Financial Section

Financial Summary

(For the fiscal years as of / ended March 31)

(Millions of yen)

Consolidated	2009/3	2010/3	2011/3	2012/3	2013/3	2014/3
Net sales						
Domestic	347,261	373,163	386,502	398,237	287,025	172,583
Overseas	633,542	509,923	460,603	450,311	456,826	540,703
Total	980,803	883,086	847,105	848,548	743,851	713,286
Percentage change compared with previous year (%)	(13.1%)	(10.0%)	(4.1%)	0.2%	(12.3%)	(4.1%)
Selling, general and administrative expenses	418,558	347,125	349,306	348,287	343,121	367,011
Percentage of net sales (%)	42.7%	39.3%	41.2%	41.0%	46.1%	51.5%
Percentage of net sales excluding R&D expenditures (%)	35.5%	32.3%	33.3%	33.8%	37.6%	42.1%
Operating income	42,722	61,160	38,379	35,518	35,077	73,445
Percentage of net sales (%)	4.4%	6.9%	4.5%	4.2%	4.7%	10.3%
Net income (loss)	(50,561)	52,527	3,866	(48,985)	8,020	13,627
Percentage of net sales (%)	—	5.9%	0.5%	—	1.1%	1.9%
EBITDA margin(*1) (%)	10.7%	13.1%	9.9%	9.5%	10.6%	16.8%
EBITDA margin (Medical Business)(*2) (%)	27.0%	29.2%	26.9%	26.6%	29.0%	30.0%
R&D expenditures	70,010	61,850	67,286	61,356	63,379	66,796
Percentage of net sales (%)	7.1%	7.0%	7.9%	7.2%	8.5%	9.4%
Capital expenditures	55,632	34,323	32,699	37,961	28,109	37,810
Depreciation and amortization	44,594	43,099	34,188	33,787	33,899	36,850
Amortization of goodwill	17,363	11,854	11,619	11,103	9,683	9,457
Sales by region						
Japan	347,261	373,163	386,502	398,237	287,025	172,583
North America	237,656	196,076	182,009	165,263	177,233	216,098
Europe	257,894	188,527	154,363	156,149	157,179	184,012
Asia and Oceania	114,152	100,045	97,293	107,304	102,395	118,717
Others	23,840	25,275	26,938	21,595	20,019	21,876
Average exchange rates						
Yen/U.S. dollar	100.54	92.85	85.72	79.08	83.10	100.24
Yen/Euro	143.48	131.15	113.12	108.98	107.14	134.37
Balance sheet, cash flows, and financial indicators						
Total assets(*3)	1,038,253	1,104,528	1,019,160	966,526	960,239	1,027,475
Total net assets(*3)	110,907	163,131	115,579	48,028	151,907	331,284
Equity ratio (%)	10.0%	14.1%	11.0%	4.6%	15.5%	32.1%
Interest-bearing debt	642,839	661,481	648,787	642,426	560,390	415,831
Net debt	505,763	454,698	435,226	442,338	330,780	163,710
Inventories	95,540	89,959	92,929	102,493	99,307	98,595
Inventory turnover period (months)	1.2	1.3	1.3	1.4	1.6	1.7
Cash and cash equivalents at end of year	132,720	203,013	210,385	198,661	225,782	251,344
Cash flow from operating activities	36,864	76,245	30,469	30,889	25,233	72,388
Cash flow from investing activities	(15,964)	(20,967)	19,003	(35,735)	33,455	(20,273)
Cash flow from financing activities	(3,751)	17,355	(37,359)	(5,761)	(42,436)	(39,693)
Return on equity (ROE) (%)	(30.2%)	40.6%	2.9%	(62.3%)	8.3%	5.7%
Return on assets (ROA) (%)	4.1%	4.9%	0.4%	(4.9%)	0.8%	1.4%
Net income (loss) per share (yen)	(188.85)	194.90	14.39	(183.54)	28.96	41.05
Total equity per share(*3) (yen)	387.31	576.63	421.37	167.76	493.30	962.83
Price earnings ratio (PER)(*4) (times)	—	15.4	160.8	—	76.4	80.2
Price book-value ratio (PBR) (times)	4.1	5.2	5.5	8.1	4.5	3.4
Outstanding market value (billions of yen)	428.6	813.9	627.7	367.3	675.8	1,127.4
Cash dividends per share (yen)	20	30	30	—	—	—
Number of employees(*5)	36,503	35,376	34,391	34,112	30,697	30,702
Average number of temporary employees	(—)	(—)	(5,336)	(5,009)	(2,240)	(2,978)

*1. EBITDA = Operating income + Depreciation and amortization that is included in cost of sales or SG&A expenses + Amortization of goodwill that is included in SG&A expenses. EBITDA margin = EBITDA / Net sales

*2. EBITDA = Segment profit in the Medical Business + Depreciation and amortization that is included in cost of sales or SG&A expenses + Amortization of goodwill that is included in SG&A expenses. EBITDA margin (Medical Business) = EBITDA / Net sales

*3. In line with the issuance of IAS No. 19, “Employee Benefits” (revised on June 16, 2011) to be applied for fiscal years beginning on or after January 1, 2013, certain overseas subsidiaries adopted IAS No. 19 effective this fiscal year and changed their method of recognizing actuarial gain or loss. This change has been applied retrospectively to the figures for the fiscal year ended March 31, 2013.

*4. Price earnings ratio (PER) for the fiscal years ended March 31, 2009 and 2012 are omitted as Olympus recorded net loss for these fiscal years.

*5. The average number of temporary employees is stated in parentheses from the fiscal year ended March 31, 2011, as the number of temporary employees is over 10% of the total number of employees.

Financial Strategy: Improve Capital Efficiency

Yasuo Takeuchi
Director, Senior Executive Managing Officer

In its medium-term vision, Olympus has defined targets for the performance indices of return on invested capital (ROIC), operating margin, free cash flow, and equity ratio. We believe that management oriented toward improving these indices is in effect shareholder-minded management and will therefore lead to heightened shareholder value.

