CONSOLIDATED BALANCE SHEETS

Olympus Corporation and Consolidated Subsidiaries

As of March 31, 2012 and 2011

	Millions of yen		Thousands of U.S.dollars (Note1)
	2012	2011 As restated (Note 1)	2012
ASSETS			
CURRENT ASSETS:			
Cash and deposits (Notes 3, 16 and 23)	¥ 200,088	¥ 213,561	$ 2,501,100
Notes and accounts receivable (Notes 3, 5 and 16)	150,594	141,176	1,882,425
Allowance for doubtful accounts	(3,098)	(2,648)	(38,725)
Lease receivables and leased investment assets (Notes 16 and 27)	18,888	17,289	236,100
Inventories (Notes 6 and 16)	102,493	92,929	1,281,163
Deferred income taxes (Note 13)	23,574	32,568	294,675
Other current assets	34,019	38,659	425,237
Total current assets	526,558	533,534	6,581,975
PROPERTY, PLANT AND EQUIPMENT:			
Land	15,931	19,430	199,138
Buildings and structures (Note 16)	129,654	135,860	1,620,675
Machinery and equipment (Note 16)	211,195	205,325	2,639,938
Leased assets	9,402	7,662	117,525
Construction in progress	1,131	2,354	14,138
	367,313	370,631	4,591,413
Less-Accumulated depreciation	(239,505)	(229,290)	(2,993,813)
Net property, plant and equipment	127,808	141,341	1,597,600
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 3, 4 and 16)	51,318	59,342	641,475
Deferred income taxes (Note 13)	8,167	14,926	102,088
Goodwill	124,465	133,050	1,555,813
Other assets (Notes 16 and 27)	136,106	145,116	1,701,325
Allowance for doubtful accounts (Note 11)	(7,896)	(8,149)	(98,701)
Total investments and other assets	312,160	344,285	3,902,000
	¥ 966,526	¥ 1,019,160	$ 12,081,575

See accompanying notes to consolidated financial statements.

	Millions of yen 2012	Millions of yen 2011 As restated (Note 1)	Thousands of U.S.dollars (Note1) 2012
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES:			
Short-term borrowings (Notes 3, 7 and 16)	¥ 63,092	¥ 64,094	$ 788,650
Current maturities of long-term debt (Notes 3, 8 and 16)	49,023	63,441	612,788
Notes and accounts payable (Notes 3 and 9)	75,330	68,715	941,625
Other payable	36,947	36,628	461,838
Accrued expenses	62,613	59,664	782,663
Provision for warranty costs	7,336	8,360	91,700
Income taxes payable (Note 13)	8,228	16,274	102,850
Other current liabilities	17,824	15,596	222,799
Total current liabilities	320,393	332,772	4,004,913
NON-CURRENT LIABILITIES:			
Long-term debt, less current maturities (Notes 3, 8 and 16)	530,311	521,252	6,628,888
Deferred income taxes (Note 13)	29,456	21,533	368,200
Provision for retirement benefits (Note 10)	24,062	18,954	300,775
Provision for loss on business liquidation	3,205	—	40,063
Other non-current liabilities	11,071	9,070	138,387
Total non-current liabilities	598,105	570,809	7,476,313
CONTINGENT LIABILITIES (Note 15):			
NET ASSETS (Note 14):			
Common stock:			
Authorized-1,000,000,000 shares			
Issued-271,283,608 shares as of March 31, 2012 and 2011	48,332	48,332	604,150
Capital surplus	54,788	54,788	684,850
Retained earnings	60,197	113,532	752,463
Treasury stock, at cost	(11,249)	(11,097)	(140,625)
Total shareholders' equity	152,067	205,555	1,900,838
Net unrealized holding gains on available-for-sale securities, net of taxes	3,128	6,524	39,100
Net unrealized losses on hedging derivatives, net of taxes	(1,268)	(758)	(15,850)
Foreign currency translation adjustments	(102,067)	(95,201)	(1,275,838)
Pension liabilities adjustment of foreign subsidiaries	(7,090)	(3,643)	(88,625)
Total accumulated other comprehensive income	(107,297)	(93,078)	(1,341,213)
Minority interests	3,258	3,102	40,725
Total net assets	48,028	115,579	600,350
	¥ 966,526	¥ 1,019,160	$ 12,081,575

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS

Olympus Corporation and Consolidated Subsidiaries

For the years ended March 31, 2012 and 2011

	Millions of yen		Thousands of U.S.dollars (Note1)
	2012	2011 As restated (Note 1)	2012
Net sales	¥ 848,548	¥ 847,105	$ 10,606,850
Cost of sales	464,743	459,420	5,809,288
Gross profit	383,805	387,685	4,797,562
Selling, general and administrative expenses (Note 17)	348,287	349,306	4,353,587
Operating income	35,518	38,379	443,975
Other income (expenses):			
Interest expense, net	(13,167)	(11,913)	(164,588)
Gain (loss) on available-for-sale securities, net	1,163	(2,346)	14,538
Foreign currency exchange gain, net	162	2,615	2,025
Gain of investments in affiliated companies accounted for by the equity method, net	144	574	1,800
Loss on sales of investment securities in subsidiaries and affiliates, net	(38)	(77)	(475)
Gain on transfer of business	—	2,696	—
Amortization of negative goodwill	—	2,408	—
Impairment loss on fixed assets (Note 18)	(15,839)	(482)	(197,988)
Amortization of goodwill	(1,179)	(631)	(14,738)
Loss on step acquisitions	—	(310)	—
Loss on adoption of accounting standard for asset retirement obligations	—	(311)	—
Loss on disaster	—	(608)	—
Loss on funds (Note 19)	—	(327)	—
Provision of allowance for doubtful accounts on funds (Note 20)	—	(2,448)	—
Loss on restructuring of business (Note 21)	(3,392)	—	(42,400)
Provision for loss on business liquidation	(3,205)	—	(40,063)
Expenses related to restatement of prior periods (Note 22)	(2,001)	—	(25,013)
Other, net	(7,661)	(7,281)	(95,761)
Total	(45,013)	(18,441)	(562,663)
Loss (income) before income taxes and minority interests	(9,495)	19,938	(118,688)
Income taxes (Note 13):			
Current	16,293	17,362	203,663
Deferred	22,989	(1,737)	287,362
Total	39,282	15,625	491,025
Loss (income) before minority interests	(48,777)	4,313	(609,713)
Minority interests	(208)	(447)	(2,599)
Net loss (income)	¥ (48,985)	¥ 3,866	$ (612,312)

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Olympus Corporation and Consolidated Subsidiaries

For the years ended March 31, 2012 and 2011

	Millions of yen				Thousands of U.S.dollars (Note1)	
		2012		2011 As restated (Note 1)		**2012**
Income (loss) before minority interests	¥	**(48,777)**	¥	4,313	$	**(609,713)**
Other comprehensive income (Note 28)						
Net unrealized holding losses on available-for-sale securities, net of taxes		**(3,396)**		(1,467)		**(42,450)**
Net unrealized losses on hedging derivatives, net of taxes		**(510)**		(233)		**(6,375)**
Foreign currency translation adjustments		**(6,858)**		(29,013)		**(85,725)**
Pension liabilities adjustment of foreign subsidiaries		**(3,447)**		481		**(43,088)**
Changes in share of other comprehensive income of affiliates		**—**		(206)		**—**
Share of other comprehensive income of affiliates accounted for by the equity-method		**(2)**		(6)		**(25)**
Total other comprehensive income		**(14,213)**		(30,445)		**(177,663)**
Comprehensive income (loss)	¥	**(62,990)**	¥	(26,131)	$	**(787,376)**
Total comprehensive income attributable to:						
Shareholders of Olympus Corporation	¥	**(63,203)**	¥	(26,884)	$	**(790,038)**
Minority interests	¥	**213**	¥	753	$	**2,662**

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Olympus Corporation and Consolidated Subsidiaries

For the years ended March 31, 2012 and 2011

	Millions of yen				
	Common stock	Capital surplus	Retained earnings as restated (Note 1)	Treasury stock, at cost	Total shareholders' equity
Balance at March 31, 2010	¥ 48,332	¥ 55,166	¥ 114,719	¥ (4,136)	¥ 214,081
Transfer to pension liability adjustment of foreign subsidiaries			4,124		4,124
Cash dividends paid			(8,099)		(8,099)
Net income			3,866		3,866
Change in scope of consolidation			(872)		(872)
Decrease in retained earnings due to changes in equity			(206)		(206)
Acquisition of treasury stock				(10,006)	(10,006)
Disposal of treasury stock		(378)		3,045	2,667
Net changes during the year	—	(378)	(5,311)	(6,961)	(12,650)
Balance at March 31, 2011	¥ 48,332	¥ 54,788	¥ 113,532	¥ (11,097)	¥ 205,555
Cash dividends paid			(4,004)		(4,004)
Net loss			(48,985)		(48,985)
Change in scope of consolidation			(346)		(346)
Acquisition of treasury stock				(152)	(152)
Net changes during the year	—	—	(53,335)	(152)	(53,487)
Balance at March 31, 2012	¥ 48,332	¥ 54,788	¥ 60,197	¥ (11,249)	¥ 152,067

	Millions of yen						
	Net unrealized holding gains (losses) on available-for-sale securities, net of taxes	Net unrealized gains (losses) on hedging derivatives, net of taxes	Foreign currency translation adjustments	Pension liability adjustment of foreign subsidiaries	Total accumulated other comprehensive income	Minority interests	Total net assets as restated (Note 1)
Balance at March 31, 2010	¥ 8,020	¥ (438)	¥ (65,991)	¥ —	¥ (58,409)	¥ 7,459	¥ 163,131
Transfer to pension liability adjustment of foreign subsidiaries				(4,124)	(4,124)		—
Cash dividends paid					—		(8,099)
Net income					—		3,866
Change in scope of consolidation					—		(872)
Decrease in retained earnings due to changes in equity					—		(206)
Acquisition of treasury stock					—		(10,006)
Disposal of treasury stock					—		2,667
Net change in items other than shareholders' equity	(1,496)	(320)	(29,210)	481	(30,545)	(4,357)	(34,902)
Net changes during the year	(1,496)	(320)	(29,210)	481	(30,545)	(4,357)	(47,552)
Balance at March 31, 2011	¥ 6,524	¥ (758)	¥ (95,201)	¥ (3,643)	¥ (93,078)	¥ 3,102	¥ 115,579
Cash dividends paid					—		(4,004)
Net loss					—		(48,985)
Change in scope of consolidation					—		(346)
Acquisition of treasury stock					—		(152)
Net change in items other than shareholders' equity	(3,396)	(510)	(6,866)	(3,447)	(14,219)	156	(14,063)
Net changes during the year	(3,396)	(510)	(6,866)	(3,447)	(14,219)	156	(67,551)
Balance at March 31, 2012	¥ 3,128	¥ (1,268)	¥ (102,067)	¥ (7,090)	¥ (107,297)	¥ 3,258	¥ 48,028

	Thousands of U.S. dollars (Note1)				
	Common stock	Capital surplus	Retained earnings as restated (Note 1)	Treasury stock, at cost	Total shareholders' equity
Balance at March 31, 2011	$ 604,150	$ 684,850	$ 1,419,150	$ (138,712)	$ 2,569,438
Cash dividends paid			(50,049)		(50,049)
Net loss			(612,312)		(612,312)
Change in scope of consolidation			(4,326)		(4,326)
Acquisition of treasury stock				(1,913)	(1,913)
Net changes during the year	—	—	(666,687)	(1,913)	(668,600)
Balance at March 31, 2012	$ 604,150	$ 684,850	$ 752,463	$ (140,625)	$ 1,900,838

