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Consolidated Financial Results for the Fiscal Year Ended March 31, 2018 <under IFRS>

May 11, 2018

Company Name: Olympus Corporation
Code Number: 7733
(URL: http://www.olympus.co.jp/)
Stock Exchange Listing: First Section of Tokyo Stock Exchange
Representative: Hiroyuki Sasa, Representative Director, President
Contact: Takayuki Aoyagi, General Manager, Accounting Department
Phone: 03-3340-2111

Scheduled date of General Meeting of Shareholders:	June 26, 2018
Scheduled date to submit the Securities Report:	June 26, 2018
Scheduled date to commence dividend payments:	June 27, 2018
Presentation of supplementary material on financial results:	Yes
Holding of 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 Fiscal Year Ended March 31, 2018 (From April 1, 2017 to March 31, 2018)

(1) Consolidated Results of Operations

(% indicate changes from the previous fiscal year)

	Revenue		Operating profit		Profit before tax		Profit		Profit attributable to owners of parent		Total comprehensive income	
Fiscal year ended	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%
March 31, 2018	786,497	6.2	81,029	13.8	76,665	22.7	57,092	33.4	57,064	33.4	61,266	74.8
March 31, 2017	740,557	–	71,192	–	62,481	–	42,810	–	42,783	–	35,043	–

	Basic earnings per share	Diluted earnings per share	Ratio of equity attributable to owners of parent to profit	Ratio of profit before tax to total assets	Ratio of operating profit to revenue
Fiscal year ended	(¥)	(¥)	%	%	%
March 31, 2018	166.84	166.77	13.6	7.9	10.3
March 31, 2017	125.01	124.96	11.3	6.5	9.6

Note: Share of profit (loss) of investments accounted for using equity method:
Fiscal year ended March 31, 2018: ¥(47) million Fiscal year ended March 31, 2017: ¥(1,253) million

(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	Equity attributable to owners of parent per share
As of	(¥ million)	(¥ million)	(¥ million)	%	(¥)
March 31, 2018	978,663	444,259	442,793	45.2	1,297.01
March 31, 2017	960,032	396,228	394,751	41.1	1,153.45

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of year
Fiscal year ended	(¥ million)	(¥ million)	(¥ million)	(¥ million)
March 31, 2018	95,146	(53,312)	(51,058)	191,239
March 31, 2017	102,052	(20,814)	(43,615)	199,465

2. Dividends

	Annual dividends per share					Total amount of cash dividends	Payout ratio	Ratio of dividends to equity attributable to owners of parent
	First quarter	Second quarter	Third quarter	Year-end	Total	(Annual)	(Consolidated)	(Consolidated)
	(¥)	(¥)	(¥)	(¥)	(¥)	(¥ million)	%	%
Fiscal year ended March 31, 2017	–	0.00	–	28.00	28.00	9,583	22.4	2.5
Fiscal year ended March 31, 2018	–	0.00	–	28.00	28.00	9,559	16.8	2.3
Fiscal year ending March 31, 2019 (Forecast)	–	0.00	–	30.00	30.00		17.4	

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending March 31, 2019 (From April 1, 2018 to March 31, 2019)

(% indicate changes from 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	800,000	1.7	81,000	(0.0)	76,000	(0.9)	59,000	3.4	172.50

* Notes

(1) Changes in significant subsidiaries during the fiscal year 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 stock)

As of March 31, 2018	342,691,224 shares
As of March 31, 2017	342,671,508 shares

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

As of March 31, 2018	1,295,351 shares
As of March 31, 2017	435,289 shares

3) Average number of shares during the period

Fiscal year ended March 31, 2018	342,024,300 shares
Fiscal year ended March 31, 2017	342,236,163 shares

Reference: Summary of Non-Consolidated Financial Results

Financial results for the Fiscal Year ended March 31, 2018 (From April 1, 2017 to March 31, 2018)

(1) Non-Consolidated Results of Operations (% indicate changes from the previous fiscal year)

	Revenue		Operating profit		Ordinary profit		Profit	
Fiscal year ended	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%
March 31, 2018	377,538	2.8	12,429	(62.3)	14,090	(82.1)	15,179	(84.7)
March 31, 2017	367,111	(10.0)	32,965	(57.5)	78,543	18.3	99,375	(3.5)

	Basic earnings per share	Diluted earnings per share
Fiscal year ended	(¥)	(¥)
March 31, 2018	44.38	44.36
March 31, 2017	290.37	290.25

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	(¥ million)	(¥ million)	%	(¥)
March 31, 2018	786,533	455,372	57.8	1,332.26
March 31, 2017	805,327	450,993	55.9	1,316.17

Note: Equity as of March 31, 2018: ¥454,829 million March 31, 2017: ¥450,440 million

* Financial results reports are exempt from audit conducted by certified public accountants or an audit corporation.

* Proper use of the forecast of financial results, and other special matters
The forward-looking statements, including forecast of financial results, contained in these materials include predictions about the future based on assumptions, forecasts and plans as of the date of release of these materials. Actual business and other results may differ substantially from the forecasts provided in these materials as a result of risks and uncertainties associated with the global economy, the competitive environment, exchange rate trends and other factors. For information on the forecast of financial results, please refer to page 5.

Attached Material

Contents

1. Overview of Operating Results and Others

(1) Analysis of Business Results

(Review of Operations)

Analysis of the overall operations

(Millions of yen)

	Revenue	Operating profit	Profit before tax	Profit attributable to owners of parent	Basic earnings per share
Fiscal year ended March 31, 2018	786,497	81,029	76,665	57,064	¥166.84
Fiscal year ended March 31, 2017	740,557	71,192	62,481	42,783	¥125.01
Increase (Decrease) ratio (%)	6.2	13.8	22.7	33.4	33.5

Comparison Table of Average Exchange Rate (Yen)

	Current fiscal year	Previous fiscal year
Against the U.S. dollar	110.85	108.38
Against the euro	129.70	118.79

In the global economy during the fiscal year under review, the U.S. economy continued to recover steadily, and there was also a trend of moderate improvement in Europe and China. However, uncertainty over the future continued due to the political trends in the U.S. and Europe and the increasing geopolitical risk in the East Asian and the Middle Eastern regions. In the Japanese economy, amid firm domestic and overseas demand, corporate earnings and employment conditions improved, and a move toward recovery has been seen in private consumption, with the trend of moderate recovery continuing.

Amid this business environment, the Olympus Group continued to work to achieve sustainable growth in the fiscal year under review by strategically investing in growth fields and by implementing operational reforms to pursue business efficiency, in accordance with the "Business to Specialist" Company and One Olympus basic policies of the five-year medium-term management plan, 2016 Corporate Strategic Plan ("16CSP"), which was launched in the fiscal year ended March 31, 2017.

In the Medical Business, we increased the number of employees to strengthen each functional area of the business and enhanced quality assurance (QA) and regulatory assurance (RA). In the surgical field, an area positioned for dramatic growth under 16CSP, we steadily implemented measures aimed at future growth, such as actively introducing new products in Japan and Europe and acquiring US company Image Stream Medical to strengthen the operating room systems integration business, a key strategic area. In the Scientific Solutions Business, we allocated management resources to growth fields based on customer groups and pushed ahead with optimizing the business. In the Imaging Business, we reinforced sales of high-margin mirrorless cameras, and restructured the manufacturing location as stated in "Important Subsequent Event" below. Through these initiatives, we stepped up efforts to create a business structure capable of consistently generating profits.

The Olympus Group's overall consolidated revenue increased to ¥786,497 million (up 6.2% year on year), due to increased sales in the Medical Business and Scientific Solutions Business. Operating profit was ¥81,029 million (up 13.8% year on year), as the recording of temporary expenses related to the restructuring of the manufacturing location in the Imaging Business was offset by increased profits in the Medical Business and Scientific Solutions Business. In addition, the Company posted income taxes of ¥19,573 million. Consequently, profit attributable to owners of parent was ¥57,064 million (up 33.4% year on year).

During the fiscal year under review, the Olympus Group invested ¥89,469 million on research and development, and spent ¥65,255 million on capital investments.

With respect to foreign exchange, the yen depreciated against both the U.S. dollar and the euro in comparison with the previous fiscal year. The average exchange rate during the period was ¥110.85 against the U.S. dollar (¥108.38 in the previous fiscal year) and ¥129.70 against the euro (¥118.79 in the previous fiscal year), which caused revenue and operating profit to up by ¥28,784 million and ¥10,689 million, respectively, year on year.

Analysis of the performance by segment

(Millions of yen)

	Revenue			Operating profit (loss)		
	Previous fiscal year	Current fiscal year	Increase (Decrease) ratio (%)	Previous fiscal year	Current fiscal year	Increase (Decrease) ratio (%)
Medical	570,398	616,331	8.1	114,703	121,784	6.2
Scientific Solutions	93,370	100,016	7.1	5,927	6,425	8.4
Imaging	62,824	60,298	(4.0)	153	(1,200)	–
Others	13,965	9,852	(29.5)	(1,138)	(4,966)	–
Subtotal	740,557	786,497	6.2	119,645	122,043	2.0
Elimination or Unallocation	–	–	–	(48,453)	(41,014)	–
Consolidated total	740,557	786,497	6.2	71,192	81,029	13.8

Note: Businesses are segmented by adding similarities of sales market to the business established based on line of products.

Medical Business

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018	Increase (Decrease)	Increase (Decrease) ratio
Revenue	570,398	616,331	45,933	8.1%
Operating profit	114,703	121,784	7,081	6.2%

Consolidated revenue in the Medical Business amounted to ¥616,331 million (up 8.1% year on year), while operating profit amounted to ¥121,784 million (up 6.2% year on year).