ROIC is an indicator of how efficiently we utilize the capital invested in the Company by our shareholders and financial institutions, making it an important index for incorporating our shareholders' viewpoint into management. In fiscal 2014, we were able to raise ROIC to 5.9% from fiscal 2013's 2.7%, an accomplishment realized by improving our profitability and financial position. The higher profitability is indicated by the massive improvement seen in the operating margin when looked at on a consolidated basis. By selling and liquidating non-core businesses, such as the Information & Communication Business, we were able to raise asset efficiency. When coupled with the impressive performance of our mainstay Medical Business, this increased efficiency helped us achieve the target of 10% or more set for the operating margin in the medium-term vision. As this target was for fiscal 2017, it was met three years in advance.

While addressing the need to improve capital efficiency and profitability, we also managed to recover the Company's financial position to a normal standing. Despite the great extent to which our financial position had deteriorated, we successfully accomplished this recovery in an incredibly short period of time. Capital of approximately ¥110 billion was procured from overseas markets, while operating cash flows were used to reduce interest-bearing debt ahead of schedule. As a result, the equity ratio was 32% on March 31, 2014, also achieving the fiscal 2017 target three years early.

Although we managed to improve our financial position to a level that exceeded our medium-term targets in a very short period of time, we realize that this level is still insufficient when compared with the financial standings of other global medical equipment manufacturers. In the Medical Business, considering approval requirements among other factors, significant time and money must be invested throughout the process of developing and commercializing products. It is therefore necessary to build a financial base that can support these activities over the long term. In addition, ongoing upfront investments are crucial to ensure stable growth. For this reason, I believe we need to further increase the level of capital. Of course, we must remain aware of the capital costs involved in doing this. I am not talking about simply raising capital through fund procurement; rather, we will formulate and implement financial strategies that boost capital while limiting capital costs and maintaining a balance with interest-bearing debt.

Being placed in charge of finances, I was of course aware of the growing importance of emphasizing capital efficiency and shareholder interests in business operation and evaluation. This recent trend is exemplified by such indices as the JPX-Nikkei Index 400. My interactions with shareholders and other investors over the past two years have only served to reinforce this recognition. The current target performance indices were decided two years ago, when Olympus was in a state of crisis, and our aim at that time was escaping the difficult situation in which we found ourselves. However, we are currently formulating a new medium-term management plan slated to begin in April 2016. This plan will incorporate our shareholders' perspective to an even greater degree by employing such indices as return on equity (ROE).

Resource Allocation and Shareholder Return Policies

I regret having to report that we have decided to forego dividend payments for fiscal 2014 to pursue the further reinforcement of our financial base. We take a flexible stance toward shareholder returns, and we aim to resume dividends at the soonest date possible. We will examine this possibility when looking at our final earnings figures for fiscal 2015.

With regard to medium-to-long-term resource allocations, we believe that devoting financial resources to strategic investments for expanding the Medical Business should be our top priority in order to improve shareholder value. Through these investments, we hope to accelerate the transformation of Olympus into a medical equipment manufacturer that can compete on the global stage. Our next priority will be conducting the investments necessary to strengthen the foundations of the Scientific Solutions Business and the Imaging Business. After this measure, another important priority will be preparing for the unique risks faced by Olympus. These preparations will include not only responding to the securities litigations the Company is currently involved in but also addressing the risks inherent in the Medical Business. Accordingly, we must reinforce our financial base to ensure we can always secure a stable supply of internal revenues.

Based on the policies I have just described, and of course future trends in performance, we hope to develop Olympus into a company that can continue to issue stable dividends over the medium-to-long term.

Analysis of Business Results

Company Overview

In the global economy during fiscal 2014, there was an overall moderate recovery trend centered on the United States. However, difficulties continued to be experienced in certain regions, such as the slowdown of economic growth in emerging economies, most notably China, and continuing economic sluggishness in Europe due to debt problems. In the Japanese economy, recovery continued on the back of yen depreciation and an improving job market while consumer spending and capital investment increased, partly due to the demand rush that preceded the consumption tax hike.

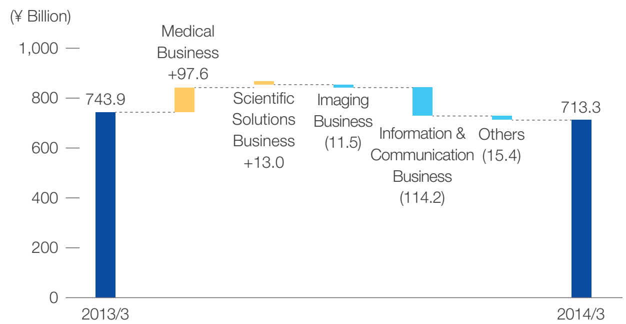
In this operating environment, the Olympus Group continued to advance the four basic strategies of the medium-term vision (corporate strategic plan) launched in fiscal 2013: “rebuilding of business portfolio and optimizing allocation of management resources,” “review and reduction of costs,” “restoration of financial health,” and “restructuring of corporate governance.” Acting in accordance with these strategies, we steadily implemented initiatives targeting the removal of the Security on Alert placed on the Company’s stock by the Tokyo Stock Exchange while increasing capital to strengthen our financial base and reorganizing non-core business domains.

Looking at the Olympus Group’s focus business areas, in the Medical Business, sales of new products in our flagship gastrointestinal endoscope field grew substantially in Japan and overseas, and we strove to strengthen our sales system to achieve further growth in the surgical device field. In the Scientific Solutions Business, previously known as the Life Science & Industrial Business, we launched products in various fields, such as laser scanning microscopes and industrial videoscopes, and were thereby able to achieve sales growth. As for the Imaging Business, we strengthened profitability by expanding our lineup of higher-priced mirrorless cameras while working to maintain optimal inventory levels and reduce costs. In fiscal 2014, R&D expenditures amounted to ¥66,796 million and capital expenditures totaled ¥37,810 million.

In regard to foreign exchange, the yen depreciated significantly against both the U.S. dollar and the euro in comparison with the previous fiscal year. The average exchange rate during fiscal 2014 was ¥100.24 against the U.S. dollar (¥83.10 in the previous fiscal year) and ¥134.37 against the euro (¥107.14 in the previous fiscal year). These rates increased net sales by ¥95,500 million and operating income by ¥25,900 million year on year.