	Thousands of U.S. dollars (Note1)						
	Net unrealized holding gains (losses) on available-for-sale securities, net of taxes	Net unrealized gains (losses) on hedging derivatives, net of taxes	Foreign currency translation adjustments	Pension liability adjustment of foreign subsidiaries	Total accumulated other comprehensive income	Minority interests	Total net assets as restated (Note 1)
Balance at March 31, 2011	$ 81,550	$ (9,475)	$ (1,190,013)	$ (45,538)	$ (1,163,476)	$ 38,775	$ 1,444,737
Cash dividends paid					—		(50,049)
Net loss					—		(612,312)
Change in scope of consolidation					—		(4,326)
Acquisition of treasury stock					—		(1,913)
Net change in items other than shareholders' equity	(42,450)	(6,375)	(85,825)	(43,087)	(177,737)	1,950	(175,787)
Net changes during the year	(42,450)	(6,375)	(85,825)	(43,087)	(177,737)	1,950	(844,387)
Balance at March 31, 2012	$ 39,100	$ (15,850)	$ (1,275,838)	$ (88,625)	$ (1,341,213)	$ 40,725	$ 600,350

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Olympus Corporation and Consolidated Subsidiaries

For the years ended March 31, 2012 and 2011

	Millions of yen				Thousands of U.S.dollars (Note1)	
		2012		2011 As restated (Note 1)		2012
CASH FLOWS FROM OPERATING ACTIVITIES:						
Loss (income) before income taxes and minority interests	¥	(9,495)	¥	19,938	$	(118,688)
Adjustments to reconcile income (loss) before income taxes to net cash provided by operating activities:						
Depreciation and amortization		33,787		34,188		422,338
Impairment loss on fixed assets (Note 18)		15,839		482		197,988
Amortization of goodwill		12,283		12,249		153,538
Amortization of negative goodwill		—		(2,408)		—
Increase(decrease) in provision for retirement benefit		1,445		(150)		18,063
Decrease(increase) in prepaid pension cost		2,051		(1,581)		25,638
Decrease in provision for warrant cost		(716)		(1,170)		(8,950)
Interest income		(859)		(831)		(10,737)
Interest expense		14,026		12,744		175,325
Net gain of investments in affiliated companies accounted for by the equity method		(144)		(574)		(1,800)
Gain on transfer of business		—		(2,696)		—
Gain (loss) on available-for-sale securities, net		(1,163)		2,346		(14,538)
Increase in provision for loss on business liquidation		3,205		—		40,063
Loss on sale of investment securities in subsidiaries and affiliates, net		38		77		475
Increase (decrease) in accounts receivable		(11,681)		9,969		(146,013)
Increase in inventories		(9,742)		(3,452)		(121,775)
Increase (decrease) in accounts payable		6,792		(5,731)		84,900
Increase (decrease) in other payable		260		(3,825)		3,250
Increase in accrued expense		3,719		1,565		46,488
Increase in allowance for doubtful accounts on funds		—		2,448		—
Loss on funds (Note 19)		—		327		—
Other		3,327		3,809		41,585
Sub-total		62,972		74,949		787,150
Interest and dividends received		1,836		1,708		22,950
Interest payments		(13,990)		(13,081)		(174,875)
Outflow of money from funds (Note 25)		—		(2,448)		—
Income taxes paid		(19,929)		(30,659)		(249,112)
Net cash provided by operating activities		30,889		30,469		386,113
CASH FLOWS FROM INVESTING ACTIVITIES:						
Deposits in time deposits		(2,007)		(4,810)		(25,088)
Withdrawals from time deposits		3,719		5,227		46,488
Purchases of property, plant and equipment		(22,761)		(20,243)		(284,513)
Purchases of intangible assets		(12,483)		(9,381)		(156,038)
Purchases of investment securities		(1,076)		(3,745)		(13,450)
Sales of investment securities		4,155		7,756		51,938
Payments for acquisition of newly consolidated subsidiaries (Note 24)		(6,584)		(12,328)		(82,300)
Net increase from sales of investments in subsidiaries resulting in changes in scope of consolidation		27		201		338
Payments for acquisition of subsidiaries		(624)		(5,817)		(7,800)
Payments for loans receivable		(1)		(3,578)		(13)
Proceeds from loans receivable		2,408		120		30,100
Payments for transfer of business		—		(6,529)		—
Proceeds from transfer of business		—		5,797		—
Collection of fund assets (Note 26)		—		65,553		—
Other		(508)		780		(6,350)
Net cash used in (provided by) investing activities		(35,735)		19,003		(446,688)
CASH FLOWS FROM FINANCING ACTIVITIES:						
Increase (decrease) in short-term borrowings		2,722		(13,980)		34,025
Proceeds from long-term borrowings		60,244		34,501		753,050
Repayments of long-term borrowings		(63,197)		(18,908)		(789,963)
Redemption of bonds		(240)		(20,040)		(3,000)
Payments for purchase of treasury stock		(152)		(10,006)		(1,900)
Dividends paid		(4,004)		(8,099)		(50,049)
Dividends paid to minority shareholders		(22)		(40)		(275)
Other		(1,112)		(787)		(13,901)
Net cash used in financing activities		(5,761)		(37,359)		(72,013)
Effect of exchange rate changes on cash and cash equivalents		(1,220)		(5,931)		(15,250)
Net (decrease) increase in cash and cash equivalents		(11,827)		6,182		(147,838)
Cash and cash equivalents at beginning of year		210,385		203,013		2,629,813
Net increase in cash and cash equivalents associated with newly consolidated subsidiaries		103		1,190		1,288
Cash and cash equivalents at end of year (Note 23)	¥	198,661	¥	210,385	$	2,483,263

See accompanying notes to consolidated financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Olympus Corporation (the "Company") and its consolidated subsidiaries have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan (Japanese GAAP), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.

Effective April 1, 2008, the Company adopted the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (PITF No.18). In accordance with PITF No.18, the accompanying consolidated financial statements for the years ended March 31, 2012 and 2011 have been prepared by using, the accounts of foreign consolidated subsidiaries prepared in accordance with either International Financial Reporting Standards (IFRS) or accounting principles generally accepted in the United States as adjusted for certain items including those for goodwill, actuarial differences and capitalized development costs.

The accompanying consolidated financial statements have been reformatted and translated into English (with some expanded descriptions) from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Act. Certain supplementary information included in the statutory Japanese language consolidated financial statements is not presented in the accompanying consolidated financial statements.

On November 8, 2011, it came to light in the process of the investigation of the independent Third Party Committee that the Company had postponed recognition of losses on securities investments from around the 1990's and was using the acquisition transactions for three domestic subsidiaries (Altis Co., Ltd., NEWS CHEF, Inc. and Humalabo Co., Ltd., hereinafter, collectively, the "Three Domestic Subsidiaries") and Gyrus Group PLC (Gyrus) to settle said losses.

Based on the findings, it has been determined that the Company substantially controlled funds, which had losses on securities investments and had not previously been consolidated with the purpose of postponing recognition of losses, and accordingly, the Company has restated its consolidated financial statements by consolidating these funds and reflected such losses on the consolidated financial statements for the relevant fiscal years. Additionally, restatements were made to the accounting for the acquisition of the Three Domestic Subsidiaries as well as the fees and the proceeds to buy back preferred shares paid to financial advisors in connection with the acquisition of Gyrus, which were used for making up for the losses. These restatements also included the cancellation of goodwill incurred from these acquisitions on the consolidated balance sheets, and the cancellation of amortization and impairment losses of such goodwill on the consolidated statements of operations.

As a result, the impact of the restatement on the 2011 consolidated financial statements is as follows:

	Millions of yen		
	As previously reported (A)	As restated (B)	Restatement (B-A)
March 31, 2011:			
Net sales	¥ 847,105	¥ 847,105	¥ —
Operating income	35,360	38,379	3,019
Income before income taxes and minority interests	22,759	19,938	(2,821)
Net income	7,381	3,866	(3,515)
Total assets	1,063,593	1,019,160	(44,433)
Total net assets	¥ 166,836	¥ 115,579	¥ (51,257)
April 1, 2010:			
Retained earnings	¥ 168,238	¥ 114,719	¥ (53,519)
Total net assets	¥ 216,891	¥ 163,131	¥ (53,760)

In addition, certain reclassifications have been made in the 2011 consolidated financial statements to conform to the classification used in the 2012 consolidated financial statements.

The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of readers outside Japan, using the exchange rate of ¥80 to US$1.00. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

(b) PRINCIPLES OF CONSOLIDATION AND ACCOUNTING FOR INVESTMENTS IN UNCONSOLIDATED SUBSIDIARIES AND AFFILIATES

The accompanying consolidated financial statements include the accounts of the Company and its significant subsidiaries. For the year ended March 31, 2012, the accounts of 188 (179 in 2011) subsidiaries have been included in the consolidated financial statements. All significant inter-company balances and transactions have been eliminated in the consolidation.

The Company consolidates all significant investees which were controlled through substantial ownership of majority voting rights or existence of certain conditions.

The financial statements of some subsidiaries are consolidated by using their financial statements as of or year ended March 31, which are prepared solely for consolidation purposes. Some subsidiaries are consolidated using their financial statements as of their respective fiscal year end, which falls on December 31 and necessary adjustments are made to their financial statements to reflect any significant transactions from January 1 to March 31. All significant intercompany balances and transactions have been eliminated in consolidation.

Investments in certain unconsolidated subsidiaries and affiliated companies in which the Company has significant influence, but less than a controlling interest, are accounted for by the equity method. For the year ended March 31, 2012, 4 (4 in 2011) affiliates were accounted for by the equity method. Investments in subsidiaries and affiliates which are not consolidated or accounted for by the equity method are carried at cost or less. Where there has been a significant decline in the value of such investments, the Company has written down the investments. The differences between acquisition cost and underlying net equity at the time of acquisition (goodwill) are generally being amortized on the straight-line method in the range of mainly 5 to 20 years.

(c) CASH AND CASH EQUIVALENTS

In preparing the consolidated statements of cash flows, cash on hand, readily - available deposits and short-term highly liquid investments with maturities not exceeding three months at the time of purchase and subject to insignificant risk of change in value are considered to be cash and cash equivalents.

(d) SECURITIES

In accordance with the accounting standard for financial instruments, the Company and its consolidated subsidiaries classified their securities into four categories.

Held-to-maturity debt securities are stated at amortized cost. Equity securities issued by non-consolidated subsidiaries and affiliated companies are stated at moving-average cost. Available-for-sale securities with fair values are stated at fair value and those with no fair values at cost. Unrealized gains and losses on available-for-sale securities are reported, net of applicable income taxes, as a separate component of net assets. Realized gain or loss on sale of securities is computed using the moving-average cost method.

(e) DERIVATIVE AND HEDGE ACCOUNTING

Accounting standard for financial instruments requires companies to state derivative financial instruments at fair value and to recognize changes in the fair value as gains and losses unless derivative financial instruments meet the criteria for hedge accounting.