In the gastrointestinal endoscope field, although the mainstay endoscopy platform systems are reaching the second half of their product cycles, steady sales were maintained. In the surgical field, sales of surgical endoscopy systems equipped with 4K technologies, 3D laparoscopy systems, and “THUNDERBEAT” integrated energy device with both advanced bipolar and ultrasonic energy continued to grow. In the therapeutic devices field, sales of “VisiGlide 2” disposable guidewire for use in endoscopic diagnosis and treatment of biliary and pancreatic ducts and others were strong.

Despite a deterioration in the profit due to the effect of the product mix and other factors, operating profit in the Medical Business increased year on year, supported by the effect of the weaker yen.

Scientific Solutions Business

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018	Increase (Decrease)	Increase (Decrease) ratio
Revenue	93,370	100,016	6,646	7.1%
Operating profit	5,927	6,425	498	8.4%

Consolidated revenue in the Scientific Solutions Business amounted to ¥100,016 million (up 7.1% year on year), while operating profit amounted to ¥6,425 million (up 8.4% year on year).

Sales of products for hospitals and life science research were strong in Japan and China. Moreover, in addition to strong sales of industrial microscopes for semiconductor and electrical component inspection, sales of non-destructive testing equipment increased overseas, leading to higher revenue year on year in the Scientific Solutions Business.

Operating profit in the Scientific Solutions Business rose year on year due to the increase in revenue and the effect of the weaker yen.

Imaging Business

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018	Increase (Decrease)	Increase (Decrease) ratio
Revenue	62,824	60,298	(2,526)	(4.0)%
Operating profit (loss)	153	(1,200)	(1,353)	–

Consolidated revenue in the Imaging Business amounted to ¥60,298 million (down 4.0% year on year), while operating loss amounted to ¥1.2 billion (compared with an operating profit of ¥153 million in the previous fiscal year).

In the mirrorless camera field, sales increased as the Olympus Group maintained steady sales of the flagship mirrorless camera “OM-D E-M1 Mark II,” introduced in the previous fiscal year. Meanwhile, in the compact camera field, the Olympus Group limited the number of units sold in line with the contracting market. Consequently, revenue in the Imaging Business overall decreased year on year.

As a result of a decrease in revenues and the recording of costs associated with the restructuring of manufacturing locations, operating loss was recognized in the Imaging Business.

Others

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018	Increase (Decrease)	Increase (Decrease) ratio
Revenue	13,965	9,852	(4,113)	(29.5)%
Operating profit (loss)	(1,138)	(4,966)	(3,828)	–

Consolidated revenue for other businesses amounted to ¥9,852 million (down 29.5% year on year) and operating loss was ¥4,966 million (compared with an operating loss of ¥1,138 million in the previous fiscal year).

Revenue for other businesses declined as a result of having reorganized our non-core business domains through initiatives that included transferring shares in Nippon Outsourcing Corporation, a subsidiary of the Company, on October 31, 2016.

Operating loss worsened because a gain on sale of investments in subsidiaries was recorded in the previous fiscal year but absent in the current fiscal year.

(Forecast for the Fiscal Year Ending March 31, 2019)

Forecast for the overall business and analysis of its preconditions

Looking ahead, the global economy continues to recover at a moderate pace, but there remains a persistent downside risk due to factors such as policy moves by the US government and the outlook for China and other emerging economies. In the Japanese economy, despite the likelihood of ongoing recovery on the back of improved corporate earnings, prospects ahead remain uncertain amid negative factors that include growing uncertainties regarding the global economy and volatility in financial and capital markets.

Given this environment, the Olympus Group will steadily press forward with the 2016 Corporate Strategic Plan (“16CSP”), which is our five-year medium-term management plan drawn up during the fiscal year ended March 31, 2016.

In the Medical Business, we aim to expand the scale of our operations primarily by providing value in terms of both early diagnosis and minimally invasive therapies, by proactively investing in each of this segment’s business units, namely GI (gastrointestinal), Res (respiratory), GS (general surgery), Uro/Gyn (urology/gynecology), ENT (ear nose throat), and Medical Services. We will work to achieve dramatic growth in both the therapeutic devices and surgical fields while maintaining our overwhelming competitive strengths in the gastrointestinal endoscope field, while furthermore taking steps to improve profitability in the Medical Business also by strengthening business involving single-use devices. In the Scientific Solutions Business, we will establish an earnings platform by promoting strategies oriented to customer groups, while also taking steps geared to enhancing shared business functions and streamlining operations through globally integrated management. In the Imaging Business, we will further boost business efficiency aiming at the establishment of a profitable operating structure.

The forecast for consolidated financial results in the fiscal year ending March 31, 2019 is as follows.

(Millions of yen)

	Revenue	Operating profit	Profit before tax	Profit attributable to owners of parent
Fiscal year ending March 31, 2019	800,000	81,000	76,000	59,000

Revenue is expected to increase on the back of growth in the Medical Business. On the profit front, despite expecting increased profits from the Medical Business, the Company expects operating profit and profit before tax to be level with the previous fiscal year due to expectations of a strong yen and the recognition of one-time costs being incurred as a result of the restructuring of manufacturing locations. Profit attributable to owners of parent is expected to rise after taking into account a decrease in tax expenses and other factors.

Foreign exchange rates for the fiscal year ending March 31, 2019, which are a precondition for the forecast, are expected to be ¥105 per U.S. dollar and ¥130 per euro.

(2) Analysis of Financial Position and Cash Flows

Analysis of assets, liabilities and equity

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018	Increase (Decrease)	Increase (Decrease) ratio (%)
Total assets	960,032	978,663	18,631	1.9
Total equity	396,228	444,259	48,031	12.1
Equity attributable to owners of parent to total assets	41.1%	45.2%	4.1%	

As of the end of the fiscal year under review, total assets increased ¥18,631 million compared to the end of the previous fiscal year to ¥978,663 million.

As for total assets, inventories increased ¥13,990 million, property, plant and equipment increased ¥8,508 million, other financial assets increased ¥5,824 million, and retirement benefit asset increased ¥4,970 million. On the other hand, cash and cash equivalents decreased ¥8,226 million and deferred tax assets decreased ¥4,302 million.

As for total liabilities, bonds and borrowings in current liabilities increased ¥20,014 million, other current liabilities increased ¥16,060 million, and other non-current liabilities increased ¥6,615 million. On the other hand, bonds and borrowings in non-current liabilities decreased ¥58,010 million and trade and other payables decreased ¥13,275 million. As a result, liabilities decreased ¥294 billion compared to the end of the previous fiscal year to ¥534,404 million

Total equity increased ¥48,031 million compared to the end of the previous fiscal year to ¥444,259 million, primarily due to an increase in retained earnings caused by profit attributable to owners of parent of ¥57,064 million and a decrease in retained earnings caused by dividends of ¥9,583 million.

As a result of the foregoing, equity attributable to owners of parent to total assets increased from 41.1% as of the end of the previous fiscal year to 45.2%.

Analysis of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018	Increase (Decrease)
Cash flows from operating activities	102,052	95,146	(6,906)
Cash flows from investing activities	(20,814)	(53,312)	(32,498)
Cash flows from financing activities	(43,615)	(51,058)	(7,443)
Cash and cash equivalents at end of year	199,465	191,239	(8,226)

“Cash flows from operating activities” increased by ¥95,146 million due to the adjustments for noncash items mainly included the recordings of ¥76,665 million in income before provision for income taxes, ¥52,913 million in depreciation and amortization, and ¥592 million in loss related to securities litigation. Decreasing factors mainly included a decrease in trade and other payables of ¥13,709 million, an increase in inventories of ¥13,249 million, and income taxes paid of ¥19,281 million.

“Cash flows from investing activities” decreased by ¥53,312 million. Decreasing factors mainly included ¥48,855 million in purchase of property, plant and equipment, ¥14,554 million in purchase of intangible assets, and ¥8,636 million in purchase of investments in subsidiaries resulting in change in scope of consolidation. Increasing factors mainly included ¥7,047 million in sales and redemption of investment securities and ¥5,646 million in proceeds from sales of property, plant and equipment.

“Cash flows from financing activities” decreased by ¥51,058 million. Decreasing factors mainly included ¥66,307 million in repayments of long-term borrowings and ¥9,583 million in dividends paid. Increasing factors mainly included ¥23,551 million in proceeds from long-term borrowings and ¥9,946 million in proceeds from issuance of bonds.

As a result, cash and cash equivalents at the end of the current fiscal year reached ¥191,239 million, a decrease of ¥8,226 million compared to the end of the previous fiscal year.

(Indicators)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Ratio of equity attributable to owners of parent to total assets (%)	32.9	38.2	41.1	45.2
Market value ratio of equity attributable to owners of parent to total assets (%)	141.4	149.6	151.0	140.9
Interest-bearing debt to cash flows ratio (years)	5.3	6.6	2.8	2.6
Interest coverage ratio (times)	7.4	6.1	12.9	14.9

Notes: Ratio of equity attributable to owners of parent to total assets: Equity attributable to owners of parent/Total assets
Market value ratio of equity attributable to owners of parent to total assets: Total market capitalization/Total assets
Interest-bearing debt to cash flows ratio: Interest-bearing debt/Cash flow
Interest coverage ratio: Cash flow/Interest payment

1. Each index was calculated by financial index of consolidated basis.
2. Total market capitalization is calculated on the basis of the number of issued shares excluding treasury stock.
3. Cash flows from operating activities are used as “Cash flow” for calculation purposes.
4. Interest-bearing debts include all of those debts reported on the consolidated statements of financial position on which interest is paid.

(3) Basic Strategy for Profit Sharing and Dividend for the Current Fiscal Year and Following Fiscal Year

Aiming to boost the corporate value, premised on securing stable financial base, the Company places priority on investing in growth fields, particularly the Medical Business. Based on this, our basic strategy is to implement dividend distribution in consideration of performance, in order to respond to the expectations of our shareholders.

In accordance with the above policy and in consideration of comprehensive factors that include our consolidated financial results for the fiscal year ended March 31, 2018, the Company's financial standing and future investment in operations, we intend to pay a year-end dividend of ¥28 per share for the fiscal year under review. The annual dividend will therefore amount to ¥28 per share.