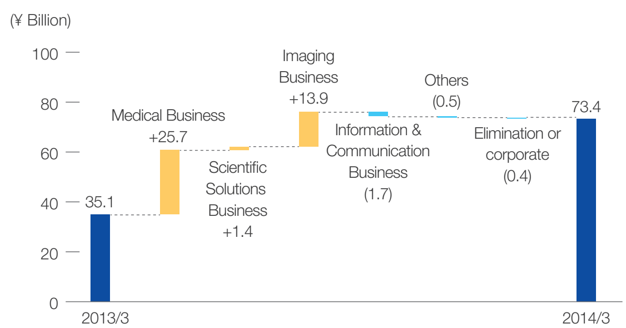
■ Net Sales

Consolidated net sales decreased 4.1% year on year, to ¥713,286 million, as a result of the transference of the Information & Communication Business in September 2012, the effects of which offset higher sales in the Medical Business and the Scientific Solutions Business.



■ Operating Income

Operating income increased 109.4% year on year, to ¥73,445 million, reflecting higher income in the Medical Business and the Scientific Solutions Business as well as a substantially lower loss in the Imaging Business.



■ Net Income

Net income increased 69.9% year on year, to ¥13,627 million, despite recording extraordinary losses totaling ¥35,642 million, which mainly consisted of provision for loss on litigation as well as loss on liquidation of business associated with the withdrawal from the biologics business.

Performance by Segment

■ Medical Business

In the Medical Business, consolidated net sales were ¥492,296 million, up 24.7% year on year, and operating income was ¥112,735 million, up 29.5%.

In our flagship gastrointestinal endoscope field, sales were strong for the gastrointestinal video endoscopy systems EVIS EXERA III and EVIS LUCERA ELITE, both launched in fiscal 2013. In the surgical and endotherapy device field, sales of the VISERA ELITE surgical video endoscopy system, designed to support endoscopic surgery, continued to grow. As a result, sales were substantially higher in the Medical Business. Operating income likewise increased accompanying higher sales.

Scientific Solutions Business

Consolidated net sales in the Scientific Solutions Business increased 15.2% year on year, to ¥98,510 million, while operating income amounted to ¥4,935 million, up 39.9% year on year.

In the life science field, impressive sales were seen for such products as FLUOVIEW FVMPE-RS, a new addition to our line of laser scanning microscopes for use in cutting-edge life science research. In the industrial field, sales grew for IPLEX RX and IPLEX RT, new industrial videoscopes that offer our highest levels of resolution, as well as for the OmniScan SX series of compact and lightweight ultrasonic phased array flaw detectors. In this manner, sales were up in both fields, leading to higher operating income for the Scientific Solutions Business.

Imaging Business

In the Imaging Business, consolidated net sales amounted to ¥96,111 million, down 10.7% year on year, while operating loss was ¥9,182 million, compared with operating loss of ¥23,073 million in the previous fiscal year.

In the digital single-lens camera field, we launched OM-D E-M1, our flagship model for mirrorless cameras that offers resolution levels comparable to full-size single-lens reflex cameras, and OM-D E-M10, a mirrorless camera that condenses leading-edge technology into an ultraslim, stylish body. These new additions drove year-on-year increases in sales. Meanwhile, in response to the contraction of the compact camera market, we limited the number of units sold in this field. Consequently, there was a decline in overall sales for the Imaging Business. Nevertheless, operating loss was reduced by constructing cost structures appropriate for our business scale and cutting costs.

Others

In the Others Business, consolidated net sales amounted to ¥26,369 million, down 36.8% year on year, and operating loss was ¥5,356 million, compared with operating loss of ¥4,870 million in the previous fiscal year.

In order to allocate management resources to business domains in a more concentrated manner, we undertook the reorganization of non-core business domains, including profitable businesses. As a result, sales declined and operating loss increased.

Fiscal 2015 Outlook

Looking ahead, the moderate recovery trend in the global economy centered on the United States continues and the prolonged economic stagnancy in Europe appears to have bottomed out. Nonetheless, the risk of economic downturn still remains due to such factors as slowing growth in the emerging economies. In the Japanese economy, despite the presence of a recovery trend supported by yen depreciation and the improving job market, the outlook remains uncertain due to concerns regarding the effect of the consumption tax hike and other issues.

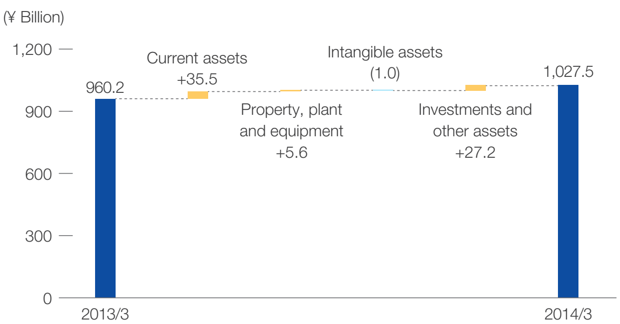
Given this environment, the Olympus Group will steadily advance the four basic strategies geared toward accomplishing the goals of the medium-term vision. We will also prepare for the period after the medium-term vision. As part of this undertaking, we will conduct strategic investment in the core Medical Business over the long term to accelerate the strengthening of operating foundations. At the same time, we will construct an optimal business portfolio, based on an accurate understanding of changes in the operating environment, while strategically allocating and fully leveraging the Olympus Group's management resources to maximize Group performance. The "One Olympus" management policy will be crucial in realizing these improvements. As one facet of our efforts toward building "One Olympus," we will reorganize the Group, revising business units in the Medical Business and the Imaging Business, and otherwise work to create the ideal organizational structure for the Group. Through this reorganization, we aim to increase cost-competitiveness by strengthening head office functions, eliminating redundant functions between divisions, and realizing more efficient utilization of management resources.

In the Medical Business, Olympus will take steps to aggressively expand its operations. In addition to growing sales of new gastrointestinal endoscope products, we will strengthen sales systems in the surgical device field and boost sales of strategic energy device THUNDERBEAT. At the same time, the Company will pursue expanded sales in China and other emerging markets by enhancing service bases and educating physicians with regard to endoscopic procedures and techniques. In the Scientific Solutions Business, we are shifting toward more customer-oriented sales organizations to create systems for maintaining a better understanding of customer needs. Also, improved profitability is being targeted in this business by identifying business fields that guarantee high returns and focusing investments on them. In the Imaging Business, sales volume targets for compact cameras will be further reduced in consideration of future market contraction. At the same time, the shift toward mirrorless cameras, a growth area, will be accelerated by increasing the amount of total sales attributable to the high-margin OM-D series. Furthermore, the Company will continue to strengthen corporate governance systems while promoting stringent compliance. Going forward, internal control and other governance systems will be reinforced as the Olympus Group continues to cultivate commitment to upholding high ethical standards.

