,237)				(33,237)		(33,237)
Disposal of treasury shares		(100)	100				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		23,252				(23,252)	–		–
Transfer from other components of equity to retained earnings				(374)	374		–		–
Share-based payment transactions		783	164				947		947
Transfer to other components of equity related to disposal group held for sale				(2,427)	2,427		–		–
Total transactions with owners	–	664	(9,702)	(2,801)	2,427	(40,700)	(50,112)	(226)	(50,338)
Balance at December 31, 2022	124,643	91,903	(55,291)	68,212	2,427	372,574	604,468	1,120	605,588

(5) Condensed Quarterly Consolidated Statements of Cash Flows

	(Millions of yen)	
	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Cash flows from operating activities		
Profit before tax	97,010	139,370
Profit before tax from discontinued operation	6,625	1,934
Depreciation and amortization	47,993	52,313
Loss (gain) on step acquisitions	(2,826)	–
Interest and dividend income	(860)	(2,870)
Interest expenses	3,031	4,533
Loss (gain) on sale and retirement of fixed assets	(1,465)	(15,834)
Share of loss (profit) of investments accounted for using equity method	(577)	(490)
Decrease (increase) in trade and other receivables	(343)	2,853
Decrease (increase) in inventories	(6,802)	(31,354)
Increase (decrease) in trade and other payables	(12,815)	(2,830)
Increase (decrease) in retirement benefit liability	271	(1,500)
Decrease (increase) in retirement benefit asset	(281)	1,156
Increase (decrease) in provisions	(3,633)	(2,333)
Other	(3,077)	(8,266)
Subtotal	122,251	136,682
Interest received	699	2,840
Dividends received	161	30
Interest paid	(2,492)	(4,070)
Income taxes paid	(5,363)	(80,539)
Net cash provided by operating activities	115,256	54,943
Cash flows from investing activities		
Payments into time deposits	–	(2,137)
Purchase of property, plant and equipment	(29,956)	(33,953)
Proceeds from sale of property, plant and equipment	2,178	19,840
Purchase of intangible assets	(16,717)	(15,234)
Purchase of investment securities	(273)	(3,583)
Proceeds from sales of investments	7,747	–
Payments for acquisition of subsidiaries	(21,587)	(3,909)
Proceeds from sale of subsidiaries	724	–
Other	760	1,116
Net cash used in investing activities	(57,124)	(37,860)

(Millions of yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings and commercial papers	(5,356)	(81)
Repayments of lease liabilities	(12,801)	(14,938)
Proceeds from issuance of bonds	56,161	–
Redemption of bonds	–	(40,000)
Repayments of long-term borrowings	(15,006)	–
Dividends paid	(15,428)	(17,822)
Dividends paid to non-controlling interests	(188)	(226)
Payments for purchase of treasury shares	(1,801)	(33,237)
Change in deposits due to the purchase of treasury shares	(13,199)	(6,762)
Other	(1,695)	632
Net cash provided by (used in) financing activities	(9,313)	(112,434)
Effect of exchange rate changes on cash and cash equivalents	8,793	4,102
Net increase (decrease) in cash and cash equivalents	57,612	(91,249)
Cash and cash equivalents at beginning of period	217,478	302,572
Cash and cash equivalents at end of period	275,090	211,323

(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 February 10, 2023.

(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 second quarter 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 six months ended September 30, 2022. 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 nine months ended December 31, 2021 and the third quarter ended December 31, 2021 have been reclassified in line with the presentation style for the nine months ended December 31, 2022 and the third quarter ended December 31, 2022.

(Condensed Quarterly Consolidated Statements of Cash Flows)

(Cash flows from operating activities)

In the nine months ended December 31, 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 nine months ended December 31, 2022. To reflect this change in the presentation method, we have reorganized our Condensed Consolidated Financial Statements for the nine months ended December 31, 2021.

As a result, in the Condensed Consolidated Statements of Cash Flows for the nine months ended December 31, 2021, negative ¥4,542 million presented as “Other” in “Cash flows from operating activities” was reorganized into “Loss (gain) on sale and retirement of fixed assets” of negative ¥1,465 million and “Other” of negative ¥3,077 million.

(Cash flows from investing activities)

In the nine months ended December 31, 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 nine months ended December 31, 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 nine months ended December 31, 2022. To reflect this change in the presentation method, we have reorganized our Condensed Consolidated Financial Statements for the nine months ended December 31, 2021.