When derivative financial instruments are used as hedges and meets hedging criteria, the Company and consolidated subsidiaries defer recognition of gains and losses resulting from changes in fair value of derivative financial instruments until the related losses and gains on the hedged items are recognized.

(f) INVENTORIES

Inventories are stated at the lower of cost (first-in-first-out) or net realizable value.

(g) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost. Depreciation is mainly computed by the declining balance method at rates based on the estimated useful lives of the relevant assets. The effective annual rates of depreciation as of March 31, 2012 and 2011 were as follows:

	2012	2011
Buildings and structures	**11.0%**	10.7%
Machinery and equipment	**32.9%**	31.4%

(h) ALLOWANCE FOR DOUBTFUL ACCOUNTS

The Company and consolidated subsidiaries provide allowance for doubtful accounts at an amount sufficient to cover probable losses on collection of receivables. It consists of the estimated uncollectible amount with respect to certain identified doubtful receivables and an amount calculated using the historical percentage of write-offs.

(i) PROVISION FOR WARRANTY COSTS

Provision for warranty costs is provided to cover the cost of all services anticipated to be incurred during the entire warranty period based on the warranty contracts and past experience.

(j) PROVISION FOR RETIREMENT BENEFITS

The Company and its consolidated subsidiaries provided allowance for employees' retirement benefits as of the balance sheet date based on the amounts of projected benefit obligation and the fair value of the plan assets at that date.

Actuarial gain or loss is amortized in the year following the year in which the gain or loss is recognized primarily by the straight-line method over periods (mainly 5 years) which are shorter than the average remaining years of service of the employees.

Prior service cost is being amortized by the straight-line method over periods (mainly 5 years) which are shorter than the average remaining years of service of the employees.

The retirement allowance for directors and corporate auditors was recorded at an amount to be paid in accordance with the internal rules if all eligible directors and corporate auditors resigned their offices as of the balance sheet date.

Provision for retirement benefits presented in the non-current liabilities of the consolidated balance sheets included retirement allowance for directors and corporate auditors as of March 31, 2012 and 2011.

(k) PROVISION FOR LOSS ON BUSINESS LIQUIDATION

Provision for loss on business liquidation is recorded to cover losses arising from the business liquidation to be carried out by certain subsidiaries of the Company at the expected amount of these losses.

(l) RESEARCH AND DEVELOPMENT

Expenses relating to research and development activities are charged to income as incurred.

(m) LEASE TRANSACTIONS

Noncancellable lease transactions that transfer substantially all risks and rewards associated with the ownership of assets are accounted for as finance leases. All other lease transactions are accounted for as operating leases and relating payments are charged to income as incurred.

Leased assets are depreciated over the term of the lease based on the straight-line method with no residual value.

The accounting treatment for finance lease contracts that do not transfer ownership to lessee which commenced on or before March 31, 2008 follows the same method as for ordinary operating lease transactions.

(n) INCOME TAXES

The Company recognizes tax effects of temporary differences between the financial reporting and the tax bases of assets and liabilities by using the enacted tax rates and laws which will be in effect when differences are expected to reverse.

The Company and certain subsidiaries adopted the consolidated taxation system, which allows companies to make tax payments on the combined profits or losses of the parent company and its wholly owned domestic subsidiaries.

(o) CONSUMPTION TAXES

Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.

(p) TRANSLATION OF FOREIGN CURRENCY FINANCIAL STATEMENTS

In accordance with the accounting standards for foreign currency translations, the balance sheet accounts of the foreign consolidated subsidiaries are translated at exchange rates as of the balance sheet date. Net assets excluding minority interests are translated at historical exchange rates. Revenues and expenses are translated at average exchange rates for each corresponding fiscal year. Differences arising from translation are presented as “Foreign currency translation adjustments” in a separate component of net assets.

2. CHANGES IN ACCOUNTING POLICIES

Effective April 1, 2011, the Company adopted the “Accounting Standard for Accounting Changes and Error Corrections” (Accounting Standards Board of Japan (“ASBJ”) Statement No. 24 issued on December 4, 2009) and the “Guidance on Accounting Standard for Accounting Changes and Error Corrections” (ASBJ Guidance No.24 issued on December 4, 2009).

3. FINANCIAL INSTRUMENTS

Overview

(1) Policy for financial instruments

In consideration of plans for capital investment, the Company and its consolidated subsidiaries (collectively, the “Group”) raise funds through bank borrowings and issuance of bond. The Group manages temporary cash surpluses through low-risk financial assets. Further, the Group raises short-term capital through bank borrowings. The Group uses derivatives for the purpose of reducing risk and does not enter into derivatives for speculative or trading purposes.

(2) Types of financial instruments and related risk

Trade receivables-notes and accounts receivable -are exposed to credit risk in relation to customers. In accordance with the internal policies of the Group for managing credit risk arising from receivables, each related division monitors credit worthiness of their main customers periodically, and monitors due dates and outstanding balances by individual customer. In addition, the Group is exposed to foreign currency exchange risk arising from receivables denominated in foreign currencies. In principle, the foreign currency exchange risks deriving from the trade receivables denominated in foreign currencies are hedged by forward foreign exchange contracts.

Marketable securities and investment securities are exposed to market risk. Those securities are composed of mainly the shares of common stock of other companies with which the Group has business relationships or affiliated companies and the investment trust fund. In addition, the Group has loans receivable from affiliated companies accounted for by the equity method.

Substantially all trade payables-notes and accounts payable-have payment due dates within one year. Although the Group is exposed to foreign currency exchange risk arising from those payables denominated in foreign currencies, forward foreign exchange contracts are arranged to reduce the risk.

Short-term borrowings, long-term debt, bonds and lease obligations are raised mainly in connection with business activities, and long-term debt is taken out principally for the purpose of making capital investments. The repayment dates of these debt extend up to 9 years and 2 months from the balance sheet date. These debt with variable interest rates is exposed to interest rate fluctuation risk. However, to reduce such risk and fix interest expense for certain debt bearing interest at variable rates, the Group utilizes interest rate swap transactions as a hedging instrument.

Regarding derivatives, the Group enters into forward foreign exchange contracts to reduce the foreign currency exchange risk arising from the receivables and payables denominated in foreign currencies. The Group also enters into interest rate swap transactions to reduce fluctuation risk deriving from interest payable for short-term borrowings, long-term borrowings and bonds bearing interest at variable rates.

Information regarding the method of hedge accounting, hedging instruments and hedged items, hedging policy, and the assessment of the effectiveness of hedging activities is found in Note 29.

(3) Risk management for financial instruments

(a) Monitoring of credit risk (the risk that customers or counterparties may default)

In accordance with the internal policies of the Group for managing credit risk arising from receivables, each related division monitors credit worthiness of their main customers periodically, and monitors due dates and outstanding balances by individual customer. In addition, the Group is making efforts to identify and mitigate risks of bad debts from customers who are having financial difficulties.

As of March 31, 2012, the carrying values of the financial assets represent the maximum credit risk exposures of the Group.

(b) Monitoring of market risks (the risks arising from fluctuations in foreign exchange rates, interest rates and others)

For trade receivables and payables denominated in foreign currencies, the Group identifies the foreign currency exchange risk for each currency on a monthly basis and enters into forward foreign exchange contracts to hedge such risk. In order to mitigate the interest rate risk for loans payable and bonds bearing interest at variable rates, the Group may also enter into interest rate swap transactions.

For marketable securities and investment securities, the Group periodically reviews the fair values of such financial instruments and the financial position of the issuers. In addition, the Group continuously evaluates whether securities other than those classified as held-to-maturity should be maintained by taking into account their fair values and relationships with the issuers.

In conducting derivative transactions, the division in charge of each derivative transaction follows the internal policies, which set forth delegation of authority and maximum upper limit on positions. Monthly reports including actual transaction data are submitted to director in charge of treasury function and the Board of directors for their review.

(c) Monitoring of liquidity risk (the risk that the Group may not be able to meet its obligations on scheduled due dates)

Based on the report from each division, the Group prepares and updates its cash flow plans on a timely basis to manage liquidity risk.

(4) Supplementary explanation of the estimated fair value of financial instruments

The fair value of financial instruments is based on their quoted market price, if available. When there is no quoted market price available, fair value is reasonably estimated. Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in different fair value. In addition, the notional amounts of derivatives in Note 29 "Derivative financial instruments" are not necessarily indicative of the actual market risk involved in derivative transactions.

Estimated Fair Value of Financial Instruments

Carrying value of financial instruments on the consolidated balance sheets as of March 31, 2012 and 2011 and estimated fair value are shown in the following table. The following table does not include financial instruments for which it is extremely difficult to determine the fair value (Please refer to Note 2)) below:

(As of March 31, 2012)	Millions of yen		
	Carrying value	Estimated fair value	Difference
Assets			
1) Cash and deposits	¥ 200,088	¥ 200,088	¥ —
2) Notes and accounts receivable	150,594	150,594	—
3) Investment securities	45,771	45,771	—
Total Assets	¥ 396,453	¥ 396,453	¥ —
Liabilities			
1) Notes and accounts payable	¥ 75,330	¥ 75,330	¥ —
2) Short-term borrowings	63,092	63,092	—
3) Bonds, including current maturities	110,120	99,945	(10,175)
4) Long-term borrowings, including current maturities	469,214	415,488	(53,726)
Total Liabilities	¥ 717,756	¥ 653,855	¥ (63,901)
Derivatives*	¥ (1,922)	¥ (1,922)	¥ —

(As of March 31, 2011)	Millions of yen		
	Carrying value	Estimated fair value	Difference
Assets			
1) Cash and deposits	¥ 213,561	¥ 213,561	¥ —
2) Notes and accounts receivable	141,176	141,176	—
3) Investment securities	51,879	51,879	—
Total Assets	¥ 406,616	¥ 406,616	¥ —
Liabilities			
1) Notes and accounts payable	¥ 68,715	¥ 68,715	¥ —
2) Short-term borrowings	64,094	64,094	—
3) Bonds, including current maturities	110,360	111,750	1,390
4) Long-term borrowings, including current maturities	474,333	479,666	5,333
Total Liabilities	¥ 717,502	¥ 724,225	¥ 6,723
Derivatives*	¥ (82)	¥ (82)	¥ —

(As of March 31, 2012)	Thousands of U.S. dollars		
	Carrying value	Estimated fair value	Difference
Assets			
1) Cash and deposits	$ 2,501,100	$ 2,501,100	$ —
2) Notes and accounts receivable	1,882,425	1,882,425	—
3) Investment securities	572,138	572,138	—
Total Assets	$ 4,955,663	$ 4,955,663	$ —
Liabilities			
1) Notes and accounts payable	$ 941,625	$ 941,625	$ —
2) Short-term borrowings	788,650	788,650	—
3) Bonds, including current maturities	1,376,500	1,249,313	(127,187)
4) Long-term borrowings, including current maturities	5,865,175	5,193,600	(671,575)
Total Liabilities	$ 8,971,950	$ 8,173,188	$ (798,762)
Derivatives*	$ (24,025)	$ (24,025)	$ —

*The value of assets and liabilities arising from derivatives is shown at net value, and with the amount in parentheses representing net liability position.

Notes:

1) Methods to determine the estimated fair value of financial instruments and other matters related to securities and derivative transactions

Cash and deposits and Notes and accounts receivable

Since these items are settled in a short period of time, their carrying value approximates fair value.