With respect to shareholder returns, our objective regarding the total return ratio has been 30% as a guide. Accordingly, we intend to pay a dividend of ¥30 per share for the fiscal year ending March 31, 2019 (year-end dividend of ¥30).

(4) Business Risks

The business performances of the Olympus Group may be materially influenced by various factors which may occur in the future. Listed below are principal business risk factors, aside from managerial decisions made by the Olympus Group, which may give rise to changes in Olympus Group's business performances. The Olympus Group is aware of the possibilities of these risks, will strive to prevent them from occurring, and will deal conscientiously and diligently with any risk that may occur.

The future events described below are based on the judgment of the Olympus Group made as of the end of the fiscal year under review.

(Risks Associated with Selling Activities)

(i) In the Medical Business, if healthcare policy is amended in an unforeseeable and material manner as a result of a healthcare system reform or another change occurs in relation to the medical sector, and the Olympus Group finds it difficult to adapt to such an environmental change, or if the Olympus Group is unable to obtain the licenses and approvals in various countries necessary for its business activities in a timely manner, the Olympus Group's ability to secure its earnings may be adversely affected.

(ii) In the Scientific Solutions Business, system provision to research activities funded by national budgets of countries accounts for a high proportion of earnings of the Olympus Group. Therefore, if such national budgets are curtailed in the wake of unfavorable macroeconomic fluctuations, the Olympus Group's ability to secure its earnings may be adversely affected.

(iii) In the digital camera field of the Imaging Business, market conditions are becoming harsher. If the market contracts more sharply than anticipated, the Olympus Group may be unable to adequately counter the resulting sales decline with the restructuring measures it is currently implementing, and this may adversely affect the Olympus Group's ability to secure its earnings.

(Risks Associated with Production/Development Activities)

(i) Certain production bases of the Group are located in overseas countries. Therefore, depending upon exchange rate trends and other factors, operating costs may increase substantially, and the Olympus Group's ability to secure its earnings may be adversely affected.

(ii) The Olympus Group relies on certain specific suppliers to consistently develop and produce those products and parts which it cannot develop or produce internally. Hence, if the Group is subjected to constraints on procurement of such products and parts according to the said suppliers' convenience, the Olympus Group's ability to produce and supply them may be adversely affected.

(iii) The Olympus Group and its manufacturing contractors manufacture their products in accordance with exacting quality standards. However, if any product deficiency occurs, not only substantial costs including those of a recall would be incurred but also the market's confidence in the Olympus Group would be undermined, and the Olympus Group's ability to secure its earnings may be adversely affected.

(iv) The Olympus Group is continuing to advance development of products using cutting-edge technologies. However, if technological progress occurs so fast and market changes cannot be predicted adequately, that the Group is unable to develop new products adequately meeting customers' needs in a timely manner, the Olympus Group's ability to secure its earnings may be adversely affected.

(v) The Olympus Group, in conducting R&D and production activities, uses various intellectual property rights, and believes that the Group lawfully owns or is licensed to use such rights. However, if any third party asserts that the Group has unknowingly infringed any of these intellectual property rights and if any litigation occurs, the Olympus Group's ability to secure its earnings may be adversely affected.

(Risks Associated with Business Collaborations and Corporate Acquisitions)

(i) The Olympus Group has built long-term strategic partnerships with advanced enterprises in the industry on technologies and product development. If the Group can no longer maintain such partnerships due to occurrence of a financial or any other business-related problem or change of its goals, the business activities of the Group may be adversely affected.

(ii) The Olympus Group may acquire a business enterprise in order to expand its business. If the Group is unable to integrate the acquired business in line with the Group's management strategy or utilize management resources in an efficient manner as to the existing business or the acquired business, the Group's business may be adversely affected or its business performances and financial position may be adversely affected due to impairment of goodwill, loss on business sale or liquidation resulting from business restructuring and the like, or other related expenses.

(iii) The Olympus Group holds investment securities and other such instruments for policy investment purposes which include facilitating business alliances. As such, the Group's business performance and financial position could be adversely affected under a situation involving considerable volatility with respect to stock prices and valuations of such investments brought about by developments that include market fluctuations and changes in the financial position of entities targeted for investment.

(Risks Associated with Financing)

Since the Olympus Group carries out financing by borrowing from financial institutions, etc. and issuance of bonds, changes in the environment for the financial markets may have an impact on the Group's financing. Furthermore, if the Group's financing costs rise as a result of such factors as deterioration in its business performances, this may also have an adverse impact on the Group's financing.

(Risks Associated with Leakage of Information)

The Olympus Group possesses important confidential information regarding such matters as technology, as well as the personal information of its customers and other related parties. In order to prevent external leakages of this information, the Group takes various countermeasures including the establishment of internal regulations, the thorough promotion of employee training, and the strengthening of security systems. Even so, in the case that such information is leaked due to unanticipated circumstances, the Group’s business performances and financial position may be adversely affected by such factors as damage to the Group’s corporate value, loss of social credibility, and payment of compensation to customers and related parties affected by such information leakage.

(Risks Associated with Past Postponing of Recognition of Losses)

As a result of inappropriate financial reporting by the Company, the Company’s shareholders and others claimed compensation for damages from the Company or filed lawsuits. These actions could have an adverse impact on the Olympus Group’s business performance and financial position. The inappropriate financial reporting relates to the Company’s postponing of recognition of losses on securities investments, etc. in past times since around the 1990s, and the Company’s use, by means such as going through multiple funds, of both the fees paid to financial advisors and funds to buy back preferred stock in relation to the acquisition of Gyrus Group PLC, as well as the acquisition funds of three domestic companies (Altis Co., Ltd., NEWS CHEF, Inc. and Humalabo Co., Ltd.), partly to resolve unrealized losses on investment securities by such postponing of the recognition of these losses. The total amount of claims against the Company in pending lawsuits at the time of disclosure of the financial results report is ¥28,288 million. The following major lawsuits have been filed against the Company.

On April 7, 2014 (the date of the service of the complaint was April 17, 2014), a total of six banks including Mitsubishi UFJ Trust and Banking Corporation and five other trust banks filed a lawsuit against the Company seeking compensation for damages by payment of ¥27,915 million and the interest accrued to the damages incurred relating to each of the shares at the rate of 5% per annum for the period from the day immediately following the share acquisition trade date of each of the shares that incurred losses up to the payment of the incurred losses of the shares.

(Risks Associated with Internal Control System)

The Olympus Group has developed a system for ensuring appropriate and reliable financial reporting and valid and efficient work processes, which it operates and continuously improves. However, it is possible that no matter how effective the internal control system constructed by the Group, actions arising from malicious intent or gross negligence on the part of employees, or changes in the business environment that were not envisaged at the time of the internal control system’s construction, or various other factors, could cause the system to fail. Therefore, there is the potential for an issue arises in the future with regard to violation of laws and regulations. If such an issue were to arise, the Company may be obliged to pay fines due to administrative action, penalties due to criminal proceedings, or damages and so forth due to civil lawsuits. Moreover, the Company may suffer an adverse impact on its business from a loss of social trust. Such events could have an adverse impact on the Company’s operating results.

(Risks Relating to Laws and Regulations)

We operate our businesses globally, including our medical business, which is a regulated business. We are subject to various laws, including the Antimonopoly Act of Japan and the laws on medical care of Japan and similar laws in other countries and jurisdictions, as well as the anti-bribery provisions of the U.S. Foreign Corrupt Practices Act of 1977 (FCPA), the U.K. Anti-Bribery Act and other anti-bribery laws in other countries and jurisdictions. We are also subject to various laws targeting fraud and abuse in the healthcare industry, including the Act Against Unjustifiable Premiums and Misleading Representations in Japan and the Anti-Kickback Statute and the False Claims Act in the United States.

With respect to the medical business, because government-sponsored healthcare systems have developed around the world, our group companies and many of their distributors and suppliers do business with government affiliated entities, healthcare providers and officials. Our group companies and their distributors and suppliers operate in countries or jurisdictions where there has been governmental corruption in the past, and in certain circumstances strict compliance with anti-bribery laws may conflict with local customs and practices. In addition, the various laws and regulations targeting fraud and abuse in the healthcare industry are wide-ranging and subject to changing interpretation and application, which could restrict our sales or marketing practices.

Violations of these laws may be punishable by criminal or civil fines, imprisonment and/or exclusion from participation in certain national healthcare programs. Furthermore, since many of our customers rely on reimbursement from public health insurance and other government programs to subsidize their medical expenditures, if our participation in such programs would be restricted as a result of a violation of these laws, that could adversely affect the demand for our products and the number of procedures performed using our devices.

We strive to fully comply with these laws, but if we engaged in conduct that violated them, regardless of whether we intentionally violated them or not, that may affect our business, financial condition, results of operations and cash flows as well as the price of shares of our common stock.

Furthermore, an overseas subsidiary of the Company, in February 2016, agreed to enter into a Deferred Prosecution Agreement with the DOJ in connection with suspicion of violation of the Anti-Kickback Statute, the U.S. False Claims Act, and the FCPA, concerning past activities related to the Medical Business. Moving forward, if we engage in conduct that violates these laws, we will not only receive sanctions related to said violation, but also prosecution will be carried out related to the past case in which the Company was subject to deferred prosecution, and this may affect our business, financial condition, results of operations and cash flows as well as the price of shares of our common stock.

(Risks Relating to Duodenoscopes)

In March and August 2015, a subpoena was issued to Olympus Medical Systems Corp., a subsidiary of ours by the U.S. Department of Justice, seeking information relating to duodenoscopes that the Olympus Group manufactures and sells, and the Department continues investigation of the facts. In addition, the Olympus Group has been named as defendants in civil lawsuits in the United States alleging that the plaintiffs were harmed by our group’s duodenoscopes at the time of disclosure of the financial results report. Depending on the developments in these matters, our consolidated results of operations and financial condition may be affected.