As a result, the negative ¥273 million which had previously been displayed in the “Other” category of “Cash flows from investing activities” has been listed independently as negative ¥273 million in “Purchase of investment securities,” and the negative ¥129 million in “Payments for loans receivable” and ¥889 million in “Collection of loans receivable” have been reorganized into “Other,” resulting in a reorganization of ¥760 million.

(Significant accounting policies)

The significant accounting policies adopted for the condensed quarterly consolidated financial statements of the Olympus Group for the nine months ended December 31, 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 (Significant accounting policies).

Nine months ended December 31, 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	333,701	203,714	9,769	547,184	–	547,184
Intersegment revenue (Note 1)	–	–	291	291	(291)	–
Total revenue	333,701	203,714	10,060	547,475	(291)	547,184
Operating profit (loss)	91,600	43,845	(1,480)	133,965	(31,734)	102,231
Finance income						970
Finance costs						6,191
Profit before tax						97,010
Other items						
Share of profit (loss) of investments accounted for using equity method	624	(47)	–	577	–	577
Depreciation and amortization	24,840	12,438	857	38,135	4,793	42,928
Impairment losses	1,898	417	–	2,315	862	3,177

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.

Nine months ended December 31, 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	398,990	233,942	8,613	641,545	–	641,545
Intersegment revenue (Note 1)	–	–	211	211	(211)	–
Total revenue	398,990	233,942	8,824	641,756	(211)	641,545
Operating profit (loss)	110,703	48,116	(917)	157,902	(15,330)	142,572
Finance income						2,983
Finance costs						6,185
Profit before tax						139,370
Other items						
Share of profit (loss) of investments accounted for using equity method	490	–	–	490	–	490
Depreciation and amortization	29,271	14,513	887	44,671	4,436	49,107
Impairment losses	907	401	3	1,311	–	1,311

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)	
	Nine months ended December 31, 2021 (April 1, 2021 - December 31, 2021)	Nine months ended December 31, 2022 (April 1, 2022 - December 31, 2022)
Cash and cash equivalents in the condensed quarterly consolidated statements of financial position	275,090	175,748
Cash and cash equivalents included in assets held for sale	-	35,575
Cash and cash equivalents at end of period in the condensed quarterly consolidated statement of cash flows	275,090	211,323

(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 December 31, 2022
ASSETS		
Cash and cash equivalents	-	35,575
Trade and other receivables	-	7,628
Inventories	-	29,353
Land	4,683	1,369
Buildings and structures	2	5,603
Machinery and vehicles	-	2,313
Tools, furniture and fixtures	-	2,765
Construction in progress	-	343
Right-of-use assets	-	6,784
Other property, plant and equipment	-	4,305
Intangible assets	-	13,795
Goodwill	-	2,399
Deferred tax assets	-	2,518
Other financial assets	-	3,860
Other current assets	-	11,709
Other non-current assets	-	1,954
Total	4,685	132,273
Liabilities		
Trade and other payables	-	1,603
Accrued expenses	-	9,637
Provisions	-	636
Deferred tax liabilities	-	2,856
Other financial liabilities	-	8,053
Other current liabilities	-	7,752
Other non-current liabilities	-	2,262
Total	-	32,799

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 December 31, 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, 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 executing date of the transfer is scheduled for March 2023.

(Bonds and borrowings)

During the nine months ended December 31, 2021, in order to promote diversification of funds procurement methods, Olympus Corporation issued USD-denominated straight corporate bonds of USD500 million (interest rate of 2.143%, due December 8, 2026) as business funds.

During the nine months ended December 31, 2022, Olympus Corporation redeemed the 22nd unsecured corporate bonds of ¥10,000 million (interest rate 0.22%, due September 20, 2022) and the 24th unsecured corporate bonds of ¥30,000 million (interest rate 0.06%, due December 5, 2022).

(Equity and other equity items)

Nine months ended December 31, 2021 (April 1, 2021 - December 31, 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 nine months ended December 31, 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.

(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 under the provisions of Article 156 of the Companies Act as applied by replacing the relevant terms pursuant to the provisions of Article 459 Section 1 of the Companies Act and Article 32 of Olympus Corporation's Articles of Incorporation, the details of which are as follows.

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

- | | |
|---|---|
| 1. Class of shares: | Common stock of Olympus Corporation |
| 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: | 721,900 shares |
| 2. Total share acquisition value: | ¥1,801 million |
| 3. Acquisition period: | December 21, 2021 to December 31, 2021 |

Nine months ended December 31, 2022 (April 1, 2022 - December 31, 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 nine months ended December 31, 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 and December 9, 2022. Due to this disposal, treasury shares decreased by 93,780 shares during the nine months ended December 31, 2022.