Investment securities

The fair value of stocks is based on quoted market prices. The fair value of debt securities and investment trust fund is based on either quoted market prices or prices provided by the financial institutions making markets in these securities. For information on securities classified by holding purpose, please refer to Note 4 “Securities.”

Notes and accounts payable and Short-term borrowings

Since these items are settled in a short period of time, their carrying value approximates fair value.

Bonds

The fair value of bonds is based on the present value of the total of principal and interest discounted by an interest rate determined by taking into account the remaining period of each bond and current credit risk.

Long-term borrowings

The fair value of long-term borrowings is based on the present value of the total of principal and interest discounted by the interest rate to be applied if similar new borrowings were entered into.

Derivatives transactions

Please refer to Note 29 “Derivative financial instruments.”

2) Financial instruments for which it is extremely difficult to determine the fair value as of March 31, 2012 and 2011, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
1) Non-listed equity securities	¥ 937	¥ 2,449	$ 11,713
3) Others	1,826	2,067	22,825
Total	¥ 2,763	¥ 4,516	$ 34,538

Because no quoted market price is available and it is extremely difficult to determine the fair value, the above financial instruments are not included in the above table.

3) Redemption schedule for receivables and marketable securities with maturities at March 31, 2012 and 2011

(As of March 31, 2012)	Millions of yen			
	Within a year	Over a year but within five years	Over five years but within ten years	Over ten years
Cash and deposits	¥ 199,924	¥ —	¥ —	¥ —
Notes and accounts receivable	150,594	—	—	—
Investment securities				
Held-to-maturity debt securities				
1) National and local government bonds	—	—	—	—
2) Corporate bonds	—	—	—	—
Other marketable securities with maturities				
1) Corporate bonds	—	—	—	—
2) Other	738	911	—	—
Total	¥ 351,256	¥ 911	¥ —	¥ —

(As of March 31, 2011)	Millions of yen			
	Within a year	Over a year but within five years	Over five years but within ten years	Over ten years
Cash and deposits	¥ 213,364	¥ —	¥ —	¥ —
Notes and accounts receivable	141,176	—	—	—
Investment securities				
Held-to-maturity debt securities				
1) National and local government bonds	—	—	—	—
2) Corporate bonds	—	—	—	—
Other marketable securities with maturities				
1) Corporate bonds	—	—	—	—
2) Other	448	1,331	6	—
Total	¥ 354,988	¥ 1,331	¥ 6	¥ —

(As of March 31, 2012)	Thousands of U.S. dollars			
	Within a year	Over a year but within five years	Over five years but within ten years	Over ten years
Cash and deposits	$ 2,499,050	$ —	$ —	$ —
Notes and accounts receivable	1,882,425	—	—	—
Investment securities				
Held-to-maturity debt securities				
1) National and local government bonds	—	—	—	—
2) Corporate bonds	—	—	—	—
Other marketable securities with maturities				
1) Corporate bonds	—	—	—	—
2) Other	9,225	11,388	—	—
Total	$ 4,390,700	$ 11,388	$ —	$ —

4) The redemption schedule for long-term debt is disclosed in Note 8 “Long-term debt.”

4. SECURITIES

The following tables summarize acquisition costs, book values and fair value of securities with fair value as of March 31, 2012 and 2011:

Available-for-sale securities

Securities with book value exceeding acquisition cost

	Millions of yen						Thousands of U.S. dollars		
	2012			2011			2012		
	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Equity securities	¥ 22,991	¥ 30,310	¥ 7,319	¥ 25,178	¥ 37,201	¥ 12,023	$ 287,388	$ 378,875	$ 91,487
Others	230	584	354	910	1,339	429	2,875	7,300	4,425
Total	¥ 23,221	¥ 30,894	¥ 7,673	¥ 26,088	¥ 38,540	¥ 12,452	$ 290,263	$ 386,175	$ 95,912

Securities with book value not exceeding acquisition cost

	Millions of yen						Thousands of U.S. dollars		
	2012			2011			2012		
	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Equity securities	¥ 18,543	¥ 14,877	¥ (3,666)	¥ 17,282	¥ 13,339	¥ (3,943)	$ 231,788	$ 185,963	$ (45,825)
Others	—	—	—	—	—	—	—	—	—
Total	¥ 18,543	¥ 14,877	¥ (3,666)	¥ 17,282	¥ 13,339	¥ (3,943)	¥ 231,788	¥ 185,963	¥ (45,825)

Note : In the years ended March 31, 2012, the Company recognized impairment loss of ¥708 million (US$ 8,850 thousand) on available-for-sale securities with fair value.
The Company recognizes impairment loss when the fair market value of marketable and investment securities comes down to less than 50% of the acquisition cost at the end of the period. In addition, the loss is also recognized when the fair market value declines more than 30% but less than 50%, unless the recovery of the fair market value is expected under the market conditions, trends of earnings and other key measures.

The following table summarizes sales of available-for-sale securities and the aggregate gain and loss for the years ended March 31, 2012 and 2011:

	Millions of yen						Thousands of U.S. dollars		
	2012			2011			2012		
	Sales proceeds	Aggregate gain	Aggregate loss	Sales proceeds	Aggregate gain	Aggregate loss	Sales proceeds	Aggregate gain	Aggregate loss
Equity securities	¥ 3,098	¥ 2,401	¥ 16	¥ 753	¥ 123	¥ 37	$ 38,725	$ 30,013	$ 200
Others	239	10	2	1,055	30	—	2,988	125	25
Total	¥ 3,337	¥ 2,411	¥ 18	¥ 1,808	¥ 153	¥ 37	$ 41,713	$ 30,138	$ 225

Investments in unconsolidated subsidiaries and affiliates was as follows:

	Book value		
	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Investment securities	¥ 2,797	¥ 2,947	$ 34,963
Total	¥ 2,797	¥ 2,947	$ 34,963

5. NOTES AND ACCOUNTS RECEIVABLE

Notes and accounts receivable as of March 31, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Unconsolidated subsidiaries and affiliates	¥ 1,092	¥ 1,282	$ 13,650
Trade	149,502	139,894	1,868,775
Total	¥ 150,594	¥ 141,176	$ 1,882,425

6. INVENTORIES

Inventories as of March 31, 2012 and 2011, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Finished goods	¥ 61,963	¥ 55,247	$ 774,538
Work in process and raw materials	40,530	37,682	506,625
Total	¥ 102,493	¥ 92,929	$ 1,281,163

Write-downs of inventories for the years ended March 31, 2012 and 2011, were included in the following account:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Cost of sales	¥ 1,191	¥ 1,208	$ 14,888

7. SHORT-TERM BORROWINGS

Short-term borrowings consisted principally of bank loans. The annual interest rates on these borrowings ranged from 0.68% to 5.99% and from 0.71% to 1.97% as of March 31, 2012 and 2011, respectively.

8. LONG-TERM DEBT

Long-term debt as of March 31, 2012 and 2011, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
(Unsecured long-term debt)	2012	2011	2012
2.15% yen bonds, due July 2018	¥ 25,000	¥ 25,000	$ 312,500
1.09% yen bonds, due July 2012	20,000	20,000	250,000
1.94% yen bonds, due March 2017	20,000	20,000	250,000
1.58% yen bonds, due July 2013	20,000	20,000	250,000
1.69% yen bonds, due March 2014	15,000	15,000	187,500
1.98% yen bonds, due September 2016	10,000	10,000	125,000
2.03% loan from a Japanese bank, due September 2017	35,000	35,000	437,500
2.20% loan from a Japanese bank, due July 2018	33,100	33,100	413,750
1.51% loan from a Japanese bank, due December 2013	27,500	27,500	343,750
3.73% loan from a Japanese bank, due March 2015	23,783	24,234	297,288
1.52% loan from a Japanese bank, due October 2011	—	25,000	—
1.83% loan from a Japanese bank, due September 2015	23,000	23,000	287,500
1.79% loan from a Japanese bank, due September 2014	21,900	21,900	273,750
1.54% loan from a Japanese bank, due September 2011	—	20,000	—
1.89% loan from a Japanese bank, due March 2016	20,000	20,000	250,000
1.62% loan from a Japanese bank, due September 2013	20,000	20,000	250,000
2.15% loan from a Japanese bank, due September 2018	20,000	20,000	250,000
1.99% loan from a Japanese bank, due September 2016	20,000	20,000	250,000
1.98% loan from a Japanese bank, due December 2017	20,000	20,000	250,000
2.14% loan from a Japanese bank, due August 2017	20,000	20,000	250,000
1.51% loan from a Japanese bank, due August 2014	20,000	20,000	250,000
1.69% loan from a Japanese bank, due December 2013	12,000	12,000	150,000
0.92% loan from a Japanese bank, due July 2011	—	10,000	—
1.61% loan from a Japanese bank, due September 2012	10,000	10,000	125,000
2.16% loan from a Japanese bank, due March 2013	10,000	10,000	125,000
1.51% loan from a Japanese bank, due March 2015	10,000	10,000	125,000
1.75% loan from a Japanese bank, due September 2019	20,000	20,000	250,000
1.08% loan from a Japanese bank, due May 2015	17,000	—	212,500
1.78% loan from a Japanese bank, due May 2019	18,000	—	225,000
1.50% loan from a Japanese bank, due May 2019	10,000	—	125,000
2.04% loan from a Japanese bank, due May 2021	15,000	—	187,500
Other bonds	120	360	1,500
Others from foreign banks	193	206	2,413
Others from Japanese banks	39,505	47,478	493,813
(Secured long-term debt)			
Others from Japanese banks	3,233	4,915	40,412
	579,334	584,693	7,241,676
Less-current maturities	(49,023)	(63,441)	(612,788)
	¥ 530,311	¥ 521,252	$ 6,628,888

The aggregate annual maturities of long-term debt subsequent to March 31, 2012 were as follows:

Year ending	Millions of yen	Thousands of U.S. dollars
2013	¥ 49,023	$ 612,788
2014	102,835	1,285,438
2015	87,555	1,094,438
2016	68,499	856,238
2017	50,069	625,863
thereafter	221,353	2,766,910
Total	¥ 579,334	$ 7,241,675

9. NOTES AND ACCOUNTS PAYABLE

Notes and accounts payable as of March 31, 2012 and 2011, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Unconsolidated subsidiaries and affiliates	¥ 197	¥ 144	$ 2,463
Trade	75,133	68,571	939,162
Total	¥ 75,330	¥ 68,715	$ 941,625

10. RETIREMENT BENEFIT PLANS

Employees of the Company and consolidated subsidiaries have defined funded pension plans and unfunded retirement allowance plans. The Company and certain consolidated subsidiaries have defined contribution pension plans.

Directors and corporate auditors of several domestic consolidated subsidiaries have unfunded retirement allowance plans.

The amounts of pension payments and retirement allowances are generally determined on the basis of length of service and basic salary at the time of termination of service.

It is the Company's policy to fund amounts required to maintain sufficient plan assets to provide for accrued benefits. The plan assets consist principally of interest-bearing bonds and listed equity securities.