(Other Comprehensive Risks)

Through its domestic and overseas subsidiaries and affiliates, etc., the Company operates its various businesses globally. These may be the subject of various investigations, as needed, by domestic and overseas authorities, and may have consultations with or report to authorities with respect to compliance with laws and regulations (for example in response to the examination regarding compliance with antimonopoly acts and acts related to pharmaceutical and medical device or in voluntary disclosure to the U.S. Department of Justice regarding compliance with the Foreign Corrupt Practices Act). As such, the Company’s ability to secure its earnings may be adversely affected depending upon the results of such investigations and consultations. In addition, if any natural disaster, disease, war, or terrorist attack occurs, or if interest rates rise or exchange rates fluctuate beyond its expectations, the Olympus Group’s ability to secure its earnings may be adversely affected.

2. Basic Rationale for Selecting the Accounting Standards

The Olympus Group has voluntarily applied the International Financial Reporting Standards (IFRS) from the first quarter of the fiscal year ended March 31, 2018, with the aim of improving the international comparability of financial information in the capital market, improving the effectiveness of corporate management by applying one unified accounting rule in the Group, and reinforcing governance.

3. Consolidated Financial Statements and Significant Notes Thereto

(1) Consolidated Statements of Financial Position

(Millions of yen)

	IFRS transition date (April 1, 2016)	As of March 31, 2017	As of March 31, 2018
ASSETS			
Current assets			
Cash and cash equivalents	166,379	199,465	191,239
Trade and other receivables	159,125	157,469	157,339
Other financial assets	2,498	1,618	7,442
Inventories	112,265	125,319	139,309
Income taxes receivable	14,282	5,146	4,127
Other current assets	14,497	12,902	14,487
Subtotal	469,046	501,919	513,943
Non-current assets held for sale	–	3,828	348
Total current assets	469,046	505,747	514,291
Non-current assets			
Property, plant and equipment	158,816	159,735	168,243
Goodwill	97,190	95,568	97,208
Intangible assets	83,941	75,858	73,371
Retirement benefit asset	24,510	24,544	29,514
Investments accounted for using equity method	1,926	51	44
Trade and other receivables	18,706	18,303	17,971
Other financial assets	77,273	37,895	39,683
Deferred tax assets	43,866	41,437	37,135
Other non-current assets	1,700	894	1,203
Total non-current assets	507,928	454,285	464,372
Total assets	976,974	960,032	978,663

(Millions of yen)

	IFRS transition date (April 1, 2016)	As of March 31, 2017	As of March 31, 2018
LIABILITIES AND EQUITY			
Liabilities			
Current liabilities			
Trade and other payables	75,404	70,834	57,559
Bonds and borrowings	56,570	68,777	88,791
Other financial liabilities	11,834	11,018	8,793
Income taxes payable	9,121	11,710	9,467
Provisions	4,070	5,675	6,814
Other current liabilities	121,106	118,436	134,496
Total current liabilities	278,105	286,450	305,920
Non-current liabilities			
Bonds and borrowings	263,731	217,193	159,183
Other financial liabilities	7,574	6,926	7,379
Retirement benefit liability	38,751	37,872	39,145
Provisions	365	425	785
Deferred tax liabilities	10,604	9,565	10,004
Other non-current liabilities	11,262	5,373	11,988
Total non-current liabilities	332,287	277,354	228,484
Total liabilities	610,392	563,804	534,404
Equity			
Share capital	124,520	124,520	124,560
Capital surplus	91,368	91,779	91,502
Treasury shares	(1,122)	(1,122)	(4,775)
Other components of equity	21,378	(5,652)	(5,810)
Retained earnings	128,988	185,226	237,316
Total equity attributable to owners of parent	365,132	394,751	442,793
Non-controlling interests	1,450	1,477	1,466
Total equity	366,582	396,228	444,259
Total liabilities and equity	976,974	960,032	978,663

(2) Consolidated Statements of Profit or Loss

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 20178
Revenue	740,557	786,497
Cost of sales	262,071	276,013
Gross profit	478,486	510,484
Selling, general and administrative expenses	397,697	426,596
Share of profit (loss) of investments accounted for using equity method	(1,253)	(47)
Other income	5,650	7,905
Other expenses	13,994	10,717
Operating profit	71,192	81,029
Finance income	2,166	2,685
Finance costs	10,877	7,049
Profit before tax	62,481	76,665
Income taxes	19,671	19,573
Profit	42,810	57,092
Profit attributable to:		
Owners of parent	42,783	57,064
Non-controlling interests	27	28
Profit	42,810	57,092
Earnings per share		
Basic earnings per share	¥125.01	¥166.84
Diluted earnings per share	¥124.96	¥166.77

(3) Consolidated Statements of Comprehensive Income

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 20178
Profit	42,810	57,092
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	1,135	3,562
Remeasurements of defined benefit plans	2,719	3,240
Share of other comprehensive income of associates accounted for using equity method	–	–
Total of items that will not be reclassified to profit or loss	3,854	6,802
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	(12,782)	(3,568)
Cash flow hedges	1,147	952
Share of other comprehensive income of associates accounted for using equity method	14	(12)
Total of items that may be reclassified to profit or loss	(11,621)	(2,628)
Total other comprehensive income	(7,767)	4,174
Comprehensive income	35,043	61,266
Comprehensive income attributable to:		
Owners of parent	35,026	61,234
Non-controlling interests	17	32
Comprehensive income	35,043	61,266

(4) Consolidated Statements of Changes in Equity

Fiscal year ended March 31, 2017

(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, 2016	124,520	91,368	(1,122)	21,378	128,988	365,132	1,450	366,582
Profit					42,783	42,783	27	42,810
Other comprehensive income				(7,757)		(7,757)	(10)	(7,767)
Comprehensive income	–	–	–	(7,757)	42,783	35,026	17	35,043
Change in scope of consolidation						–	438	438
Purchase of treasury shares			(8)			(8)		(8)
Disposal of treasury shares		3	8			11		11
Dividends from surplus					(5,818)	(5,818)	(59)	(5,877)
Transfer from other components of equity to retained earnings				(19,273)	19,273	–		–
Share-based payment transactions		126				126		126
Equity transactions with non-controlling interests		282				282	(369)	(87)
Total transactions with owners	–	411	0	(19,273)	13,455	(5,407)	10	(5,397)
Balance at March 31, 2017	124,520	91,779	(1,122)	(5,652)	185,226	394,751	1,477	396,228

Fiscal year ended March 31, 2018

(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, 2017	124,520	91,779	(1,122)	(5,652)	185,226	394,751	1,477	396,228
Profit					57,064	57,064	28	57,092
Other comprehensive income				4,170		4,170	4	4,174
Comprehensive income	–	–	–	4,170	57,064	61,234	32	61,266
Purchase of treasury shares			(3,663)			(3,663)		(3,663)
Disposal of treasury shares		(10)	10			0		0
Dividends from surplus					(9,583)	(9,583)	(79)	(9,662)
Transfer from other components of equity to retained earnings				(4,328)	4,328	–		–
Transfer from capital surplus to retained earnings		(281)			281	–		–
Share-based payment transactions	40	50				90		90
Equity transactions with non-controlling interests		(36)				(36)	36	–
Total transactions with owners	40	(277)	(3,653)	(4,328)	(4,974)	(13,192)	(43)	(13,235)
Balance at March 31, 2018	124,560	91,502	(4,775)	(5,810)	237,316	442,793	1,466	444,259

(5) Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 20178
Cash flows from operating activities		
Profit before tax	62,481	76,665
Depreciation and amortization	52,853	52,913
Interest and dividend income	(1,928)	(1,774)
Interest expenses	8,314	6,669
Loss related to securities litigation	6,922	592
Share of loss (profit) of investments accounted for using equity method	1,253	47
Loss (gain) on sales of investments in subsidiaries	(3,892)	(3,035)
Decrease (increase) in trade and other receivables	(1,072)	1,730
Decrease (increase) in inventories	(14,717)	(13,249)
Increase (decrease) in trade and other payables	(618)	(13,709)
Increase (decrease) in retirement benefit liability	(485)	1,167
Decrease (increase) in retirement benefit asset	778	980
Other	17,810	10,841
Subtotal	127,699	119,837
Interest received	774	1,132
Dividends received	1,154	642
Interest paid	(7,902)	(6,375)
Legal settlement compensation received	106	–
Payments for loss on securities litigation	(7,902)	(809)
Loss related to the US Anti-kickback Statute paid	(4,714)	–
Income taxes paid	(7,163)	(19,281)
Net cash provided by operating activities	102,052	95,146
Cash flows from investing activities		
Purchase of property, plant and equipment	(48,665)	(48,855)
Proceeds from sales of property, plant and equipment	954	5,646
Purchase of intangible assets	(11,543)	(14,554)
Proceeds from sales of investments	42,239	7,047
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(41)	(8,636)
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	3,443	2,400
Payments for loans receivable	(7,358)	(1,134)
Collection of loan receivables	19	1,485
Proceeds from government subsidies	–	4,162
Other	138	(873)
Net cash used in investing activities	(20,814)	(53,312)

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 20178
Cash flows from financing activities		
Increase (decrease) in short-term borrowings	(3,933)	(2,608)
Proceeds from long-term borrowings	20,000	23,551
Repayments of long-term borrowings	(20,217)	(66,307)
Proceeds from issuance of bonds	–	9,946
Redemption of bonds	(30,000)	–
Purchase of investments in subsidiaries not resulting in change in scope of consolidation	(86)	–
Payments for purchase of treasury shares	(8)	(3,663)
Dividends paid	(5,818)	(9,583)
Dividends paid to non-controlling interests	(59)	(79)
Other	(3,494)	(2,315)
Net cash used in financing activities	(43,615)	(51,058)
Effect of exchange rate changes on cash and cash equivalents	(4,537)	998
Net increase (decrease) in cash and cash equivalents	33,086	(8,226)
Cash and cash equivalents at beginning of period	166,379	199,465
Cash and cash equivalents at end of period	199,465	191,239

(6) Notes to Consolidated Financial Statements

(Notes on premise of going concern)

No items to report

(Reporting entity)

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

The Olympus Group is principally engaged in the manufacture and sales of medical, scientific, imaging and other products. Details of each business are as described in Note "Segment information, etc."