The impact of this disposal is that treasury shares decreased by ¥164 million.

(Purchase of treasury shares)

At a meeting of the Board of Directors held on November 11, 2022, the Company resolved the purchase of treasury shares and the specific means of acquisition as provided for under the provisions of Article 156 of the Companies Act as applied by replacing the relevant terms pursuant to the provisions of Article 459 Section 1 of the Companies Act and Article 32 of Olympus Corporation's Articles of Incorporation, the details of which are as follows.

(1) Details of the resolution passed at the meeting of the Board of Directors held on November 11:

- | | |
|---|---|
| 1. Class of shares: | Common stock of Olympus Corporation |
| 2. Total number of shares to be acquired: | 21,000,000 shares (maximum) |
| 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 |

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

- | | |
|-------------------------------------|--|
| 1. Total number of shares acquired: | 12,601,000 shares |
| 2. Total share acquisition value: | ¥33,234 million |
| 3. Acquisition period: | November 14, 2022 to December 31, 2022 |

Details regarding the purchase of treasury shares after the nine months ended December 31, 2022 are as described in "Subsequent events (Purchase of treasury shares)" (Page 38).

(Dividends)

Dividends paid are as follows.

Nine months ended December 31, 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

Nine months ended December 31, 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, from the second quarter, the organization has been changed to basically consist of the Endoscopic Solutions Business, Therapeutic Solutions Business, and Others.

The change is due to Olympus Corporation classifying the Scientific Solutions Business as a discontinued 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:

Nine months ended December 31, 2021

	(Millions of yen)			
	Endoscopic Solutions	Therapeutic Solutions	Others	Total
Japan	46,837	34,027	6,154	87,018
North America	115,246	74,313	143	189,702
Europe	85,766	52,967	3,235	141,968
China	49,245	23,463	27	72,735
Asia and Oceania	29,458	15,965	210	45,633
Others	7,149	2,979	0	10,128
Total	333,701	203,714	9,769	547,184

Nine months ended December 31, 2022

(Millions of yen)

	Endoscopic Solutions	Therapeutic Solutions	Others	Total
Japan	48,291	34,133	4,324	86,748
North America	146,234	92,402	104	238,740
Europe	96,995	59,800	3,843	160,638
China	59,113	24,447	31	83,591
Asia and Oceania	37,829	18,814	311	56,954
Others	10,528	4,346	0	14,874
Total	398,990	233,942	8,613	641,545

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.

Nine months ended December 31, 2021 (April 1, 2021 - December 31, 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 (Acquisition of Medi-Tate Ltd.), (3) Gain on step acquisition” (page 34).

(Gain on sale of fixed assets)

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

Nine months ended December 31, 2022 (April 1, 2022 - December 31, 2022)

(Gain on sale of fixed assets)

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

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

Olympus Corporation recognized ¥1,343 million in “Other income” due adjustments to the original acquisition consideration at the time of acquisition resulting from changes in the fair value of the contingent consideration, which makes up part of the acquisition consideration of Medi-Tate Ltd. Details of the changes in the fair value are described in “Business combinations (Contingent consideration of Medi-Tate Ltd.)” (page 37).

(2) Other expenses

Major items of other income are as follows.

Nine months ended December 31, 2021 (April 1, 2021 - December 31, 2021)

(Business restructuring expenses)

Olympus Corporation recorded ¥5,759 million for the cost related to promotion of the business transformation plan “Transform Olympus” in “Other expenses.”

(Impairment losses)

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

Nine months ended December 31, 2022 (April 1, 2022 - December 31, 2022)

(Business restructuring expenses)

Olympus Corporation recorded ¥2,211 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

	Nine months ended December 31, 2021 (April 1, 2021 - December 31, 2021)	Nine months ended December 31, 2022 (April 1, 2022 - December 31, 2022)
Basic earnings per share		
Continuing operations	¥64.39	¥82.96
Discontinued operation	¥3.80	¥2.16
Basic earnings per share	¥68.19	¥85.12
Diluted earnings per share		
Continuing operations	¥64.36	¥82.88
Discontinued operation	¥3.80	¥2.16
Diluted earnings per share	¥68.16	¥85.04

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

	(Millions of yen)	
	Nine months ended December 31, 2021 (April 1, 2021 - December 31, 2021)	Nine months ended December 31, 2022 (April 1, 2022 - December 31, 2022)
Profit used to calculate basic earnings per share and diluted earnings per share		
Profit attributable to owners of parent	87,667	108,217
Profit not attributable to common shareholders of parent	-	-
Profit used to calculate basic earnings per share	87,667	108,217
Continuing operations	82,785	105,467
Discontinued operation	4,882	2,750
Adjustment to profit	-	-
Profit used to calculate diluted earnings per share	87,667	108,217
Continuing operations	82,785	105,467
Discontinued operation	4,882	2,750