Provision for retirement benefit recognized in the consolidated balance sheets as of March 31, 2012 and 2011, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Projected benefit obligation	¥ 139,266	¥ 129,851	$ 1,740,825
Fair value of plan assets	(133,032)	(124,724)	(1,662,900)
Unrecognized prior service costs	6,791	8,717	84,888
Unrecognized actuarial loss	(12,551)	(18,054)	(156,888)
Prepaid pension costs	23,448	23,008	293,100
Retirement benefits for employees	23,922	18,798	299,025
Retirement benefit for directors and corporate auditors	140	156	1,750
Total provision for retirement benefit	¥ 24,062	¥ 18,954	$ 300,775

Retirement benefit expenses for employees included in the consolidated statements of operations for the years ended March 31, 2012 and 2011, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Service costs	¥ 7,402	¥ 6,588	$ 92,525
Interest cost on projected benefit obligation	3,891	4,024	48,638
Expected return on plan assets	(5,466)	(5,488)	(68,325)
Amortization of actuarial loss	6,427	3,950	80,338
Amortization of prior service costs	(1,581)	(1,070)	(19,763)
Retirement benefits expenses	10,673	8,004	133,413
Payment for defined contribution plans	526	268	6,575
Total	¥ 11,199	¥ 8,272	$ 139,988

The discount rates used by the Company were mainly 2.0% for the years ended March 31, 2012 and 2011. The rate of expected return on plan assets used by the Company is mainly 4.0% for the years ended March 31, 2012 and 2011. The estimated amount of all retirement benefits to be paid at the future retirement date is allocated equally to each period over the estimated years of total service. Prior service costs were amortized by straight-line method for mainly five years for the years ended March 31, 2012 and 2011, and actuarial gains or losses were amortized by straight-line method for mainly five years for the years ended March 31, 2012 and 2011.

11. ALLOWANCE FOR DOUBTFUL ACCOUNTS

The allowance for doubtful accounts includes ¥7,211 million ($90,138 thousand) representing the provision for the estimated unrecoverable amount in excess of reasonable commission fees recorded as a long-term receivable in relation to the funds described in Note 1(a). Although these fees were paid to the outside collaborators of multiple funds, the Company plans to request reimbursement from these outside collaborators because the Company did not agree to the fees.

12. STOCK OPTION PLANS

A summary of information regarding the consolidated subsidiaries' stock option plans for the year ended March 31, 2012 was as follows:

	Consolidated subsidiaries
Qualified beneficiaries	13 directors 2 corporate auditors 144 employees
Class and number of shares for which new subscription rights were offered	Common stock 10,844
Date of rights granted	From August 30, 2005 to July 31, 2008
Period of exercise of rights	From January 1, 2007 to June 26, 2018
Number of stock options before vested	
As of March 31, 2011	—
Granted	—
Lapsed	—
Vested	—
As of March 31, 2012	—
Number of stock options vested	
As of March 31, 2011	7,931
Vested	—
Exercised	—
Lapsed	930
As of March 31, 2012	7,001
For stock options exercised during the year:	
Exercise price (yen)	¥ —
Average price of common stock at the date of exercise (yen)	¥ —
For stock options outstanding at the end of the year:	
Exercise price (yen)	¥ 26,067

No stock options were exercised for the year ended March 31, 2012.

The total intrinsic value of the stock options was nil as of March 31, 2012.

Conditions for the exercise of stock options are as follows:
Individuals to whom the stock options are granted must continue their service with the Company or its subsidiaries and affiliates in the state of being employed or entrusted until the stock options become exercisable.

13. INCOME TAXES

Income taxes applicable to the Company and its domestic consolidated subsidiaries consist of corporate tax, inhabitants' tax and enterprise tax, which in the aggregate resulted in normal statutory rates of approximately 40.7% for the years ended March 31, 2012 and 2011. Income taxes of foreign consolidated subsidiaries are based generally on tax rates applicable in their countries of incorporation.

The following table summarizes the reconciliation between the statutory tax rate and the Company's effective tax rate for consolidated financial statement purposes for the years ended March 31, 2012 and 2011.

The reconciliation for the year ended 2012 is not stated as net loss before income taxes was recorded.

	2012	2011
Japanese statutory tax rate	—	40.7%
Non-deductible expenses	—	8.1
Effect of lower tax rates applied for overseas subsidiaries	—	(19.3)
Increase in valuation allowance	—	27.7
Amortization of goodwill	—	17.0
Other, net	—	4.2
Effective tax rate	—	78.4%

Significant components of deferred tax assets and liabilities as of March 31, 2012 and 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Deferred tax assets			
Inventories	**¥ 6,461**	¥ 7,706	**$ 80,763**
Prepaid expenses	**7,382**	11,574	**92,275**
Accrued bonuses	**5,077**	4,874	**63,463**
Investments in consolidated subsidiaries	**4,859**	—	**60,738**
Unrealized intercompany profits	**1,873**	1,650	**23,413**
Depreciation of property, plant and equipment	**5,593**	7,157	**69,913**
Amortization of intangible assets	**4,962**	6,062	**62,025**
Provision for retirement benefits	**8,092**	6,746	**101,150**
Securities	**9,873**	9,766	**123,413**
Loss on funds invested	**—**	51,765	**—**
Loss carry forward	**25,121**	24,402	**314,013**
Other	**21,158**	16,005	**264,472**
Subtotal	**100,451**	147,707	**1,255,638**
Valuation allowance	**(61,026)**	(85,257)	**(762,825)**
Total deferred tax assets	**39,425**	62,450	**492,813**
Prepaid pension expenses	**(7,961)**	(5,691)	**(99,513)**
Basis differences in assets acquired and liabilities assumed upon acquisition	**(18,785)**	(20,243)	**(234,813)**
Other	**(10,961)**	(11,577)	**(137,012)**
Total deferred tax liabilities	**(37,707)**	(37,511)	**(471,338)**
Net deferred tax assets	**¥ 1,718**	¥ 24,939	**$ 21,475**

Note : For the year ended March 31, 2011, the above includes items resulting from a correction made to accounting treatment pertaining to the segregation and settlement of losses on financial assets. However, the treatment of those losses for income taxes purposes is uncertain at this time, therefore, it is currently not known whether they will constitute deductible temporary differences. In addition, in view of this uncertainty, a full valuation allowance is recognized against such items.

The "Act for Partial Revision of the Income Tax Act etc. for the Purpose of Creating Taxation System Responding to Changes in Economic and Social Structures" (Act No.114 of 2011) and the "Act for Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction following the Great East Japan Earthquake" (Act No.117 of 2011) were promulgated on December 2, 2011 and the staged reduction of the national corporate tax rate and a special reconstruction corporate tax will be introduced effective for fiscal years beginning on or after April 1, 2012.

As a result, the effective statutory tax rate used to measure the Company's deferred tax assets and liabilities was changed from 40.7% to 38.0% for the temporary differences expected to be realized or settled in the period from April 1, 2012 to March 31, 2015, and from 40.7% to 35.6% for temporary differences expected to be realized or settled from fiscal years beginning April 1, 2015. The effect of the announced reduction of the effective statutory tax rate was to decrease deferred tax assets, net by ¥741 million ($9,263 thousand) and net unrealized losses on hedging derivatives, net of taxes by ¥13 million ($163 thousand) and increase deferred income taxes by ¥805 million ($10,063 thousand) and net unrealized holding gains (losses) on available-for-sales securities, net of taxes by ¥77 million ($963 thousand) as of and for the year ended March 31, 2012.

14. NET ASSETS

Under the Japanese Corporate Law (the "Law"), the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of its board of directors, designate an amount not exceeding one-half of the prices of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Law, in cases where a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Under the Law, all additional paid-in capital and legal earnings reserve may be transferred to other capital surplus and other retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with the Laws.

A summary of information regarding the Consolidated Statement of Changes in Net Assets for the year ended March 31, 2012 was as follows:

Total number and class of shares issued and treasury stock

Class of shares	As of March 31, 2011 (Number of shares)	Increase (Number of shares)	Decrease (Number of shares)	As of March 31, 2012 (Number of shares)
Shares issued:				
Common stock	**271,283,608**	**—**	**—**	**271,283,608**
Treasury stock:				
Common stock (Note)	**4,348,948**	**72,930**	**—**	**4,421,878**

Note : The increase in the number of shares of common stock in treasury includes 22,000 shares through the purchase from dissenting shareholders opposed to the exchange of shares in which ITX Corporation became a wholly owned subsidiary of the Company, 40,000 shares through the purchase from dissenting shareholders opposed to the absorption-type company split with Olympus Imaging Corporation and 10,930 shares through the purchases of stock of less than one trading unit.

Dividends paid

Resolution	Class of shares	Amount of dividends paid (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
General Shareholders' Meeting (June 29, 2011)	**Common Stock**	**¥ 4,004**	**¥ 15.00**	**March 31, 2011**	**June 30, 2011**
		(Thousands of U.S. dollars)	**(U.S. dollars)**		
		$ 50,050	**$ 0.19**		

There were no dividends whose record date is in the year ended March 31, 2012 but whose effective date is in the year ending March 31, 2013.

A summary of information regarding the Consolidated Statement of Changes in Net Assets for the year ended March 31, 2011 was as follows:

Total number and class of shares issued and treasury stock

Class of shares	As of March 31, 2010 (Number of shares)	Increase (Number of shares)	Decrease (Number of shares)	As of March 31, 2011 (Number of shares)
Shares issued				
Common stock	271,283,608	—	—	271,283,608
Treasury Stock				
Common stock (Notes 1 and 2)	1,315,105	4,227,268	1,193,425	4,348,948

Notes : 1. The increase in the number of shares of common stock in treasury includes 4,222,700 shares through the purchase of common stock and 4,568 shares through the purchase of stock less than one trading unit.

2. The decrease in the number of shares of common stock in treasury includes 1,193,425 shares through the exchange of shares with shareholders of ITX Corporation. As a result of this transaction, ITX Corporation became a wholly owned subsidiary of the Company.

Dividends paid

Resolution	Class of shares	Amount of dividends paid (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
General Shareholders' Meeting (June 29, 2010)	Common Stock	¥4,049	¥15.00	March 31, 2010	June 30, 2010

Resolution	Class of shares	Amount of dividends paid (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
General Shareholders' Meeting (November 5, 2010)	Common Stock	¥4,050	¥15.00	September 30, 2010	December 3, 2010

There were dividends whose record date is in the year ended March 31, 2011 but whose effective date is in the year ended March 31, 2012.

Resolution	Class of shares	Amount of dividends paid (Millions of yen)	Funds of distribution	Dividends per share (Yen)	Record date	Effective date
General Shareholders' Meeting (June 29, 2011)	Common Stock	¥4,004	Retained earnings	¥15.00	March 31, 2011	June 30, 2011

Other

As dividends were already paid in accordance with the procedures based on the resolution by the General Meeting of Shareholders and the Board of Directors, the amount of retained earnings was determined after subtracting the dividends.

15. CONTINGENT LIABILITIES

The Company and its consolidated subsidiaries were contingently liable for notes and bills discounted of ¥357 million ($4,463 thousand) and ¥753 million as of March 31, 2012 and 2011, respectively. The Company and its consolidated subsidiaries were also contingently liable as guarantors of borrowings, primarily for housing loans to employees, amounting to ¥122 million ($1,525 thousand) and ¥176 million, respectively, and as guarantors of borrowings from banks to third parties, amounting to ¥2,204 million ($27,550 thousand) and ¥157 million, respectively as of March 31, 2012 and 2011.