(Basis of preparation)

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

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

The Olympus Group first adopted IFRS from the first quarter of the fiscal year ending March 31, 2018 with the date of transition to IFRS on April 1, 2016. In the transition to IFRS, the Olympus Group has applied IFRS 1 "First-time Adoption of International Financial Reporting Standards" (hereinafter, "IFRS 1"). Effects of the transition to IFRS on the Olympus Group's financial position, operating results and cash flows and applied exemptions under IFRS 1 are as provided in Note "First-time adoption."

(2) Basis of measurement

The Olympus Group's consolidated financial statements have been prepared on an acquisition cost basis, except for specific financial instruments described in Note "Significant accounting policies."

(3) Functional currency and presentation currency

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

(4) Early adopted standards and interpretations

The Olympus Group has early adopted IFRS 9 "Financial Instruments" (revised in July 2014) (hereinafter, "IFRS 9"), IFRS 15 "Revenue from Contracts with Customers" (issued in May 2014) and "Clarifications to IFRS 15" (issued in April 2016) (hereinafter, "IFRS 15" collectively), from April 1, 2016.

(Significant accounting policies)

(1) Basis of consolidation

1) Subsidiaries

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

Intra-Group balances of receivables and payables and intra-Group transactions, as well as unrealized gains or losses arising from the intra-Group transactions shall be eliminated at the time when consolidated financial statements are prepared.

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

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

If the Group loses control over the subsidiary, gains or losses derived from such loss shall be recognized in profit or loss.

2) Associates

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

Investments in associates include goodwill recognized on acquisition.

(2) Business combinations

Business combinations are accounted for by using the acquisition method. Consideration for an acquisition is measured at the sum of the acquisition-date fair value of the assets transferred, liabilities assumed, and equity instruments issued by the Olympus Group in exchange for the control over the acquiree. Consideration for an acquisition includes contingent consideration. If consideration for an acquisition exceeds the fair value of identifiable assets and liabilities, such excess is recognized as goodwill in the consolidated statements of financial position. If, conversely, the consideration turns out to be less than the fair value, the balance shall be directly recognized in profit or loss in the consolidated statements of profit or loss. Acquisition-related costs incurred shall be recognized in profit or loss.

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

(3) Foreign currency translations

1) Foreign currency transactions

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

2) Financial statements of foreign operations

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

(4) Financial instruments

The Olympus Group has early adopted IFRS 9.

1) Financial assets

(i) Initial recognition and measurement

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

(ii) Classification and subsequent measurement

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

(Financial assets measured at amortized cost)

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

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

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

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

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

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

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

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

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

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

(iii) Impairment of financial assets

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

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

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

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

(iv) Derecognition

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

2) Financial liabilities

(i) Initial recognition and measurement

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

(ii) Classification and subsequent measurement

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

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

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

(iii) Derecognition

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

3) Offsetting financial instruments

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

4) Derivatives and hedge accounting

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

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

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

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

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

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

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

(5) Cash and cash equivalents

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

(6) Inventories

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

(7) Property, plant and equipment

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

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

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

- Buildings and structures: 2 to 50 years
- Machinery and vehicles: 3 to 10 years
- Tools, furniture and fixtures: 2 to 15 years

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

(8) Goodwill

Goodwill is carried at cost less any accumulated impairment losses.

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

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

(9) Intangible assets

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

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

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

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

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

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

(10) Leases

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

1) Leases as lessee

The Olympus Group leases property, plant and equipment or intangible assets as the lessee.

Leased assets and lease obligations in finance lease transactions are recognized at the lower of the fair value of the leased property or the present value of the minimum lease payments. Leased assets are depreciated on a straight-line method over the shorter of their estimated useful lives and lease terms. Furthermore, lease payments are categorized into amounts equivalent to the principal and interest of lease obligations, and the amount equivalent to the interest apportioned to each fiscal period is calculated so as to achieve a constant rate of interest on the lease obligation balance at each period-end, and recognized in profit or loss.

In operating lease transactions, lease payments are recognized as expenses over the lease terms on a straight-line method.

2) Leases as lessor

The Olympus Group leases property, plant and equipment as the lessor.

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

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

(11) Impairment of non-financial assets

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

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

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

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

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

(12) Non-current assets held for sale

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

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

(13) Provisions

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

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

(14) Contingent liabilities

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

(15) Government grants

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

(16) Employee benefits accruals

1) Post-employment benefits

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

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

Discount rate used for discounting to the present value of defined benefit obligations is determined by reference to market yields on high quality corporate bonds of which currency and due date are consistent with those of the post-employment benefit obligations.

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

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

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

2) Short-term employee benefits

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

3) Other long-term employee benefits

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

(17) Equity

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

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

(18) Share-based payment

The Company has following equity-settled stock option plans as incentive plans for its directors (excluding outside directors) and executive officers.

Share options

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

Restricted Share and Performance-Linked Share-Based Remuneration Plan

The Company has introduced a restricted share and performance-linked share-based remuneration plan for Directors (excluding Outside Directors) and Executive Officers (excluding non-residents of Japan) with the aim of enhancing awareness among them toward contributing to sustainable improvement of the corporate value, as well as further enhancing value sharing with our shareholders. The remuneration calculated as described in this plan is recognized in profit or loss as expenses and the correspondent amount is recognized as increases to equity.

(19) Revenue

The Group has early adopted IFRS 15.

With regard to contracts with customers, the Olympus Group recognizes revenue by applying the following steps (except for interest and dividend revenue, etc. under IFRS 9 and lease payments receivable under IAS 17 "Leases").

Step 1: Identify the contract with the customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

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

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

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

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

(20) Finance income and finance costs

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

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

(21) Income taxes

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

1) Current taxes

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

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

2) Deferred taxes

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

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

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

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

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

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

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

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

Quarterly income taxes are calculated based on the estimated average annual effective tax rate.

(22) Earnings per share

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

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

(Significant accounting estimates and associated judgments)

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

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

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

- Scope of subsidiaries and associates (Significant accounting policies (1) Basis of consolidation)
- Accounting for arrangements containing leases (Significant accounting policies (10) Leases)
- Revenue (Significant accounting policies (19) Revenue)

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

- Evaluation of inventories (Significant accounting policies (6) Inventories)

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

- Impairment of non-financial assets (Significant accounting policies (11) Impairment of non-financial assets)

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

- Measurement of provisions (Significant accounting policies (13) Provisions)

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

- Contingent liabilities (Significant accounting policies (14) Contingent liabilities)

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

- Measurement of defined benefit obligation (Significant accounting policies (16) Employee benefits accruals)

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

- Recoverability of deferred tax assets (Significant accounting policies (21) Income taxes)

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

(Consolidated Statements of Profit or Loss)

(1) Selling, general and administrative expenses

Major items of selling, general and administrative expenses are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2017 (April 1, 2016 - March 31, 2017)	Fiscal year ended March 31, 2018 (April 1, 2017 - March 31, 2018)
Personnel expenses	197,359	220,349
Depreciation	30,919	29,373
Advertising and promotion expenses	27,007	26,021

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

(2) Other income and other expenses

1) Other income

Major items of other income are as follows.

Fiscal year ended March 31, 2017 (April 1, 2016 - March 31, 2017)

(Gain on sale of investments in subsidiaries)

The Company recorded gain on sale of investments in subsidiaries of ¥3,892 million in "Other income" in conjunction with sales of all shares of the former subsidiary.

Fiscal year ended March 31, 2018 (April 1, 2017 - March 31, 2018)

(Gain on sale of investments in subsidiaries)

The Company recorded gain on sale of investments in subsidiaries of ¥3,048 million in "Other income" in conjunction with sales of shares of the former subsidiary.

(Gain on sale of fixed assets)

The Company recorded gain on sale of land of ¥1,345 million in "Other income."

2) Other expenses

Major items of other expenses are as follows.

Fiscal year ended March 31, 2017 (April 1, 2016 - March 31, 2017)

(Loss related to securities litigation)

The Company has received claims for compensation for damages from several individual and institutional investors, for losses sustained as a result of the Company's false statements for the purpose of postponing recognition of losses in the Annual Securities Reports, Semi-Annual Securities Reports and Quarterly Securities Reports for the period from the fiscal year ended March 31, 2001 through the first quarter of the fiscal year ended March 31, 2012. The Company recorded ¥6,705 million, which is the amount of settlements paid for some of the claims for damages, and ¥217 million, which is a rational estimate of the amount considered likely to be required to prepare for losses related to litigation, etc., in light of the status of litigation proceedings in "Other expenses."

Fiscal year ended March 31, 2018 (April 1, 2017 - March 31, 2018)

(Business restructuring expenses)

The Company recorded ¥1,351 million for the business restructuring expenses in Europe in "Other expenses."

(Segment information, etc.)

(1) Overview of reportable segments

The reportable segments of the Olympus Group are components of the Company whose separate financial information is available. These segments are periodically evaluated by the Board of Directors in deciding how to allocate management resources and in assessing the performance.

The Olympus Group, based on the four businesses, Medical Business, Scientific Solutions Business, Imaging Business and Others, formulates comprehensive strategies for Japan and abroad with respect to products and services handled and deploys business activities.

Accordingly, the Olympus Group has the abovementioned four businesses as reportable segments.