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	1,285,571 thousand shares	1,271,290 thousand shares
Increase in number of shares of common stock		
Subscription rights to shares relating to stock options	492 thousand shares	392 thousand shares
Common stock relating to PSU	-	479 thousand shares
Common stock relating to RSU	192 thousand shares	395 thousand shares
Average number of shares of diluted common stock during the period	1,286,255 thousand shares	1,272,556 thousand shares

(Cash flow information)

Nine months ended December 31, 2021 (April 1, 2021 - December 31, 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 Condensed Quarterly Consolidated Statements 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 Condensed Quarterly Consolidated Statements of Profit or Loss.

Nine months ended December 31, 2022 (April 1, 2022 - December 31, 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 nine months ended December 31, 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, etc. is classified as level 3 and stated at the estimates of future payability.

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

As of March 31, 2022

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

As of December 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	–	5,894	–	5,894
Equity securities and others	–	–	1,069	1,069
Financial assets measured at fair value through other comprehensive income				
Equity securities	424	–	6,580	7,004
Financial liabilities				
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities	–	3,558	–	3,558
Contingent consideration	–	–	8,643	8,643

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

	(Millions of yen)	
	Nine months ended December 31, 2021 (April 1, 2021 - December 31, 2021)	Nine months ended December 31, 2022 (April 1, 2022 - December 31, 2022)
Balance at April 1	2,348	3,895
Gains and losses (Note)		
Profit or loss	(163)	81
Other comprehensive income	34	27
Purchases	266	3,583
Transfer to investments accounted for using the equity method	(598)	–
Other	12	63
Balance at December 31	1,899	7,649

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 gain of ¥32 million and a gain of ¥81 million in the nine months ended December 31, 2021 and the nine months ended December 31, 2022 under review, respectively.

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

(Millions of yen)

	Nine months ended December 31, 2021 (April 1, 2021 - December 31, 2021)	Nine months ended December 31, 2022 (April 1, 2022 - December 31, 2022)
Balance at April 1	3,608	6,100
Business combinations, etc.	2,792	4,083
Settlement	—	(580)
Change in fair value	(101)	(1,253)
Other	24	293
Balance at December 31	6,323	8,643

(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 December 31, 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Lease receivables	50,517	50,513	58,513	58,495
Financial liabilities				
Bonds	180,322	178,341	145,654	139,308
Borrowings	145,903	146,336	147,197	147,018

(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. Due to this, profit (loss) from the Scientific Solutions Business has been classified as profit (loss) from discontinued operation from the second quarter, and it has been presented in the same manner for the nine months ended December 31, 2022 and the nine months ended December 31, 2021. The executing date of the transfer is scheduled for March 2023.

(2) Profit (loss) of discontinued operation

Profit (loss) of discontinued operation is as follows.

	(Millions of yen)	
	Nine months ended December 31, 2021 (April 1, 2021 - December 31, 2021)	Nine months ended December 31, 2022 (April 1, 2022 - December 31, 2022)
Revenue	82,573	91,011
Cost of sales	36,801	41,646
Gross profit	45,772	49,365
Selling, general and administrative expenses	34,507	39,630
Other income	185	72
Other expenses (Note)	4,771	8,326
Operating profit	6,679	1,481
Finance income	5	562
Finance costs	59	109
Profit before tax	6,625	1,934
Income taxes	1,743	(816)
Profit from discontinued operation	4,882	2,750

Note: Other expenses include ¥4,127 million and ¥8,165 million in the nine months ended December 31, 2021 and the nine months ended December 31, 2022 under review, respectively, 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)	
	Nine months ended December 31, 2021 (April 1, 2021 - December 31, 2021)	Nine months ended December 31, 2022 (April 1, 2022 - December 31, 2022)
Cash flows of discontinued operation		
Net cash provided by (used in) operating activities	6,772	(13,651)
Net cash used in investing activities	(4,597)	(8,212)
Net cash used in financing activities	(665)	(1,366)

(Business combinations)

Nine months ended December 31, 2021 (April 1, 2021 - December 31, 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 USD40,000 thousand. In terms of hierarchical level, the fair value of the contingent consideration is level 3, which is the fair value calculated from valuation techniques that include inputs that are not based on observable market data. The amount of change in fair value of the contingent consideration includes the recording of the impact of changes in the time value of money as “Finance costs” and other impacts 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.