16. PLEDGED ASSETS

The following assets were pledged as collateral for long-term debt, current maturities of long-term debt and short-term borrowings as of March 31, 2012 and 2011:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Cash and deposits	**¥ 2,090**	¥ 181	**$ 26,125**
Notes and accounts receivable	**—**	1,004	**—**
Lease receivables and leased investment assets	**7,797**	6,894	**97,463**
Inventories	**—**	250	**—**
Buildings and structures	**1,077**	1,409	**13,463**
Machinery and equipment	**307**	358	**3,838**
Other assets	**2,970**	4,497	**37,124**
	¥ 14,241	¥ 14,593	**$ 178,013**

The obligations secured by such collateral were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Long-term debt	**¥ 3,115**	¥ 4,796	**$ 38,938**
Current maturities of long-term debt	**118**	119	**1,475**
Short-term borrowings	**7,797**	7,582	**97,462**
	¥ 11,030	¥ 12,497	**$ 137,875**

17. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

For the years ended March 31,	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Advertising and promotion expenses	**¥ 42,612**	¥ 44,620	**$ 532,650**
Salaries and allowance	**106,401**	102,594	**1,330,013**
Bonuses	**21,721**	18,952	**271,513**
Retirement benefit expenses	**9,263**	7,538	**115,788**
Amortization of goodwill	**11,103**	11,619	**138,788**
Experiment and research expenses	**33,113**	38,711	**413,913**
Depreciation	**23,423**	24,167	**292,788**

The total of research and development costs included in "Selling, general and administrative expenses" and manufacturing costs for the years ended March 31, 2012 and 2011 amounted to ¥61,356 ($766,950) million and ¥67,286 million, respectively.

18. IMPAIRMENT LOSS ON FIXED ASSETS

The loss on impairment of fixed assets that the Company and its consolidated subsidiaries recorded for the years ended March 31, 2012 and 2011 were as follows:

For the year ended March 31, 2012

Use	Type of assets	Location	Millions of yen	Thousands of U.S. dollars
Assets used for Imaging Business	Land	Tokyo, Guangdong Province	¥ 3,008	$ 37,600
	Buildings and structures	in China and others	4,051	50,637
	Tools, furniture and fixtures		1,265	15,812
	Machinery and equipment		1,404	17,550
	Right of using facilities		122	1,525
	Patent		284	3,550
	Software, etc.		865	10,812
	Long-term prepaid expenses		594	7,425
Assets used for Other Business	Land	Nagano and others	345	4,312
	Buildings and structures		222	2,775
	Tools, furniture and fixtures		325	4,062
	Machinery and equipment		285	3,563
	Leased assets		8	100
	Software, etc.		50	625
	Long-term prepaid expenses		1,977	24,713
Assets used for Life Science and Industrial Business	Patent	—	301	3,763
Assets used for Information and Communication Business	Buildings and structures	Tokyo	52	650
	Tools, furniture and fixtures		6	75
	Software		12	150
Idle properties	Buildings and structures	Nagano, Singapore	358	4,475
	Tools, furniture and fixtures	and others	1	13
	Machinery and equipment		9	113
	Leasehold right		5	63
	Software, etc.		290	3,625
Total			¥ 15,839	$ 197,988

For the year ended March 31, 2011

Use	Type of assets	Location	Millions of yen
Assets used for Other Business	Construction in progress	Nagano	¥ 482
Total			¥ 482

The Company and its consolidated subsidiaries classified fixed assets into the groups of their business segments. The significant idle properties are considered to constitute a group.

Some assets for business use were not expected to make a profit constantly because of the degradation of the business environment. As a result, carrying amounts of assets for business use were devaluated to their recoverable amounts. The recoverable amount is measured according to the value in use. When the value in use based on future cash flow is estimated to be negative, the assets are assumed to have no recoverable value.

Carrying amounts of idle properties were devaluated to their recoverable amounts, owing to substantial decline in the fair market value. The recoverable amounts were estimated by net realizable value of fixed assets which were calculated based on net selling price.

19. LOSS ON FUNDS

Loss on funds of ¥327 million recorded in the consolidated statement of operations for the year ended March 31, 2011 represents the fees, etc., paid in relation to fund management.

20. PROVISION OF ALLOWANCE FOR DOUBTFUL ACCOUNTS ON FUNDS

Provision of allowance for doubtful accounts on funds of ¥2,448 million recorded in the consolidated statement of operations for the year ended March 31, 2011 corresponds to the estimated uncollectible amount of fees recorded as a long-term account receivable in relation to the funds.

21. LOSS ON RESTRUCTURING OF BUSINESS

Loss on restructuring of business of ¥3,392 million ($42,400 thousand) recorded in the consolidated statement of operations for the year ended March 31, 2012 stems mainly from the reorganization of the ERP business for retailers (UCS6) operated by a consolidated subsidiary of the Company.

22. EXPENSES RELATED TO RESTATEMENT OF PRIOR PERIODS

Expenses related to the restatement of prior periods of ¥2,001 million ($25,013 thousand) recorded in the consolidated statement of operations for the year ended March 31, 2012 primarily consist of costs incurred to investigate the inappropriate accounting applied by the Company, which was discovered in November 2011.

23. CASH AND CASH EQUIVALENTS

Reconciliations of cash and deposits shown in the consolidated balance sheets and cash and cash equivalents shown in the consolidated statements of cash flows as of March 31, 2012 and 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Cash and deposits	**¥ 200,088**	¥ 213,561	**$ 2,501,100**
Less: time deposits with maturities over three months	**(1,427)**	(3,176)	**(17,837)**
Cash and cash equivalents	**¥ 198,661**	¥ 210,385	**$ 2,483,263**

24. CASH FLOW RELATED TO PAYMENTS FOR ACQUISITION OF NEWLY CONSOLIDATED SUBSIDIARIES

Details of assets and liabilities when Spiration Inc., Innov-X Systems, Inc. and other subsidiaries were consolidated, acquisition costs of shares and related payments for the acquisition for the year ended March 31, 2011 were as follows:

	Millions of yen
Current assets	**¥ 3,246**
Noncurrent assets	**10,807**
Goodwill	**7,406**
Current liabilities	**(2,921)**
Noncurrent liabilities	**(3,733)**
Shareholders' equity	**(1,251)**
Sub-total: acquisition cost of newly consolidated subsidiaries	**13,554**
Cash and cash equivalents owned by newly consolidated subsidiaries	**(1,226)**
Net: payments for acquisition of newly consolidated subsidiaries	**¥ 12,328**

25. OUTFLOW OF MONEY FROM FUNDS

Outflow of money from funds of ¥2,448 million recorded in the consolidated statement of cash flows for the year ended March 31, 2011 represents the amount of fees determined to be uncollectible due to the decrease in fund assets, which are included in long-term accounts receivable.

26. COLLECTION OF FUND ASSETS

Collection of fund assets of ¥65,553 million recorded in the consolidated statement of cash flows for the year ended March 31, 2011 represents cash collected from the funds.

27. LEASE TRANSACTIONS

FINANCE LEASE TRANSACTIONS (LESSEE):

The Company and its consolidated subsidiaries lease certain machinery and equipment under the non-cancelable finance and operating leases. Finance leases that do not transfer ownership to lessees whose contract commenced on or before March 31, 2008 are not capitalized and are accounted for in the same manner as operating leases. Certain information for such non-capitalized finance leases as of or for the years ended March 31, 2012 and 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars
(Equivalent amount)	2012	2011	2012
Acquisition cost	¥ 1,257	¥ 3,301	$ 15,713
Accumulated depreciation	(1,061)	(2,639)	(13,262)
Accumulated loss on impairment	(1)	(4)	(13)
Estimated net book value	¥ 195	¥ 658	$ 2,438

	Millions of yen		Thousands of U.S. dollars
(Future lease payments)	2012	2011	2012
Due within one year	¥ 141	¥ 446	$ 1,763
Due after one year	74	225	925
Total	215	671	2,688
Balance of impairment loss account on leased assets included in the outstanding future lease payments	¥ 1	¥ 4	$ 13

	Millions of yen		Thousands of U.S. dollars
(Lease payments and pro forma information)	2012	2011	2012
Lease payments	¥ 456	¥ 1,150	$ 5,700
Equivalent of depreciation expense	413	1,060	5,163
Equivalent of interest expense	16	46	200

Equivalent of depreciation expense is computed using the straight-line method over the lease terms assuming no residual value. Equivalent of interest expense is computed using the interest rate method over the lease terms for the difference between acquisition cost and total lease payments.

OPERATING LEASE TRANSACTIONS (LESSEE):

Future minimum lease payments under the non-cancelable operating leases subsequent to March 31, 2012 and 2011 were as follows:

(As of March 31, 2012)	Millions of yen			Thousands of U.S. dollars		
	Due within one year	Due after one year	Total minimum lease payments	Due within one year	Due after one year	Total minimum lease payments
	¥ 14	¥ 11	¥ 25	$ 175	$ 138	$ 313

(As of March 31, 2011)	Millions of yen		
	Due within one year	Due after one year	Total minimum lease payments
	¥ 30	¥ 23	¥ 53

FINANCE LEASE TRANSACTIONS (LESSOR):

Leased investment assets recognized in the consolidated balance sheets as of March 31, 2012 and 2011 consist as follows:

	Millions of yen		Thousands of U.S. dollars
Lease receivables and leased investment assets:	**2012**	2011	**2012**
Lease receivables	**¥ 17,243**	¥ 17,352	**$ 215,538**
Estimated residual value	**3,545**	2,289	**44,313**
Interest income	**(1,900)**	(2,352)	**(23,751)**
Leased Investment Assets	**¥ 18,888**	¥ 17,289	**$ 236,100**

	Millions of yen		Thousands of U.S. dollars
Other assets:	**2012**	2011	**2012**
Lease receivables	**¥ 16,348**	¥ 20,574	**$ 204,350**
Estimated residual value	**1,659**	2,268	**20,738**
Interest income	**(1,804)**	(2,519)	**(22,550)**
Leased Investment Assets	**¥ 16,203**	¥ 20,323	**$ 202,538**

The following table sets forth amounts of lease receivables and leased investment assets to be collected subsequent to March 31, 2012 and 2011:

(As of March 31, 2012)	Millions of yen					
	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Lease receivables and leased investment assets:						
Lease receivable	**¥ —**	**¥ —**	**¥ —**	**¥ —**	**¥ —**	**¥ —**
Lease investment assets	**17,030**	**81**	**65**	**48**	**19**	**—**
Other assets:						
Lease receivable	**—**	**—**	**—**	**—**	**—**	**—**
Lease investment assets	**—**	**9,625**	**4,972**	**1,157**	**303**	**291**

(As of March 31, 2011)	Millions of yen					
	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Lease receivables and leased investment assets:						
Lease receivable	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —
Lease investment assets	17,179	67	54	35	17	—
Other assets:						
Lease receivable	—	—	—	—	—	—
Lease investment assets	—	12,254	6,342	1,463	382	133

(As of March 31, 2012)	Thousands of U.S. dollars					
	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Lease receivables and leased investment assets:						
Lease receivable	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**
Lease investment assets	**212,875**	**1,013**	**813**	**600**	**238**	**—**
Other assets:						
Lease receivable	**—**	**—**	**—**	**—**	**—**	**—**
Lease investment assets	**—**	**120,313**	**62,150**	**14,463**	**3,788**	**3,638**