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

Reportable Segment	Principal products and services
Medical Business	Gastrointestinal endoscopes, surgical endoscopes, endo-therapy devices, ultrasound endoscopes
Scientific Solutions Business	Biological microscopes, industrial microscopes, industrial endoscopes, non-destructive testing equipment
Imaging Business	Digital cameras, voice recorders
Others	Biomedical materials, system development

(2) Revenue and business results for reportable segments

Revenue and other performance of each reportable segment of the Olympus Group are as follows.

Fiscal year ended March 31, 2017

(Millions of yen)

	Reportable Segment					Adjustment (Note 2, 3)	Amount on condensed consolidated financial statements
	Medical	Scientific Solutions	Imaging	Others	Total		
Revenue							
Revenue from outside customers	570,398	93,370	62,824	13,965	740,557	–	740,557
Revenue among segments (Note 1)	0	52	3	767	822	(822)	–
Total	570,398	93,422	62,827	14,732	741,379	(822)	740,557
Operating profit (loss)	114,703	5,927	153	(1,138)	119,645	(48,453)	71,192
Finance income							2,166
Finance costs							10,877
Profit before tax							62,481
Other items							
Share of profit (loss) of investments accounted for using equity method	(955)	9	–	(309)	(1,255)	2	(1,253)
Depreciation and amortization	41,627	6,306	1,972	842	50,747	3,543	54,290
Impairment losses (non-financial assets)	230	–	–	–	230	–	230
Segment assets	593,363	86,483	49,539	11,100	740,485	219,547	960,032
Investments accounted for using equity method	–	51	–	–	51	–	51
Capital expenditures	40,258	8,766	2,811	1,180	53,015	7,668	60,683

Notes:
1. Revenue among segments is based on actual market prices.
2. Adjustment for operating profit (loss) is corporate expenses that consist of elimination of transactions among segments as well as general and administrative expenses and fundamental research expenses etc. that are not

attributable to reportable segments.

3. Adjustment for segment assets is corporate expenses that are not attributable to reportable segments.

Fiscal year ended March 31, 2018

(Millions of yen)

	Reportable Segment					Adjustment (Note 2, 3)	Amount on condensed consolidated financial statements
	Medical	Scientific Solutions	Imaging	Others	Total		
Revenue							
Revenue from outside customers	616,331	100,016	60,298	9,852	786,497	–	786,497
Revenue among segments (Note 1)	–	72	10	666	748	(748)	–
Total	616,331	100,088	60,308	10,518	787,245	(748)	786,497
Operating profit (loss)	121,784	6,425	(1,200)	(4,966)	122,043	(41,014)	81,029
Finance income							2,685
Finance costs							7,049
Profit before tax							76,665
Other items							
Share of profit (loss) of investments accounted for using equity method	(52)	5	–	–	(47)	–	(47)
Depreciation and amortization	41,557	5,747	1,702	561	49,567	3,346	52,913
Impairment losses (non-financial assets)	5	67	963	249	1,284	402	1,686
Segment assets	616,541	90,338	53,739	8,748	769,366	209,297	978,663
Investments accounted for using equity method	–	44	–	–	44	–	44
Capital expenditures	44,194	9,006	4,471	1,041	58,712	6,543	65,255

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

(3) Information by region

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

(Millions of yen)

	Fiscal year ended March 31, 2017 (April 1, 2016 - March 31, 2017)	Fiscal year ended March 31, 2018 (April 1, 2017 - March 31, 2018)
Japan	157,015	153,764
North America	251,405	262,454
Europe	174,758	191,143
Asia and Oceania	142,991	160,475
Others	14,388	18,661
Total	740,557	786,497

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

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

(1) North America USA, Canada

(2) Europe Germany, UK, France, etc.

(3) Asia and Oceania Singapore, Hong Kong, China, Korea, Australia, etc.

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

(Per-Share Data)

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

	Fiscal year ended March 31, 2017 (April 1, 2016 - March 31, 2017)	Fiscal year ended March 31, 2018 (April 1, 2017 - March 31, 2018)
Basic earnings per share	¥125.01	¥166.84
Diluted earnings per share	¥124.96	¥166.77

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

(Millions of yen)

	Fiscal year ended March 31, 2017 (April 1, 2016 - March 31, 2017)	Fiscal year ended March 31, 2018 (April 1, 2017 - March 31, 2018)
Profit used to calculate basic earnings per share and diluted earnings per share		
Amount of profit attributable to owners of parent	42,783	57,064
Adjustment		
Adjustment to subscription rights to shares	–	–
Profit used to calculate diluted earnings per share	42,783	57,064
The weighted average number of shares of common stock used to calculate basic earnings per share and diluted earnings per share		
Average number of shares during the period	342,236 thousand shares	342,024 thousand shares
Increase in number of shares of common stock		
Increase due to exercise of subscription rights to shares	144 thousand shares	150 thousand shares
Average number of shares of diluted common stock during the period	342,380 thousand shares	342,174 thousand shares

(Important Subsequent Event)

(Restructuring of manufacturing locations of Imaging Business)

The Company, at its meeting of the Board of Directors held on May 7, 2018, resolved to restructure manufacturing locations of Imaging Business

(1) Details of the restructuring

The Company established Olympus (Shenzhen) Industrial Ltd. (hereinafter “OSZ”) in Shenzhen, GuangDong, China, in December 1991, for the manufacture of products relating to the digital camera business. However, the digital camera market suffered a rapid contraction due to the rise of smartphones, leading to a marked decline in OSZ’s operating rate. OSZ’s equipment had also deteriorated after 26 years of operation. It would be extremely difficult to maintain the competitiveness of OSZ.

Up until now the Company manufactured products relating to the digital camera business at OSZ and at Olympus Vietnam Co., Ltd. (hereinafter “Olympus Vietnam”) located in Dong Nai Province in Vietnam, but in light of the above-mentioned facts, the Company has decided to discontinue operations of OSZ in May 7, 2018, and concentrate this production at Olympus Vietnam. This will enhance our production efficiency and profitability, enhancing the global competitiveness of our digital camera business.

(2) Effect on business results

In the fiscal year ending March 31, 2019, the Company expects that matters related to the restructuring, such as the termination of operations at OSZ and the relocation of the production line to Olympus Vietnam, will have an effect on operating results. The costs that can be estimated at this point in time to affect operating results amount to approximately ¥4.0 billion. However, the precise amount of these costs may change depending on the progress of the restructuring. Also, the Company expects that a certain amount of time will be needed before production volume at Olympus Vietnam, where operations will be relocated to, reaches planned levels. As such, the Company expects that operating results for the Imaging Business in the fiscal year ending March 31, 2019, will be affected by the occurrence of the aforementioned costs in addition to the temporary limitation of sales activities as a result of product supply changes.

(First-time adoption)

The Olympus Group disclosed the consolidated financial statements under IFRS for the first time from the first quarter of this fiscal year. The latest consolidated financial statements under Japanese GAAP are prepared for the fiscal year ended March 31, 2017, and the IFRS transition date is April 1, 2016.

IFRS 1 stipulates that an entity adopting IFRS for the first time shall, in principle, apply the standards required under IFRS retrospectively to prior periods. However, IFRS 1 allows certain exemptions from the retrospective application and provides exceptions that prohibit retrospective application on a mandatory basis with respect to certain aspects required by IFRS. The Olympus Group has applied the following exemptions.

(1) Exemption under IFRS 1

1) Business combinations

IFRS 1 permits an entity not to apply IFRS 3 “Business Combinations” retrospectively to business combinations that occurred prior to the date of transition to IFRS. The Olympus Group elected to apply this exemption and, consequently, the amount of goodwill arising from business combinations before the date of transition is based on the book value as of the date of transition under Japanese GAAP. Further, the Olympus Group performed an impairment test on goodwill at the date of transition regardless of whether there was any indication that the goodwill may be impaired.

2) Transition differences of foreign operations

Under IFRS 1, an option is allowed whereby cumulative translation differences of foreign operations as of the date of transition to IFRS may be assumed to be nil. The Olympus Group has adopted the exemption.

3) Borrowing costs

IFRS 1 allows entities to commence capitalization of borrowing costs relating to qualifying assets at the date of transition to IFRS. The Olympus Group adopts this exemption.

4) Designation of financial instruments recognized prior to date of transition

IFRS 1 allows entities to determine the classification under IFRS 9 based on facts and circumstances as of the date of transition, rather than facts and circumstances that exist at the time of initial recognition. In addition, IFRS 1 allows entities to designate, based on this determination, equity financial assets as financial assets measured at fair value through other comprehensive income. The Olympus Group has applied this exemption and designated certain equity financial assets as financial assets measured at fair value through other comprehensive income.

(2) Mandatory exception under IFRS 1

IFRS 1 prohibits retrospective application of IFRS with respect to “estimates,” “derecognition of financial assets and financial liabilities,” “hedge accounting,” “non-controlling interests,” and “classification and measurement of financial assets.” Thus the Olympus Group applies IFRS to these items from the IFRS transition date and onwards.

(3) Reconciliations

The reconciliations required to be disclosed at the first-time adoption of IFRS are as follows. In the reconciliations below, in principle, “Reclassification” includes items that do not affect retained earnings and comprehensive income, while "Differences in recognition and measurement" includes items that affect retained earnings and comprehensive income.