Financial Position

Total Assets

As of March 31, 2014, total assets stood at ¥1,027,475 million, up ¥67,236 million from a year earlier. Total current assets increased ¥35,475 million largely due to higher cash and deposits, and non-current assets rose ¥31,761 million following capital expenditures.



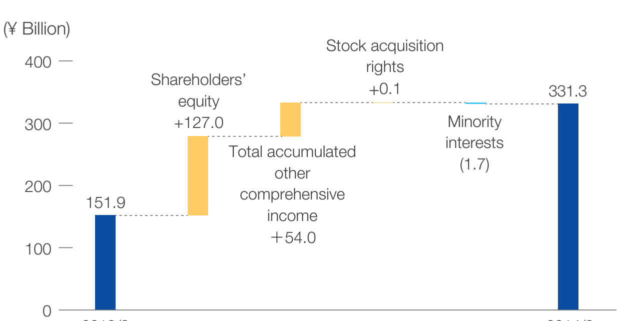
Liabilities

As of March 31, 2014, total liabilities amounted to ¥696,191 million, down ¥112,141 million from a year earlier. This decline was due mainly to decreases in borrowings (long-term and short-term) of ¥109,559 million and current maturities of long-term bonds of ¥35,000 million.

Net Assets and Equity Ratio

Net assets at the end of the fiscal year totaled ¥331,284 million, up ¥179,377 million from the previous fiscal year-end. This rise was primarily due to an increase in total accumulated other comprehensive income of ¥53,952 million, which resulted from fluctuations in foreign exchange and stock prices, as well as increases in common stock of ¥51,189 million and in capital surplus of ¥52,083 million, resulting from the disposal of treasury stock and the issuance of new shares through public offering (offering through a book building method).

As a result of the above, the equity ratio increased from 15.5% at the end of the previous fiscal year to 32.1%.



Cash Flows

Cash Flows from Operating Activities

Net cash provided by operating activities was ¥72,388 million, up ¥47,155 million from the previous fiscal year. Major factors increasing cash included the recording of loss on liquidation of business of ¥11,591 million; increase in provision for loss on litigation of ¥11,000 million; decrease in accounts receivable of ¥1,950 million, compared with increase in accounts receivable of ¥10,063 million in the previous fiscal year; and a ¥19,739 million decrease in gain on sale of investment securities in subsidiaries and affiliates, net. Major factors decreasing cash included the recording of decrease in other payables of ¥3,659 million, compared with increase in other payables of ¥3,217 million in the previous fiscal year, as well as a decrease of ¥4,651 million in increase in accounts payable.

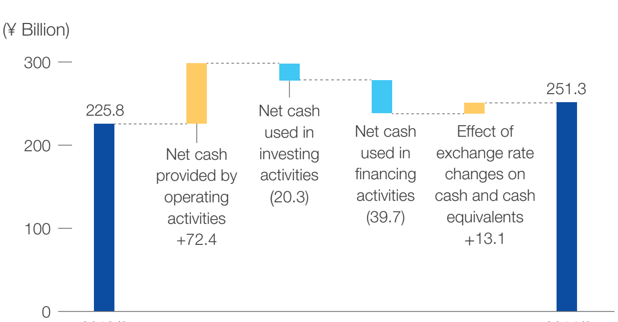
Cash Flows from Investing Activities

Net cash used in investing activities was ¥20,273 million, compared with net cash provided by investing activities of ¥33,455 million in the previous fiscal year. Major factors decreasing cash included a ¥47,775 million decrease in net increase from sales of investments in subsidiaries resulting in changes in scope of consolidation and a ¥5,310 million decrease in sales of investment securities. Major factors increasing cash included a ¥3,183 million increase in withdrawals from time deposits.

Cash Flows from Financing Activities

Net cash used in financing activities was ¥39,693 million, down ¥2,743 million compared with the previous fiscal year. Major factors increasing cash included a ¥51,641 million increase in proceeds from issuance of common stock and the recording of proceeds from disposal of treasury stock of ¥11,067 million. Major factors decreasing cash included a ¥47,339 million increase in repayments of long-term borrowings and a ¥14,960 million increase in redemption of bonds.

As a result, cash and cash equivalents at end of year amounted to ¥251,344 million, an increase of ¥25,562 million compared with the end of the previous fiscal year.



Risk Information

A number of factors could significantly affect the business performance of the Olympus Group. To respond to such risks, Olympus formed the CSR Committee in 2011 and is strengthening activities pertaining to risk management. In addition, Olympus has established risk management rules, the Risk Management Promotion Committee based on those rules, and made decisions on risk management policies and evaluation, verification, and procedural guidelines.

Moreover, in October 2012, the former Risk Management Bureau was revised and renamed the Risk Management Department to further strengthen the Company's risk management structure. Within the Risk Management Department, we have assembled a full-time staff that collects and assesses information, formulates countermeasures, and ensures their effectiveness. In addition, the department works with each regional business center, business division, and affiliate to develop risk management structures. Should any risks arise that could have a significant impact on the maintenance of the Company's corporate value, such risks are immediately reported to the president and the CSR Committee, which collaborate with related divisions to determine appropriate countermeasures and ensure prompt resolution of the issue. Olympus is also developing a structure to respond to rapidly developing crises and thereby minimize the impact on corporate value.

The following are the main factors, other than management decisions, and risks inherit to operations that may give rise to changes in the Group's business performance. Forward-looking statements in this section are based on the Group's judgment as of the end of the fiscal year under review.

Business Risks

(1) Risks Associated with Sales Activities

1. In the Medical Business, it is possible that healthcare policies may be amended in an unforeseeable and material manner due to healthcare system reforms or that some other significant change may occur in the medical industry. If the Olympus Group is unable to adapt to such environmental changes or obtain the licenses and approvals in various countries necessary for its business activities in a timely manner, earnings may be affected.
2. In the life science sector of the Scientific Solutions Business, the supply of systems for research funded by national budgets of countries accounts for a high proportion of earnings, and the curtailment of national budgets for such reasons as macroeconomic changes may affect earnings.
3. In the digital camera field of the Imaging Business, market conditions are growing ever harsher. If the market contracts more rapidly than anticipated, the Group may be unable to adequately counter the resulting sales decline with its restructuring measures, and earnings may be impacted as a result.