OPERATING LEASE TRANSACTIONS (LESSEE):

Future minimum lease payments under the non-cancelable operating leases having remaining terms in excess of one year were as follows:

(As of March 31, 2012)	Millions of yen			Thousands of U.S. dollars		
	Due within one year	Due after one year	Total minimum lease payments	Due within one year	Due after one year	Total minimum lease payments
	¥ 2,173	¥ 2,635	¥ 4,808	$ 27,163	$ 32,938	$ 60,100

(As of March 31, 2011)	Millions of yen		
	Due within one year	Due after one year	Total minimum lease payments
	¥ 949	¥ 765	¥ 1,714

28. OTHER COMPREHENSIVE INCOME

The following table presents reclassifications adjustments and corresponding tax effects allocated to each component of other comprehensive income for the year ended March 31, 2012:

Year ended March 31, 2012	Millions of yen	Thousands of U.S. dollars
Net unrealized holding losses on available-for-sale securities, net of taxes:		
Amount arising during the year	¥ (2,676)	$ (33,450)
Reclassification adjustments for gains and losses included in net income	(2,183)	(27,288)
Amount before tax effect	(4,859)	(60,738)
Tax effect	1,463	18,288
Net unrealized holding losses on available-for-sale securities, net of taxes	¥ (3,396)	$ (42,450)
Net unrealized losses on hedging derivatives, net of taxes:		
Amount arising during the year	¥ 1,268	$ 15,850
Reclassification adjustments for gains and losses included in net income	(1,692)	(21,150)
Amount before tax effect	(424)	(5,300)
Tax effect	(86)	(1,075)
Net unrealized losses on hedging derivatives, net of taxes	¥ (510)	$ (6,375)
Foreign currency translation adjustments:		
Amount arising during the year	¥ (6,858)	$ (85,725)
Foreign currency translation adjustments	¥ (6,858)	$ (85,725)
Pension liabilities adjustment of foreign subsidiaries:		
Amount arising during the year	¥ (5,557)	$ (69,463)
Reclassification adjustments for gains and losses included in net income	313	3,913
Amount before tax effect	(5,244)	(65,550)
Tax effect	1,797	22,462
Pension liabilities adjustment of foreign subsidiaries	¥ (3,447)	$ (43,088)
Share of other comprehensive income of companies accounted for by the equity-method:		
Amount arising during the year	¥ (2)	$ (25)
Share of other comprehensive income of companies accounted for by the equity-method	¥ (2)	$ (25)
Total other comprehensive income	¥ (14,213)	$ (177,663)

29. DERIVATIVE FINANCIAL INSTRUMENTS

The Company and its consolidated subsidiaries use derivative financial instruments in the normal course of their business to manage the exposure to fluctuations in foreign exchange rates and interest rates. The primary classes of derivatives used by the Company and its consolidated subsidiaries are foreign exchange forward contracts, currency options, currency swaps and interest rate swaps. Almost all derivative transactions are used to hedge interest rates and foreign currency positions in connection with their business. Accordingly, market risk in these derivatives is largely offset by opposite movements in the underlying positions. Management assesses derivative transactions and market risks surrounding these transactions according to the Company's policy regarding derivative transactions. Contracts of derivative financial instruments are executed by finance departments of the Company or subsidiaries.

The Company's and its consolidated subsidiaries' trade payable that are denominated in foreign currencies which meet specific matching criteria and have been hedged by foreign exchange forward contracts are translated at the foreign exchange rate stipulated in the contracts (special hedge accounting for foreign exchange forward contracts).

Interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential to be paid or received under the swap agreements are accrued and included in interest expense or income (special hedge accounting short-cut method for interest rate swaps).

The counterparties to the derivative financial instruments of the Company and its consolidated subsidiaries are substantial and creditworthy multi-national commercial banks or other financial institutions that are recognized market makers. Neither the risks of counterparty non-performance nor the economic consequences of counterparty non-performance associated with these contracts are considered by the Company to be material.

The following table summarizes the underlying notional transaction amounts, book values and fair values for outstanding derivative financial instruments by risk category and instrument type as of March 31, 2012 and 2011:

Derivatives for which the hedge accounting is not applied

(As of March 31, 2012)	Millions of yen			Thousands of U.S. dollars		
	Notional amount	Fair value	Unrealized gain or (loss)	Notional amount	Fair value	Unrealized gain or (loss)
Foreign exchange forward contracts						
To buy U.S. dollars	¥ 82	¥ (0)	¥ (0)	$ 1,025	$ —	$ —
To buy other currencies	21,098	(494)	(494)	263,725	(6,175)	(6,175)
To sell U.S. dollars	1,041	18	18	13,013	225	225
To sell other currencies	3,191	(111)	(111)	39,888	(1,388)	(1,388)
Foreign exchange option contracts						
Put option	3,800	84	84	47,500	1,050	1,050
Foreign currency swap contracts						
Receive British pounds/ pay Euro	5,405	5	5	67,563	63	63
Receive other currencies/ pay other currencies	5,466	17	17	68,325	213	213

(As of March 31, 2011)	Millions of yen		
	Notional amount	Fair value	Unrealized gain or (loss)
Foreign exchange forward contracts			
To buy other currencies	¥ 22,605	¥ 696	¥ 696
To sell U.S. dollars	6,654	327	327
To sell other currencies	3,943	(32)	(32)
Foreign exchange option contracts			
Put option	3,699	63	63
Foreign currency swap contracts			
Receive British pounds/ pay Euro	4,039	(14)	(14)
Receive other currencies/ pay other currencies	5,729	8	8

The fair value of currency option contracts and currency swap contracts are estimated by obtaining quotes from financial institutions. The fair value of foreign exchange forward contracts is estimated based on market prices for contracts with similar terms.

Derivatives for which the hedge accounting is applied

(As of March 31, 2012)	Millions of yen		Thousands of U.S. dollars	
	Notional amount	Fair value	Notional amount	Fair value
Foreign exchange forward contracts, accounted for by deferral hedge accounting				
To buy U.S. dollars	¥ 1,302	¥ (1)	$ 16,275	$ (13)
To buy other currencies	328	(5)	4,100	(63)
To sell U.S. dollars	12,732	(485)	159,150	(6,063)
To sell other currencies	14,438	(640)	180,475	(8,000)
Foreign exchange forward contracts, accounted for by special hedge accounting				
To buy U.S. dollars	20,011	*	250,138	*
To buy other currencies	2	*	25	*
To sell U.S. dollars	7,496	*	93,700	*
To sell other currencies	579	*	7,238	*
Interest rate swap contracts, accounted for by deferral hedge accounting				
Receive floating/ pay fixed	14,940	(310)	186,750	(3,875)
Interest rate swap contracts, accounted for by special hedge accounting short-cut method				
Receive floating/ pay fixed	374,879	**	4,685,988	**

(As of March 31, 2011)	Millions of yen	
	Notional amount	Fair value
Foreign exchange forward contracts, accounted for by deferral hedge accounting		
To buy U.S. dollars	¥ 3,237	¥ 57
To buy other currencies	2	0
To sell U.S. dollars	23,760	(134)
To sell other currencies	14,775	(617)
Foreign exchange forward contracts, accounted for by special hedge accounting		
To buy U.S. dollars	18,278	*
To buy other currencies	1	*
To sell U.S. dollars	6,399	*
To sell British pounds	397	*
To sell other currencies	1,097	*
Interest rate swap contracts, accounted for by deferral hedge accounting		
Receive floating/ pay fixed	17,470	(436)
Interest rate swap contracts, accounted for by special hedge accounting short-cut method		
Receive floating/ pay fixed	374,823	**

The fair value of currency option contracts, currency swap contracts and interest rate swap contracts are estimated by obtaining quotes from financial institutions. The fair value of foreign exchange forward contracts is estimated based on market prices for contracts with similar terms.

*Foreign exchange forward contracts are accounted for as part of accounts receivable and accounts payable. Therefore, the fair value of the contracts are included in the fair value of underlying accounts receivable and accounts payable.

**Interest rate swap contracts are accounted for as part of long-term debt. Therefore, the fair value of the contracts are included in the fair value of underlying long-term debt.

30. SEGMENT INFORMATION

(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 has established business divisions at the Company, Olympus Medical Systems Corporation, Olympus Imaging Corporation, and ITX Corporation. Each business division formulates comprehensive strategies for Japan and abroad with respect to products and services handled and deploys business activities.

Accordingly, being composed of segments, based on these business divisions, that are categorized according to products and services, the Olympus Group has the following five reportable segments:

Medical Business, Life Science and Industrial Business, Imaging Business, Information and Communication Business, and Others.

The “Medical Business” manufactures and sells medical endoscopes, surgical endoscopes, endo-therapy devices and other products. The “Life Science and Industrial Business” manufactures and sells biological microscopes, industrial microscopes, industrial endoscopes, non-destructive testing equipment, printers, and other products. The “Imaging Business” manufactures and sells digital cameras, voice recorders and other products. The “Information and Communication Business” sells mobile terminals including mobile handsets. The

"Others" business manufactures and sells biomedical materials, conducts system development and other business activities.

(2) Method of calculating amounts of net sales, profit/loss, assets, and other items

The accounting policies of the segments are basically the same as those described in the significant accounting policies in Note 1. Segment profit or loss corresponds to operating income on the consolidated statement of operations. The internal sales or transfer among segments are based on actual market prices.

(3) Information concerning net sales and profit (loss), assets and other items by reportable segment

	Millions of yen							
	2012							
	Medical	Life Science and Industrial	Imaging	Information and Communi-cation	Others	Total	Adjustments	Consolidated Total
Net sales:								
Third parties	¥ 349,246	¥ 92,432	¥ 128,561	¥ 229,399	¥ 48,910	¥ 848,548	¥ —	¥ 848,548
Intersegment	158	16	84	—	142	400	(400)	—
Total	349,404	92,448	128,645	229,399	49,052	848,948	(400)	848,548
Segment profit (loss)	68,188	5,439	(10,760)	5,277	(7,992)	60,152	(24,634)	35,518
Assets	462,317	79,251	88,928	98,842	73,207	802,545	163,981	966,526
Depreciation and amortization	17,935	3,606	4,696	1,029	1,891	29,157	4,630	33,787
Amortization of goodwill	6,695	664	—	2,890	2,034	12,283	—	12,283
Capital expenditures	¥ 15,588	¥ 4,292	¥ 5,211	¥ 666	¥ 5,735	¥ 31,492	¥ 6,469	¥ 37,961

	Millions of yen							
	2011							
	Medical	Life Science and Industrial	Imaging	Information and Communi-cation	Others	Total	Adjustments	Consolidated Total
Net sales:								
Third parties	¥ 355,322	¥ 100,808	¥ 131,417	¥ 209,520	¥ 50,038	¥ 847,105	¥ —	¥ 847,105
Intersegment	135	170	91	—	43	439	(439)	—
Total	355,457	100,978	131,508	209,520	50,081	847,544	(439)	847,105
Segment profit (loss)	71,682	8,553	(15,019)	5,242	(3,606)	66,852	(28,472)	38,379
Assets	436,586	84,773	107,679	93,261	76,967	799,266	219,894	1,019,160
Depreciation and amortization	16,913	4,395	6,021	577	2,057	29,963	4,225	34,188
Amortization of goodwill	6,935	922	—	2,448	1,944	12,249	—	12,249
Capital expenditures	¥ 15,525	¥ 3,913	¥ 4,838	¥ 738	¥ 3,685	¥ 28,699	¥ 4,000	¥ 32,699

	Thousands of U.S.dollars							
	2012							
	Medical	Life Science and Industrial	Imaging	Information and Communi-cation	Others	Total	Adjustments	Consolidated Total
Net sales:								
Third parties	$ 4,365,575	$ 1,155,400	$ 1,607,013	$ 2,867,488	$ 611,374	$ 10,606,850	$ —	$ 10,606,850
Intersegment	1,975	200	1,050	—	1,775	5,000	(5,000)	—
Total	4,367,550	1,155,600	1,608,063	2,867,488	613,149	10,611,850	(5,000)	10,606,850
Segment profit (loss)	852,350	67,988	(134,500)	65,963	(99,901)	751,900	(307,925)	443,975
Assets	5,778,963	990,638	1,111,600	1,235,525	915,087	10,031,813	2,049,762	12,081,575
Depreciation and amortization	224,188	45,075	58,700	12,863	23,637	364,463	57,875	422,338
Amortization of goodwill	83,688	8,300	—	36,125	25,425	153,538	—	153,538
Capital expenditures	$ 194,850	$ 53,650	$ 65,138	$ 8,325	$ 71,687	$ 393,650	$ 80,863	$ 474,513

Notes : 1. Segment profit (loss) is adjusted to agree with operating income on the consolidated statements of operations.