Reconciliation of equity

IFRS transition date (April 1, 2016)

(Millions of yen)

Presentation under Japanese GAAP	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRS	Note	Presentation under IFRS
Assets						Assets
Current assets						Current assets
Cash and time deposits	166,554	(230)	55	166,379		Cash and cash equivalents
Notes and accounts receivable	140,666	32,154	(13,695)	159,125	A	Trade and other receivables
Lease receivables and lease investment assets	33,565	(33,565)	–			
		1,410	1,088	2,498		Other financial assets
Merchandise and finished goods	54,245	57,313	707	112,265		Inventories
Work in process	21,993	(21,993)	–			
Raw materials and supplies	35,320	(35,320)	–			
Deferred income taxes	38,461	(38,461)	–			
Other current assets	36,478	(36,478)	–			
Allowance for doubtful accounts	(6,590)	6,590	–			
		15,612	(1,330)	14,282		Income taxes receivable
		14,580	(83)	14,497		Other current assets
Total current assets	520,692	(38,388)	(13,258)	469,046		Total current assets
Fixed assets						Non-current assets
Property, plant and equipment	166,064	(792)	(6,456)	158,816	A, B	Property, plant and equipment
Goodwill	97,190	–	–	97,190		Goodwill
Intangible assets (Others)	53,607	1,191	29,143	83,941	D	Intangible assets
Investments and other assets						
Investment securities	71,141	(71,141)	–			
Net defined benefit asset	24,749	–	(239)	24,510		Retirement benefit asset
Other assets	64,804	(64,804)	–			
Allowance for doubtful accounts	(9,054)	9,054	–			
		1,926	–	1,926		Investments accounted for using equity method
		45,710	(27,004)	18,706	A	Trade and other receivables
		76,961	312	77,273		Other financial assets
Deferred income taxes	11,421	38,461	(6,016)	43,866	E	Deferred tax assets
		1,822	(122)	1,700		Other non-current assets
Total fixed assets	479,922	38,388	(10,382)	507,928		Total non-current assets
Total assets	1,000,614	–	(23,640)	976,974		Total assets

(Millions of yen)

Presentation under Japanese GAAP	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRS	Note	Presentation under IFRS
Liabilities						Liabilities
Current liabilities						Current liabilities
Notes and accounts payable	40,597	34,910	(103)	75,404		Trade and other payables
Short-term borrowings	26,656	30,000	(86)	56,570		Bonds and borrowings
Current maturities of bonds	30,000	(30,000)	–			
Other payable	36,762	(36,762)	–			
		5,229	6,605	11,834		Other financial liabilities
Accrued expenses	90,438	(90,438)	–			
Income taxes payable	9,120	–	1	9,121		Income taxes payable
Provision for product warranties	6,314	728	(2,972)	4,070	F	Provisions
Provision for points	207	(207)	–			
Provision for loss on business liquidation	298	(298)	–			
Provision for loss on litigation	567	(567)	–			
Other current liabilities	25,666	(25,666)	–			
		111,474	9,632	121,106	F, G	Other current liabilities
Total current liabilities	266,625	(1,597)	13,077	278,105		Total current liabilities
Non-current liabilities						Non-current liabilities
Long-term bonds, less current maturities	25,000	239,482	(751)	263,731		Bonds and borrowings
Long-term borrowings, less current maturities	239,482	(239,482)	–			
		7,381	193	7,574		Other financial liabilities
Net defined benefit liability	38,645	–	106	38,751		Retirement benefit liability
Provision for retirement benefits for directors and audit & supervisory board members	38	(38)	–			
Other non-current liabilities	18,155	(18,155)	–			
		365	–	365		Provisions
Deferred income taxes	28,386	1,338	(19,120)	10,604	E	Deferred tax liabilities
		10,706	556	11,262	G	Other non-current liabilities
Total non-current liabilities	349,706	1,597	(19,016)	332,287		Total non-current liabilities
Total liabilities	616,331	–	(5,939)	610,392		Total liabilities
Net Assets						Equity
Common stock	124,520	–	–	124,520		Share capital
Capital surplus	90,940	428	–	91,368		Capital surplus
Treasury stock, at cost	(1,122)	–	–	(1,122)		Treasury shares
Accumulated other comprehensive income	(4,968)	–	26,346	21,378	H, I	Other components of equity
Subscription rights to shares	428	(428)	–			
Retained earnings	172,989	–	(44,001)	128,988	A, B, D, E, F, G, H, I	Retained earnings
	382,787	–	(17,655)	365,132		Total equity attributable to owners of parent
Non-controlling interests	1,496	–	(46)	1,450		Non-controlling interests
Total net assets	384,283	–	(17,701)	366,582		Total equity
Total liabilities and net assets	1,000,614	–	(23,640)	976,974		Total liabilities and equity

As of March 31, 2017

(Millions of yen)

Presentation under Japanese GAAP	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRS	Note	Presentation under IFRS
Assets						Assets
Current assets						Current assets
Cash and time deposits	199,431	–	34	199,465		Cash and cash equivalents
Notes and accounts receivable	137,924	34,889	(15,344)	157,469	A	Trade and other receivables
Lease receivables and lease investment assets	35,338	(35,338)	–			
		1,158	460	1,618		Other financial assets
Merchandise and finished goods	51,257	72,807	1,255	125,319		Inventories
Work in process	21,830	(21,830)	–			
Raw materials and supplies	50,977	(50,977)	–			
Deferred income taxes	36,729	(36,729)	–			
Other current assets	25,226	(25,226)	–			
Allowance for doubtful accounts	(5,720)	5,720	–			
		5,831	(685)	5,146		Income taxes receivable
		12,965	(63)	12,902		Other current assets
Subtotal	552,992	(36,730)	(14,343)	501,919		Subtotal
	–	3,828	–	3,828		Non-current assets held for sale
Total current assets	552,992	(32,902)	(14,343)	505,747		Total current assets
Fixed assets						Non-current assets
Property, plant and equipment	171,352	(4,427)	(7,190)	159,735	A, B	Property, plant and equipment
Goodwill	86,664	–	8,904	95,568	C	Goodwill
Intangible assets (Others)	44,426	1,693	29,739	75,858	D	Intangible assets
Investments and other assets						
Investment securities	28,946	(28,946)	–			
Net defined benefit asset	24,762	–	(218)	24,544		Retirement benefit asset
Other assets	66,994	(66,994)	–			
Allowance for doubtful accounts	(10,016)	10,016	–			
		51	–	51		Investments accounted for using equity method
		46,150	(27,847)	18,303	A	Trade and other receivables
		37,599	296	37,895		Other financial assets
Deferred income taxes	24,942	36,729	(20,234)	41,437	E	Deferred tax assets
		1,031	(137)	894		Other non-current assets
Total fixed assets	438,070	32,902	(16,687)	454,285		Total non-current assets
Total assets	991,062	–	(31,030)	960,032		Total assets

(Millions of yen)

Presentation under Japanese GAAP	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRS	Note	Presentation under IFRS
Liabilities						Liabilities
Current liabilities						Current liabilities
Notes and accounts payable	41,596	29,178	60	70,834		Trade and other payables
Short-term borrowings	68,852	–	(75)	68,777		Bonds and borrowings
Other payable	32,595	(32,595)	–			
		5,518	5,500	11,018		Other financial liabilities
Accrued expenses	80,944	(80,944)	–			
Income taxes payable	11,657	–	53	11,710		Income taxes payable
Provision for product warranties	8,474	232	(3,031)	5,675	F	Provisions
Provision for points	223	(223)	–			
Provision for loss on business liquidation	190	(190)	–			
Provision for loss on litigation	217	(217)	–			
Other current liabilities	29,981	(29,981)	–			
		108,228	10,208	118,436	F, G	Other current liabilities
Total current liabilities	274,729	(994)	12,715	286,450		Total current liabilities
Non-current liabilities						Non-current liabilities
Long-term bonds, less current maturities	25,000	192,505	(312)	217,193		Bonds and borrowings
Long-term borrowings, less current maturities	192,505	(192,505)	–			
		7,017	(91)	6,926		Other financial liabilities
Net defined benefit liability	37,737	–	135	37,872		Retirement benefit liability
Provision for retirement benefits for directors and audit & supervisory board members	21	(21)	–			
Other non-current liabilities	11,295	(11,295)	–			
		425	–	425		Provisions
Deferred income taxes	18,895	696	(10,026)	9,565	E	Deferred tax liabilities
		4,172	1,201	5,373	G	Other non-current liabilities
Total non-current liabilities	285,453	994	(9,093)	277,354		Total non-current liabilities
Total liabilities	560,182	–	3,622	563,804		Total liabilities
Net assets						Equity
Common stock	124,520	–	–	124,520		Share capital
Capital surplus	91,225	554	–	91,779		Capital surplus
Treasury stock, at cost	(1,122)	–	–	(1,122)		Treasury shares
Accumulated other comprehensive income	(31,178)	–	25,526	(5,652)	H, I	Other components of equity
Subscription rights to shares	554	(554)	–			
Retained earnings	245,362	–	(60,136)	185,226	A, B, C, D, E, F, G, H, I	Retained earnings
	429,361	–	(34,610)	394,751		Total equity attributable to owners of parent
Non-controlling interests	1,519	–	(42)	1,477		Non-controlling interests
Total net assets	430,880	–	(34,652)	396,228		Total equity
Total liabilities and net assets	991,062	–	(31,030)	960,032		Total liabilities and equity

Notes on reconciliations of equity

1) Differences in recognition and measurement

A Leases

With regard to lease transactions as lessor, some of transactions classified as finance leases under Japanese GAAP are classified as operating leases under IFRS. Consequently, the relevant lease receivables have been reversed, and property, plant and equipment have been recognized.

In light of the above, retained earnings as of April 1, 2016 (IFRS transition date) and March 31, 2017 decreased by ¥11,934 million and ¥14,775 million, respectively.

B Depreciation of property, plant and equipment

With regard to depreciation of property, plant and equipment, the Olympus Group has reviewed estimates of useful lives and residual values in adopting IFRS. Consequently, the carrying amount of property, plant and equipment has decreased.

In light of the above, retained earnings as of April 1, 2016 (IFRS transition date) and March 31, 2017 decreased by ¥6,947 million and ¥8,361 million, respectively.

C Goodwill

Under Japanese GAAP, goodwill was amortized on a straight-line method over the reasonable number of years, not exceeding 20 years. However, under IFRS, amortization of goodwill on and after the date of transition was discontinued, and impairment test is performed in each period.

In light of the above, retained earnings as of March 31, 2017 increased by ¥8,639 million.