Furthermore, the profit or loss information under the assumption that the said business combination was conducted at the beginning of the fiscal year under review has not been reviewed by an audit corporation's quarterly review.

Nine months ended December 31, 2022 (April 1, 2022 - December 31, 2022)

(Acquisition of Odin Medical Ltd.)

(1) Outline of business combination

1) Name and description of acquired business

Name of acquired business	Odin Medical Ltd. (hereinafter "Odin")
Description of business	Development of cloud AI-enabled applications for endoscopes

2) Primary reason for business combination

Odin, which is affiliated with the Wellcome / EPSRC Centre for Interventional and Surgical Sciences (WEISS) at University College London (UCL), was founded by renowned clinicians and artificial intelligence experts to develop next-generation cloud AI-enabled applications for endoscopy. By incorporating Odin's solutions, which utilize surgical and clinical data collected and analyzed in real time, Olympus Corporation aims not only to reduce the administrative burden on health care workers and support decision-making in clinical settings, but also to support health care workers to provide better medical care to patients.

3) Acquired ratio of holding capital with voting rights

100%

4) Acquisition date

December 19, 2022

5) Acquisition method to govern the acquired company

Cash consideration for the acquisition of shares

(2) Acquisition-related expense

The acquisition-related expense of ¥199 million has been booked in "Selling, general and administrative expenses."

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

	(Millions of yen)
	Amount
Fair value of consideration paid	
Cash	3,982
Contingent consideration	4,095
Total	8,077
Fair value of assets acquired and liabilities assumed	
Cash and cash equivalents	88
Other current assets	0
Property, plant and equipment	3
Intangible assets	12
Trade and other payables	(3)
Other current liabilities	(74)
Other non-current liabilities	0
Fair value of assets acquired and liabilities assumed, net	26
Goodwill	8,051
Total	8,077

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

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

(4) Contingent consideration

The contingent consideration is a milestone payment subject to the obtaining of approval for development made by Odin, and the payment is calculated by taking into consideration the possibility of obtaining the approval for the development and time value of money. The payment limit is GBP33,000 thousand.

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

(5) Impacts on the Olympus Group

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

Furthermore, the profit or loss information under the assumption that the said business combination was conducted at the beginning of the fiscal year under review has not been reviewed by an audit corporation’s quarterly review.

(Contingent consideration of Medi-Tate Ltd.)

With regard to the contingent consideration recognized from the acquisition of Medi-Tate Ltd. carried out in the previous fiscal year, due to the delay from the initial plan in obtaining approval as part of

development activities, we have lowered the fair value from the balance of ¥2,699 million at the beginning of the fiscal year to ¥1,953 million in the nine months ended December 31, 2022. Of the ¥746 million difference, the amount of impact of changes in the time value of money of ¥341 million (Note 1) was recorded as “Finance costs” in the condensed quarterly consolidated statements of profit or loss, the amount of impact of ¥1,343 million due to the review of the fair value itself (Note 2) was recorded as “Other income” in the condensed quarterly consolidated statements of profit or loss, and the amount of impact of exchange rate fluctuations of ¥255 million was recorded as “Exchange differences on translation of foreign operations” in the condensed quarterly consolidated statements of comprehensive income, respectively.

Notes:

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

(Contingent liabilities)

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

(Subsequent events)

(Purchase of treasury shares)

At a meeting of the Board of Directors held on November 11, 2022, the Company resolved the purchase of treasury shares and the specific means of acquisition as provided for under the provisions of Article 156 of the Companies Act as applied by replacing the relevant terms pursuant to the provisions of Article 459 Section 1 of the Companies Act and Article 32 of Olympus Corporation’s Articles of Incorporation, the details of which are as follows. As of January 16, 2023, all purchases of treasury shares have been completed.

(1) Details of the resolution passed at the meeting of the Board of Directors held on November 11:

- | | |
|---|---|
| 1. Class of shares: | Common stock of Olympus Corporation |
| 2. Total number of shares to be acquired: | 21,000,000 shares (maximum) |
| 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 |

(2) Treasury shares acquired based on the above resolution by the Board of Directors after the nine months ended December 31, 2022

- | | |
|-------------------------------------|-------------------------------------|
| 1. Total number of shares acquired: | 7,112,300 shares |
| 2. Total share acquisition value: | ¥16,766 million |
| 3. Acquisition period: | January 1, 2023 to January 16, 2023 |

Details regarding the purchase of treasury shares in the nine months ended December 31, 2022 are as described in “Equity and other equity items (Purchase of treasury shares)” (page 22).