2. Adjustments for segment profit and loss include ¥(24,634) million ($(307,925) thousand) and ¥(28,472) million for the years ended March 31, 2012 and 2011, respectively, of corporate general administration and research and development center expenses, which are not allocable to the reportable segments.

3. Adjustments for segment assets include ¥163,981 million ($2,049,762 thousand) and ¥219,894 million as of March 31, 2012 and 2011, respectively, of corporate assets.

4. Adjustments for depreciation and amortization include ¥4,630 million ($57,875 thousand) and ¥4,225 million for the years ended March 31, 2012 and 2011, respectively, of depreciation and amortization for corporate assets, which are not allocable to the reportable segments.

5. Adjustments for capital expenditures include ¥6,469 million ($80,863 thousand) and ¥4,000 million for the years ended March 31, 2012 and 2011, respectively, of the increase in property, plant and equipment and intangible assets, which are not allocable to the reportable segments.

(4) Related information

(a) Sales by destination

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
to Japan	**¥ 398,237**	¥ 386,502	**$ 4,977,963**
to North America	**165,263**	182,009	**2,065,788**
to Europe	**156,149**	154,363	**1,951,863**
to Asia	**107,304**	97,293	**1,341,300**
to Other areas	**21,595**	26,938	**269,936**
	¥ 848,548	¥ 847,105	**$ 10,606,850**

Note : Each destination is determined by geographical adjacency.
North America includes the United States and Canada. Europe includes Germany, the United Kingdom, France and other countries.
Asia includes Singapore, Hong Kong, China, South Korea, Australia and other countries.
Other areas include Central and South America, Africa and others.

(b) Property, plant and equipment by geographic location

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Japan	**¥ 62,816**	¥ 73,409	**$ 785,200**
America	**29,114**	27,887	**363,925**
Europe	**22,968**	24,143	**287,100**
Asia	**12,910**	15,902	**161,375**
	¥ 127,808	¥ 141,341	**$ 1,597,600**

Note : Each geographic location is determined by geographical adjacency.
America includes the United States, Canada, Mexico and Brazil. Europe includes Germany, the United Kingdom, France and other countries.
Asia includes Singapore, Hong Kong, China, South Korea, Australia and other countries.

(c) Sales by major customer

Sales by major customer for the years ended March 31, 2012 and 2011 have been omitted due to the absence of a customer with sales volume which exceeds 10% of consolidated net sales.

(d) Impairment loss on fixed asset by segment

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Medical	**¥ —**	¥ —	**$ —**
Life Science and Industrial	**301**	—	**3,763**
Imaging	**11,593**		**144,913**
Information and Communication	**70**	—	**875**
Others	**3,212**	—	**40,150**
Reportable segment total	**15,176**	—	**189,701**
Adjustments and eliminations	**663**	—	**8,287**
	¥ 15,839	¥ —	**$ 197,988**

(e) Outstanding balance of goodwill by segment

	Millions of yen					
	2012					
	Medical	Life Science and Industrial	Imaging	Information and Communication	Others	Consolidated Total
Outstanding balance of goodwill	**¥ 95,753**	**¥ 4,148**	**¥ —**	**¥ 23,258**	**¥ 1,306**	**¥ 124,465**

	Millions of yen					
	2011					
	Medical	Life Science and Industrial	Imaging	Information and Communication	Others	Consolidated Total
Outstanding balance of goodwill	¥ 101,876	¥ 4,626	¥ —	¥ 23,161	¥ 3,387	¥ 133,050

	Thousands of U.S.dollars					
	2012					
	Medical	Life Science and Industrial	Imaging	Information and Communication	Others	Consolidated Total
Outstanding balance of goodwill	**$ 1,196,913**	**$ 51,850**	**$ —**	**$ 290,725**	**$ 16,325**	**$ 1,555,813**

(f) Amortization of negative goodwill by segment

Amortization of negative goodwill of ¥2,408 million for the year ended March 31, 2011 is attributed for the acquisition of a business within "Others."

31. AMOUNTS PER SHARE

Net income (loss) per share is computed by dividing income available to common shareholders by the weighted-average number of common shares outstanding for each fiscal year. Diluted income (loss) per share is similar to the basic one except that the weighted-average of common shares outstanding is increased by the number of additional common shares that would have been outstanding if the potentially dilutive common shares had been issued. For the year ended March 31, 2012, although there were dilutive potential common shares, the diluted net income per share was not presented due to the net loss per share. For the year ended March 31 2011, there were no dilutive common shares which have resulted in a dilutive effect.

Net assets per share are computed based on the net assets excluding share subscription rights and minority interests and the number of shares of common stock outstanding at the year end.

For the years ended March 31:	Yen		U.S. dollars
	2012	2011	**2012**
Net income (loss):			
Basic	**¥ (183.54)**	¥ 14.39	**$ (2.294)**
Diluted	**¥ —**	¥ —	**$ —**

As of March 31:	Yen		U.S. dollars
	2012	2011	**2012**
Net assets	**¥ 167.76**	¥ 421.37	**$ 2,097**

The bases for calculation are as follows:

(1) Basic and diluted net income (loss) per share

For the years ended March 31:	Number of shares	
	2012	2011
Weighted average number of shares for basic net income	**266,893,365**	268,658,437

(2) Net assets per share

As of March 31:	Number of shares	
	2012	2011
The number of shares of common stock used for the calculation of net assets per share	**266,861,730**	266,934,660

As of March 31:	Yen		U.S. dollars
	2012	2011	**2012**
Total net assets	**¥ 48,028**	¥ 115,579	**$ 600,350**
Amounts deducted from total net assets:			
Minority interests	**3,258**	3,102	**40,725**
Net assets attributable to shares of common stock	**¥ 44,770**	¥ 112,477	**$ 559,625**

32. RELATED PARTY TRANSACTIONS

Transactions between a related party and subsidiaries of the Company for the years ended March 31, 2012 and 2011 were as follows:

	Transaction		Outstanding balance	
Year ended March 31, 2012	Millions of yen	Thousands of U.S. dollars	Millions of yen	Thousands of U.S. dollars
Mr. Michael C.Woodford, Director of the Company, Director and Chairman of KeyMed (Medical & Industrial Equipment) Ltd.				
—Loan from KeyMed (Medical & Industrial Equipment) Ltd., a subsidiary of the Company	¥ 25	$ 313	¥ —	$ —

	Transaction	Outstanding balance
Year ended March 31, 2011	Millions of yen	
Mr. Michael C.Woodford, Executive Officer of the Company, Director and Chairman of KeyMed (Medical & Industrial Equipment) Ltd.		
—Loan from KeyMed (Medical & Industrial Equipment) Ltd., a subsidiary of the Company	¥ 33	¥ —

Notes : 1. Interest rates of these loans were decided with consideration to market rates.
2. Mr. Michael C.Woodford resigned as a director of the Company on December 1, 2011 and ceased to be related party as of that date.

33. SUBSEQUENT EVENT

On January 3, 2012, Mr. Michael C.Woodford, a former director of the Company, filed the employment tribunal action to the UK Employment Tribunal against the Company, accusing it of infringing on the UK Employment Rights Act 1996 through such actions as dismissing Mr. Michael C.Woodford unfairly from the position of the Company's Representative Director, president and Chief Executive Officer, and for causing unfair losses to him.

The Company reached a settlement with Mr. Woodford on May 29, 2012 and this was approved at the board of directors' meeting held on June 8, 2012.

Following the settlement, the Company will pay GBP 10 million (approximately ¥1,200 million or $15,000 thousand) as a settlement payment which will be charged to income for the year ending March 31, 2013.

34. SUPPLEMENTAL INFORMATION

Following the Company's announcement on November 8, 2011 concerning its postponing of recognition of losses on securities investments, etc., investigations by domestic and overseas investigative authorities, supervisory bodies and other public bodies are currently being conducted related to the Company and its subsidiaries. The consolidated financial statements may be amended if any important matter comes to light in such investigations in the future.

Furthermore, as a result of inappropriate financial reporting by the Company, cases under public prosecution for violation of the Securities and Exchange Law and the Financial Instruments and Exchange Act against the Company are currently pending in the Tokyo District Court. Shareholders of the Company have also filed a lawsuit against the Company as a result of inappropriate financial reporting by the Company, and there is a risk that various shareholders and shareholder groups of the Company may claim damages or file lawsuits against the Company for a similar reason.

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Independent Auditor's Report

The Board of Directors
Olympus Corporation

We have audited the accompanying consolidated financial statements of Olympus Corporation and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2012, and the consolidated statements of operations, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Olympus Corporation and its consolidated subsidiaries as at March 31, 2012, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Emphasis of Matters

1. We draw attention to Note 34 to the consolidated financial statements, which states that, following the Company's announcement on November 8, 2011 concerning its postponing of recognition of losses on securities investments, etc., investigations by domestic and overseas investigative authorities, supervisory bodies and other public bodies are currently being conducted related to the Company and its subsidiaries. The consolidated financial statements may be amended if any important matter comes to light in such investigations in the future. Furthermore, as a result of inappropriate financial reporting by the Company, cases under public prosecution for violation of the Securities and Exchange Law and the Financial Instruments and Exchange Act against the Company are currently pending in the Tokyo District Court. Shareholders of the Company have also filed a lawsuit against the Company as a result of inappropriate financial reporting by the Company, and there is a risk that various shareholders and shareholder groups of the Company may claim damages or file lawsuits against the Company for a similar reason.
2. We draw attention to Note 33 to the consolidated financial statements, which states that, on January 3, 2012, Mr. Michael C. Woodford, a former director of the Company filed the employment tribunal action against the Company. The Company reached a settlement with Mr. Michael C. Woodford on May 29, 2012 and this was approved at the board of directors' meeting held on June 8, 2012.

Our opinion is not qualified in respect of these matters.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 1.

June 28, 2012
Tokyo, Japan

Ernst & Young ShinNihon LLC

A member firm of Ernst & Young Global Limited