D Capitalization of development expenses

Expenditures for research and development were expensed under Japanese GAAP. However, under IFRS, since certain expenditures are eligible for capitalization, those expenses are recognized as intangible assets.

In light of the above, retained earnings as of April 1, 2016 (IFRS transition date) and March 31, 2017 increased by ¥18,598 million and ¥19,860 million, respectively.

E Deferred taxes

With respect to the tax effects arising from the elimination of intercompany unrealized gains, the deferral method was applied under Japanese GAAP, but the asset and liability approach has been employed under IFRS. In addition, the Olympus Group has assessed the recoverability of deferred tax assets under IFRS.

In light of the above, retained earnings as of April 1, 2016 (IFRS transition date) increased by ¥3,143 million, and retained earnings as of March 31, 2017 decreased by ¥19,856 million.

Since temporary differences arose in line with the reconciliation from Japanese GAAP to IFRS, the amounts of deferred tax assets and deferred tax liabilities have been adjusted. The effect of the adjustments on retained earnings is stated in each other item.

F Warranty

With respect to warranty, expenses expected to be incurred in the future were recognized as provisions under Japanese GAAP. However, under IFRS, warranty has been separated into quality assurance warranty and service warranty, the amount corresponding to quality assurance warranty has been recognized as provisions, and for the portion of service warranty where services have not been provided, revenue has been deferred and recognized other current liabilities.

In light of the above, retained earnings as of April 1, 2016 (IFRS transition date) and March 31, 2017 decreased by ¥1,364 million and ¥1,358 million, respectively.

G Accrued paid absences

Accrued paid absences were not recognized as liabilities under Japanese GAAP, but have been recognized as liabilities under IFRS.

In light of the above, retained earnings as of April 1, 2016 (IFRS transition date) and March 31, 2017 decreased by ¥4,260 million and ¥4,476 million, respectively.

H Post-employment benefits

Under Japanese GAAP, actuarial gains or losses and past service costs were recorded in net assets through other comprehensive income when they are incurred and were expensed on a straight-line method over a certain number of years not exceeding the average remaining service period of employees. Under IFRS, actuarial gains or losses have been recognized in other components of equity through other comprehensive income as incurred, and then immediately transferred to retained earnings. Past service costs have been fully recognized in profit or loss as incurred.

In light of the above, retained earnings as of April 1, 2016 (IFRS transition date) and March 31, 2017 decreased by ¥21,234 million and ¥20,132 million, respectively.

I Resetting of foreign currency translation adjustments

The Olympus Group has chosen to apply the exemption set forth under IFRS 1, and transferred all cumulative exchange differences on translation of foreign operations as of the date of transition to IFRS to retained earnings.

In light of the above, retained earnings as of April 1, 2016 (IFRS transition date) and March 31, 2017 decreased by ¥8,686 million, respectively.

2) Reclassification

J Reclassification on consolidated statement of financial position

Certain reclassifications have been made to conform to provisions under IFRS. The major reclassifications are as follows:

(a) Deferred tax assets and deferred tax liabilities are classified to non-current assets and non-current liabilities.

(b) Financial assets and financial liabilities are disclosed separately.

(c) Investments accounted for using equity method are disclosed separately.

(d) Non-current assets or disposal groups held for sale are disclosed separately.

Reconciliation of profit or loss and comprehensive income

Fiscal year ended March 31, 2017

(Millions of yen)

Presentation under Japanese GAAP	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRS	Note	Presentation under IFRS
Net sales	748,050	(3,148)	(4,345)	740,557	A	Revenue
Costs of sales	256,708	2,468	2,895	262,071	A, B, D, F	Cost of sales
Gross profit	491,342	(5,616)	(7,240)	478,486		Gross profit
Selling, general and administrative expenses	414,855	(5,616)	(11,542)	397,697	B, C, D, F	Selling, general and administrative expenses
		(1,253)	–	(1,253)		Share of profit (loss) of investments accounted for using equity method
		29,508	(23,858)	5,650	G	Other income
		14,323	(329)	13,994		Other expenses
Operating income	76,487	13,932	(19,227)	71,192		Operating profit
Non-operating income	3,998	(3,998)	–			
Non-operating expenses	18,336	(18,336)	–			
Extraordinary income	27,757	(27,757)	–			
Extraordinary losses	8,220	(8,220)	–			
		2,247	(81)	2,166		Finance income
		10,980	(103)	10,877		Finance costs
Income before provision for income taxes	81,686	–	(19,205)	62,481		Profit before tax
Total	3,471	–	16,200	19,671	E	Income taxes
Net income	78,215	–	(35,405)	42,810		Profit
						Profit attributable to:
Net income attributable to owners of the parent	78,191	–	(35,408)	42,783		Owners of parent
Net income attributable to non-controlling interests	24	–	3	27		Non-controlling interests

(Millions of yen)

Presentation under Japanese GAAP	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRS	Note	Presentation under IFRS
Net income	78,215	–	(35,405)	42,810		Profit
Other comprehensive income						Other comprehensive income
						Items that will not be reclassified to profit or loss
Net unrealized holding gains (losses) on available-for-sale securities, net of taxes	(15,391)	–	16,526	1,135	G	Financial assets measured at fair value through other comprehensive income
Remeasurements of defined benefit plans, net of taxes	1,169	–	1,550	2,719	F	Remeasurements of defined benefit plans
						Items that may be reclassified to profit or loss
Foreign currency translation adjustments	(12,020)	–	(762)	(12,782)		Exchange differences on translation of foreign operations
Net unrealized gains (losses) on hedging derivatives, net of taxes	7	–	1,140	1,147		Cash flow hedges
Share of other comprehensive income of associates accounted for using equity method	14	–	–	14		Share of other comprehensive income of associates accounted for using equity method
Total other comprehensive income	(26,221)	–	18,454	(7,767)		Total other comprehensive income
Comprehensive income	51,994	–	(16,951)	35,043		Comprehensive income
						Comprehensive income attributable to:
Comprehensive income attributable to owners of the parent	51,981	–	(16,955)	35,026		Owners of parent
Comprehensive income attributable to non-controlling interests	13	–	4	17		Non-controlling interests

Notes on reconciliations of profit or loss and comprehensive income

1) Differences in recognition and measurement

A Leases

With regard to lease transactions as lessor, some of transactions classified as finance leases under Japanese GAAP are classified as operating leases under IFRS. Consequently, the relevant lease receivables have been reversed, and property, plant and equipment have been recognized. In addition, revenue and cost of sales have increased or decreased.

In light of the above, comprehensive income for the fiscal year ended March 31, 2017 decreased by ¥2,874 million.

B Depreciation of property, plant and equipment

With regard to depreciation of property, plant and equipment, the Olympus Group has reviewed estimates of useful lives and residual values in adopting IFRS. Consequently, the carrying amount of property, plant and equipment has decreased. In addition, cost of sales and selling, general and administrative expenses have increased or decreased.

In light of the above, comprehensive income for the fiscal year ended March 31, 2017 decreased by ¥1,490 million.

C Goodwill

Under Japanese GAAP, goodwill was amortized on a straight-line method over the reasonable number of years, not exceeding 20 years. However, under IFRS, amortization of goodwill on and after the date of transition was discontinued, and impairment test is performed in each period.

In light of the above, comprehensive income for the fiscal year ended March 31, 2017 increased by ¥8,912 million.

D Capitalization of development expenses

Expenditures for research and development were expensed under Japanese GAAP. However, under IFRS, since certain expenditures are eligible for capitalization, those expenses are recognized as intangible assets. In addition, cost of sales and selling, general and administrative expenses have increased or decreased.

In light of the above, comprehensive income for the fiscal year ended March 31, 2017 increased by ¥1,118 million.

E Deferred taxes

With respect to the tax effects arising from the elimination of intercompany unrealized gains, the deferral method was applied under Japanese GAAP, but the asset and liability approach has been employed under IFRS. In addition, the Olympus Group has assessed the recoverability of deferred tax assets under IFRS.

In light of the above, comprehensive income for the fiscal year ended March 31, 2017 decreased by ¥22,823 million.

Since temporary differences arose in line with the reconciliation from Japanese GAAP to IFRS, the amounts of deferred tax assets and deferred tax liabilities have been adjusted. The effect of the adjustments on retained earnings is stated in each other item.

F Post-employment benefits

Under Japanese GAAP, actuarial gains or losses and past service costs were recorded in net assets through other comprehensive income when they are incurred and were expensed on a straight-line method over a certain number of years not exceeding the average remaining service period of employees. Under IFRS, actuarial gains or losses have been recognized in other components of equity through other comprehensive income as incurred, and then immediately transferred to retained earnings. Past service costs have been fully recognized in profit or loss as incurred.

In light of the above, comprehensive income for the fiscal year ended March 31, 2017 decreased by ¥3,000 million.

G Financial instruments

Under Japanese GAAP, gain on sale of investment securities was recorded as extraordinary income. However, under IFRS, it is allowed to designate equity financial assets as financial assets measured at fair value through other comprehensive income, and gain on sale of equity financial assets that has been designated so is recognized as other comprehensive income.

2) Reclassification

H Reclassifications on the consolidated statement of income

Certain rebates were presented in selling, general and administrative expenses under Japanese GAAP, but are presented as deduction from revenue under IFRS.

With regard to items that were presented in non-operating income, non-operating expenses, extraordinary income and extraordinary losses under Japanese GAAP, financial items have been presented in finance income or finance costs, and other items have been presented in share of profit (loss) of investments accounted for using equity method, other income or other expenses according to the nature of each item, under IFRS.

(4) Note on reconciliation of cash flows

Major differences between the consolidated statements of cash flows under Japanese GAAP and those under IFRS are principally due to the change of lease transactions as lessor and capitalization of expenditures for research and development. Accordingly, cash flows from operating activities have increased, and cash flows from investing activities have decreased.