(2) Risks Associated with Production and Development Activities

1. In the Imaging Business, core production operations are located in China. Accordingly, a rise in the value of the yuan would result in cost increases, which may affect earnings. In addition, the destabilization of conditions or the deterioration of public safety in China, or anti-Japan sentiment, among others, may affect production activities.
2. The Group depends on certain specific suppliers for processes from development to production of products and components that cannot be developed and produced within the Group. Accordingly, procurement constraints resulting from conditions impacting these suppliers may affect production and supply capacity.
3. Olympus products, including products consigned to outside suppliers, are manufactured in accordance with strict quality standards. Nevertheless, the occurrence of product defects may result in substantial costs, such as for product recalls, as well as loss of confidence in the Olympus Group, which may affect earnings.
4. The Group is making continuous advances in the development of products that incorporate cutting-edge technologies. Nevertheless, technical progress is rapid, and the inability to sufficiently foresee market changes and develop new products that meet customer needs in a timely manner may affect earnings.
5. The Group applies various intellectual property rights in its R&D and production activities and believes that these are rights owned by the Group or rights for which the Group has legally obtained licenses. However, assertion by a third party that the Group has unknowingly infringed on intellectual property rights and the occurrence of a dispute may affect earnings.

(3) Risks Associated with Business Partnerships and Corporate Acquisitions

1. Olympus has formed long-term strategic partnerships related to technologies and product development with leading companies in the industry. Inability to maintain such partnerships due to the occurrence of financial or other business-related issues with strategic partners, changes in goals, or other reasons may hinder the Group's business activities.

2. Olympus may acquire companies for the purpose of business expansion. Inability to integrate acquired businesses in accordance with the Group's management strategies or inability to efficiently utilize the management resources of existing businesses or acquired businesses may affect the Group's operations, business performance, or financial position for such reasons as the recording of impairment of goodwill, loss on sales of businesses associated with business reorganizations, or expenses for business liquidation.
3. As of March 31, 2014, the Olympus Group held listed stocks with a total value of ¥51,070 million and unlisted stocks with a total value of ¥2,595 million as investments for the purpose of facilitating business alliances. The stock price of listed stocks is determined based upon market principles. Accordingly, fluctuations in market trends could cause the value of these stocks to decline. For unlisted stocks, it is possible that the estimated value of these stocks could decline due to changes in the financial position of the company in question. Such price fluctuations could force the Group to record loss on valuation of investment securities, and the Group's earnings or financial position could be affected as a result.

(4) Risks Associated with Financing

The Group obtains financing by means of borrowings from financial institutions and other sources, and changes in conditions in the financial markets may affect the Group's financing. In addition, an increase in financing costs as a result of such factors as deterioration in the Group's business performance may adversely affect the Group's financing.

(5) Risks Associated with Leakage of Information

The Group possesses important confidential information, such as technical information and personal information of customers and other interested parties. The Group has taken various measures to prevent leakage of such information outside the Group, including the preparation of internal regulations, thorough employee education, and the strengthening of security systems. Nevertheless, leakage of such information due to unforeseen circumstances may affect the Group's business performance or financial position as a result of such factors as damage to the Group's corporate value, loss of public trust, or the payment of compensation to customers or other interested parties affected by the leakage.

(6) Risks Associated with Deferred Posting of Past Losses

A case is pending in the Tokyo District Court in which the Company is charged with violations of the Securities and Exchange Act and the Financial Instruments and Exchange Act with respect to the Company's deferring of the posting of losses on investment securities, etc., since around the 1990s and the use, via multiple funds, of both the fees paid to financial advisors and funds to buy back preferred stock in relation to the acquisition of Gyrus Group PLC as well as the funds for the acquisition of three domestic companies (Altis Co., Ltd., NEWS CHEF, Inc., and Humalabo Co., Ltd.) to resolve unrealized losses on investment securities, etc., by deferring the posting of these losses. Furthermore, shareholders of the Company have filed legal complaints against the Company as a result of the Company's inappropriate financial reporting, and there is the risk that other shareholders and shareholder groups will claim damages or file lawsuits against the Company, which may affect the Group's business performance or financial position.
As of June 26, 2014, the following major lawsuits have been filed against the Company with pending claims totaling ¥86.3 billion.

In regard to the pending lawsuits in fiscal 2014, the Company recorded ¥11,000 million as provision for loss on litigation in current liabilities in consideration of the state of progress of the lawsuits 1. and 3. mentioned below.

1. On June 28, 2012, 49 plaintiffs (of which one company withdrew its claim before the complaint was received), including the Teachers' Retirement System of the State of Illinois as well as non-Japanese institutional investors and pension funds that are shareholders of the Company, filed a complaint against the Company (the date the Company received the complaint was November 12, 2012) seeking damages of ¥19,138 million and 5% per annum interest on this amount for the period from October 14, 2011, up to the payment of the principal. On March 15, 2013, a petition to change the claim was submitted, and the damages sought were changed to ¥20,851 million and 5% per annum interest on this amount for the period from November 8, 2011, up to the payment of the principal accordingly. On June 28, 2013, two companies withdrew their claims, which totaled ¥9 million. For this reason, the damages sought for this complaint currently totals ¥20,842 million and 5% per annum interest on this amount for the period from November 8, 2011, up to the payment of the principal.
2. On December 13, 2012, 68 plaintiffs, including California Public Employees' Retirement System as well as non-Japanese investors and pension funds that are shareholders of the Company, filed a complaint against the Company (the date the Company received the complaint was March 29, 2013) seeking damages of ¥5,892 million

and 5% per annum interest on this amount for the period from October 14, 2011, up to the payment of the principal. On April 4, 2013, two companies withdrew their claims, which totaled ¥18 million, and the damages sought were changed to ¥5,875 million and 5% per annum interest on this amount for the period from October 14, 2011, up to the payment of the principal accordingly. On September 11, 2013, four companies withdrew their claims, which totaled ¥112 million, and the damages sought were changed to ¥5,763 million and 5% per annum interest on this amount for the period from October 14, 2011, up to the payment of the principal accordingly. On February 4, 2013, one company withdrew its claim, which totaled ¥2 million, and the damages sought were changed to ¥5,762 million and 5% per annum interest on this amount for the period from October 14, 2011, up to the payment of the principal accordingly. Lastly, on May 14, 2014, one company withdrew its claim, which totaled ¥3 million. For this reason, the damages sought for this complaint currently totals ¥5,759 million and 5% per annum interest on this amount for the period from October 14, 2011, up to the payment of the principal.

3. On June 27, 2013, 43 plaintiffs, including California State Teachers' Retirement System as well as non-Japanese investors and pension funds that are shareholders of the Company, filed a complaint against the Company (the date the Company received the complaint was July 16, 2013) seeking damages of ¥16,832 million and 5% per annum interest on this amount for the period from November 8, 2011, up to the payment of the principal.
4. On April 7, 2014, six plaintiffs, including Mitsubishi UFJ Trust and Banking Corporation and five other trust banks, filed a complaint against the Company (the date the Company received the complaint was April 17, 2014) seeking damages of ¥27,915 million and the interest accrued to the damages incurred relating to each of the shares at the rate of 5% per annum for the period from the day immediately following the share acquisition trade date of each of the shares that incurred losses up to the payment of the incurred losses of the shares.

Furthermore, on July 23, 2012, Terumo Corporation, a shareholder of the Company, filed a complaint against the Company seeking damages of ¥6,612 million and 5% per annum interest on this amount for the period from August 22, 2005, up to the payment of the principal. A settlement was reached with regard to this complaint on November 18, 2013, and the Company paid a settlement package to Terumo of ¥6,000 million during fiscal 2014. This amount was recorded under extraordinary loss as "settlement charge."

(7) Risks Associated with Internal Control Systems, etc.
The Company has striven to improve and develop its internal control systems in response to the designation of the Company's stock as Security on Alert by the Tokyo Stock Exchange (TSE) on January 21, 2012. Nevertheless, if three years after the designation the TSE deems that problems remain with the Company's internal control systems, etc., or if the TSE deems that there are unlikely to be improvements in the Company's internal control systems, etc., even though the TSE has requested submission of written affirmation on the internal control system, the Company's shares may be delisted, which may affect the Olympus Group's business performance and financial position. Even after the removal of this designation, the Company will continue to revise its internal control systems to minimize risks. However, it is still possible that a legal violation may occur and the Company's performance may be impacted.

Further, the Security on Alert designation was lifted from the Company's stock on June 11, 2013.

(8) Risks Associated with Withdrawal from the Biologics Business
The Olympus Group decided to withdraw from the biologics business on February 28, 2014, and recorded a total of ¥14,672 million in extraordinary losses for fiscal 2014, composed of ¥3,645 million in impairment loss on fixed assets and ¥11,027 million in loss on liquidation of business. Depending on the progress of procedures associated with the withdrawal, it is possible that the withdrawal will impact on the Group's business performance or financial position during fiscal 2015 or in subsequent fiscal years due to such factors as the recognition of additional costs.

(9) Other General Risks
Through its domestic and overseas subsidiaries and affiliates, etc., the Company operates its various businesses around the world, including the Medical Business, which is a regulated industry. These regulated businesses may from time to time be subject to various investigations by domestic and overseas authorities and involve discussions with or reporting to authorities with respect to compliance with laws (for instance, response to investigations concerning compliance with the Antimonopoly Act or Pharmaceutical Affairs Act or voluntary disclosure to the U.S. Department of Justice regarding compliance with the Foreign Corrupt Practices Act (FCPA)), and the results of such investigations and consultations may affect earnings. In addition, the occurrence of natural disasters, disease, wars, terrorist attacks, or other incidents or the occurrence of greater than expected interest rate increases or exchange rate fluctuations may affect earnings.

Consolidated Balance Sheets

Olympus Corporation and Consolidated Subsidiaries
As of March 31, 2013 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	**2014**	**2014**
ASSETS			
CURRENT ASSETS:			
Cash and deposits (Notes 4, 17 and 26)	¥ 229,610	**¥ 252,121**	**$ 2,447,777**
Notes and accounts receivable (Notes 4 and 6)	125,231	**132,233**	**1,283,816**
Allowance for doubtful accounts	(3,297)	**(3,386)**	**(32,874)**
Lease receivables and leased investment assets (Notes 17 and 28)	21,777	**23,454**	**227,709**
Inventories (Note 7)	99,307	**98,595**	**957,233**
Deferred income taxes (Note 14)	25,087	**35,925**	**348,786**
Other current assets	43,322	**37,570**	**364,757**
Total current assets	541,037	**576,512**	**5,597,204**
PROPERTY, PLANT AND EQUIPMENT:			
Land	15,172	**15,561**	**151,078**
Buildings and structures (Note 17)	127,908	**126,026**	**1,223,553**
Machinery and equipment (Note 17)	229,828	**244,330**	**2,372,136**
Leased assets	11,523	**13,086**	**127,049**
Construction in progress	1,853	**1,550**	**15,049**
	386,284	**400,553**	**3,888,864**
Less-Accumulated depreciation	(256,482)	**(265,113)**	**(2,573,913)**
Net property, plant and equipment	129,802	**135,440**	**1,314,951**
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 4 and 5)	48,614	**56,076**	**544,427**
Deferred income taxes (Note 14)	9,581	**12,247**	**118,903**
Goodwill	106,346	**106,850**	**1,037,379**
Net defined benefit assets (Note 11)	—	**28,217**	**273,951**
Other assets (Notes 17 and 28)	133,320	**122,096**	**1,185,398**
Allowance for doubtful accounts (Note 12)	(8,461)	**(9,963)**	**(96,728)**
Total investments and other assets	289,400	**315,523**	**3,063,330**
Total assets	¥ 960,239	**¥1,027,475**	**$ 9,975,485**

See accompanying notes to consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2014	2014
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES:			
Short-term borrowings (Notes 4, 8 and 17)	¥ 39,637	¥ 16,966	$ 164,718
Current maturities of long-term debt (Notes 4, 9 and 17)	97,873	52,051	505,350
Notes and accounts payable (Notes 4 and 10)	42,272	45,409	440,864
Other payables	31,221	28,871	280,301
Accrued expenses	67,676	73,738	715,883
Provision for warranty costs	7,513	8,937	86,767
Income taxes payable (Note 14)	12,622	13,403	130,126
Provision for loss on business liquidation	—	4,683	45,466
Provision for loss on litigation	—	11,000	106,796
Other current liabilities	18,046	21,250	206,311
Total current liabilities	316,860	276,306	2,682,582
NON-CURRENT LIABILITIES:			
Long-term debt, less current maturities (Notes 4, 9 and 17)	422,880	346,814	3,367,126
Deferred income taxes (Note 14)	28,381	33,711	327,291
Provision for retirement benefits (Note 11)	28,393	—	—
Liabilities for retirement benefits (Note 11)	—	27,349	265,524
Provision for loss on business liquidation	145	—	—
Other non-current liabilities	11,673	12,011	116,612
Total non-current liabilities	491,472	419,985	4,076,553
Total liabilities	808,332	696,191	6,759,135
CONTINGENT LIABILITIES (Note 16)			
NET ASSETS (Note 15):			
Common stock:			
Authorized 1,000,000,000 shares			
Issued 305,671,508 and 342,671,508 shares as of March 31, 2013 and 2014, respectively	73,332	124,520	1,208,932
Capital surplus	79,788	131,871	1,280,301
Retained earnings	68,000	81,534	791,592
Treasury stock, at cost	(11,255)	(1,098)	(10,660)
Total shareholders' equity	209,865	336,827	3,270,165
Net unrealized holding gains on available-for-sale securities, net of taxes	6,295	11,836	114,913
Net unrealized gains (losses) on hedging derivatives, net of taxes	20	(1)	(10)
Foreign currency translation adjustments	(58,029)	(13,411)	(130,204)
Pension liability adjustments of foreign subsidiaries	(9,546)	—	—
Retirement benefits liability adjustments	—	(5,732)	(55,650)
Total accumulated other comprehensive income	(61,260)	(7,308)	(70,951)
Stock acquisition rights	—	115	1,117
Minority interests	3,302	1,650	16,019
Total net assets	151,907	331,284	3,216,350
Total liabilities and net assets	¥960,239	¥1,027,475	$9,975,485

See accompanying notes to consolidated financial statements.

Consolidated Statements of Operations

Olympus Corporation and Consolidated Subsidiaries
For the years ended March 31, 2013 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2014	2014
Net sales	¥743,851	¥713,286	$6,925,107
Cost of sales (Note 7)	365,653	272,830	2,648,835
Gross profit	378,198	440,456	4,276,272
Selling, general and administrative expenses (Note 18)	343,121	367,011	3,563,214
Operating income	35,077	73,445	713,058
Other income (expenses):			
Interest expense, net	(12,940)	(10,496)	(101,903)
Gain on available-for-sale securities, net	999	1,331	12,922
Foreign currency exchange loss, net	(1,954)	(2,022)	(19,631)
Equity in earnings (losses) of affiliates, net	22	(1,457)	(14,146)
Reversal of provision for loss on restructuring of business	1,348	—	—
Gain on sales of non-current assets	1,316	102	990
Gain on sales of investment securities in subsidiaries and affiliates, net	20,027	287	2,786
Commission fee for contract modification (Note 1)	(3,392)	—	—
Bank loans related expenses in conjunction with repayment made prior to due date	—	(1,528)	(14,835)
Impairment loss on fixed assets (Note 19)	(7,600)	(4,871)	(47,291)
Loss on restructuring of businesses (Note 20)	(2,947)	—	—
Loss on liquidation of business (Note 23)	—	(11,591)	(112,534)
Penalty charges (Note 36)	—	(700)	(6,796)
Provision for loss on litigation (Note 24)	—	(11,000)	(106,796)
Extra severance payments for voluntary retirement (Note 21)	(1,336)	—	—
Soil improvement cost	(187)	(808)	(7,845)
Settlement charge (Note 22)	(1,231)	(6,256)	(60,738)
Other, net	(8,060)	(8,011)	(77,776)
Total	(15,935)	(57,020)	(553,593)
Income before income taxes and minority interests	19,142	16,425	159,465
Income taxes (Note 14):			
Current	15,838	19,740	191,650
For prior periods (Note 25)	—	(230)	(2,233)
Deferred	(4,938)	(16,712)	(162,252)
Total	10,900	2,798	27,165
Income before minority interests	8,242	13,627	132,300
Minority interests	(222)	0	0
Net income	¥ 8,020	¥ 13,627	$ 132,300

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

Olympus Corporation and Consolidated Subsidiaries
For the years ended March 31, 2013 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	**2014**	**2014**
Income before minority interests	¥ 8,242	**¥13,627**	**$132,300**
Other comprehensive income (Note 29)			
Net unrealized holding gains on available-for-sale securities, net of taxes	3,165	**5,541**	**53,796**
Net unrealized gains (losses) on hedging derivatives, net of taxes	1,288	**(21)**	**(204)**
Foreign currency translation adjustments	44,145	**44,622**	**433,223**
Pension liability adjustments of foreign subsidiaries	(3,311)	**1,150**	**11,165**
Share of other comprehensive income of affiliates	5	**77**	**748**
Total other comprehensive income	45,292	**51,369**	**498,728**
Comprehensive income	¥53,534	**¥64,996**	**$631,028**
Total comprehensive income attributable to:			
Shareholders of Olympus Corporation	¥53,201	**¥64,915**	**$630,243**
Minority interests	¥ 333	**¥ 81**	**$ 785**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

Olympus Corporation and Consolidated Subsidiaries
For the years ended March 31, 2013 and 2014

	Millions of yen				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at April 1, 2012	¥ 48,332	¥ 54,788	¥60,197	¥(11,249)	¥152,067
Issuance of common stock	25,000	25,000			50,000
Net income			8,020		8,020
Change in scope of consolidation			(217)		(217)
Acquisition of treasury stock				(6)	(6)
Net change in items other than those in shareholders' equity					—
Net changes during the year	25,000	25,000	7,803	(6)	57,798
Balance at April 1, 2013	¥ 73,332	¥ 79,788	¥68,000	¥(11,255)	¥209,865
Issuance of common stock	51,189	51,189			102,378
Net income			13,627		13,627
Change in scope of consolidation			(93)		(93)
Acquisition of treasury stock				(16)	(16)
Disposal of treasury stock		894		10,173	11,067
Net change in items other than those in shareholders' equity					—
Net changes during the year	51,189	52,083	13,534	10,157	126,963
Balance at March 31, 2014	**¥124,520**	**¥131,871**	**¥81,534**	**¥ (1,098)**	**¥336,827**

	Millions of yen								
	Net unrealized holding gains on available-for-sale securities, net of taxes	Net unrealized gains (losses) on hedging derivatives, net of taxes	Foreign currency translation adjustments	Pension liability adjustments of foreign subsidiaries	Retirement benefits liability adjustments	Total accumulated other comprehensive income	Stock acquisition rights	Minority interests	Total net assets
Balance at April 1, 2012	¥ 3,128	¥(1,268)	¥(102,067)	¥(6,235)	¥ —	¥(106,442)	¥ —	¥ 3,258	¥ 48,883
Issuance of common stock						—			50,000
Net income						—			8,020
Change in scope of consolidation						—			(217)
Acquisition of treasury stock						—			(6)
Net change in items other than shareholders' equity	3,167	1,288	44,038	(3,311)		45,182		44	45,226
Net changes during the year	3,167	1,288	44,038	(3,311)	—	45,182	—	44	103,024
Balance at April 1, 2013	¥ 6,295	¥ 20	¥ (58,029)	¥(9,546)	¥ —	¥ (61,260)	¥ —	¥ 3,302	¥151,907
Issuance of common stock						—			102,378
Net income						—			13,627
Change in scope of consolidation						—			(93)
Acquisition of treasury stock						—			(16)
Disposal of treasury stock						—			11,067
Net change in items other than shareholders' equity	5,541	(21)	44,618	9,546	(5,732)	53,952	115	(1,652)	46,581
Net changes during the year	5,541	(21)	44,618	9,546	(5,732)	53,952	115	(1,652)	104,379
Balance at March 31, 2014	**¥11,836**	**¥ (1)**	**¥ (13,411)**	**¥ —**	**¥(5,732)**	**¥ (7,308)**	**¥115**	**¥ 1,650**	**¥331,284**

	Thousands of U.S. dollars (Note1)				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at April 1, 2013	$ 711,961	$ 774,640	$660,194	$(109,272)	$2,037,523
Issuance of common stock	496,971	496,981			993,952
Net income			132,300		132,300
Change in scope of consolidation			(902)		(902)
Acquisition of treasury stock				(155)	(155)
Disposal of treasury stock		8,680		98,767	107,447
Net change in items other than those in shareholders' equity					—
Net changes during the year	496,971	505,661	131,398	98,612	1,232,642
Balance at March 31, 2014	**$1,208,932**	**$1,280,301**	**$791,592**	**$ (10,660)**	**$3,270,165**

	Thousands of U.S. dollars (Note1)								
	Net unrealized holding gains on available-for-sale securities, net of taxes	Net unrealized gains (losses) on hedging derivatives, net of taxes	Foreign currency translation adjustments	Pension liability adjustments of foreign subsidiaries	Retirement benefits liability adjustments	Total accumulated other comprehensive income	Stock acquisition rights	Minority interests	Total net assets
Balance at April 1, 2013	$ 61,117	$194	$(563,388)	$(92,681)	$ —	$(594,758)	$ —	$ 32,058	$1,474,823
Issuance of common stock						—			993,952
Net income						—			132,300
Change in scope of consolidation						—			(902)
Acquisition of treasury stock						—			(155)
Disposal of treasury stock						—			107,447
Net change in items other than shareholders' equity	53,796	(204)	433,184	92,681	(55,650)	523,807	1,117	(16,039)	508,885
Net changes during the year	53,796	(204)	433,184	92,681	(55,650)	523,807	1,117	(16,039)	1,741,527
Balance at March 31, 2014	**$114,913**	**$ (10)**	**$(130,204)**	**$ —**	**$(55,650)**	**$ (70,951)**	**$1,117**	**$ 16,019**	**$3,216,350**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Olympus Corporation and Consolidated Subsidiaries
For the years ended March 31, 2013 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	**2014**	**2014**
CASH FLOWS FROM OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 19,142	**¥ 16,425**	**$ 159,465**
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	33,899	**36,850**	**357,767**
Impairment loss on fixed assets (Note 19)	7,600	**4,871**	**47,291**
Amortization of goodwill	9,683	**9,457**	**91,816**
Commission fee for contract modification	3,392	**—**	**—**
Bank loans related expenses in conjunction with repayment made prior to due date	—	**1,528**	**14,835**
Settlement charge (Note 22)	1,231	**6,256**	**60,738**
Extra severance payments for voluntary retirement (Note 21)	1,336	**—**	**—**
Penalty charges	—	**700**	**6,796**
Loss on liquidation of business	—	**11,591**	**112,534**
Increase in provision for retirement benefit	794	**502**	**4,874**
Decrease (increase) in prepaid pension cost	4,018	**(1,888)**	**(18,330)**
Increase in provision for loss on litigation	—	**11,000**	**106,796**
Decrease (increase) in provision for warranty costs	(419)	**259**	**2,515**
Interest income	(1,002)	**(974)**	**(9,456)**
Interest expense	13,942	**11,470**	**111,359**
Equity in earnings (losses) of affiliates, net	(22)	**1,457**	**14,146**
Gain on available-for-sale securities, net	(999)	**(1,331)**	**(12,922)**
Decrease in provision for loss on business liquidation	(3,060)	**—**	**—**
Gain on sales of investment securities in subsidiaries and affiliates, net	(20,026)	**(287)**	**(2,786)**
(Increase) decrease in accounts receivable	(10,063)	**1,950**	**18,932**
Decrease in inventories	1,048	**2,890**	**28,058**
Increase in accounts payable	6,707	**2,056**	**19,961**
Increase (decrease) in other payables	3,217	**(3,659)**	**(35,524)**
Increase in accrued expense	1,458	**2,087**	**20,262**
Increase in non-current lease receivables	(6,969)	**(7,337)**	**(71,233)**
Other, net	(1,203)	**1,176**	**11,417**
Sub-total	63,704	**107,049**	**1,039,311**
Interest and dividends received	1,843	**1,926**	**18,699**
Interest paid	(13,852)	**(11,911)**	**(115,641)**
Commission fee for contract modification	(3,392)	**—**	**—**
Bank loans related expenses in conjunction with repayment made prior to due date paid	—	**(1,528)**	**(14,835)**
Settlement charge (Note 22)	(1,231)	**(6,256)**	**(60,738)**
Extra severance payments for voluntary retirement (Note 21)	(1,336)	**—**	**—**
Penalty charges paid (Note 36)	—	**(700)**	**(6,796)**
Income taxes paid	(20,503)	**(16,192)**	**(157,204)**
Net cash provided by operating activities	25,233	**72,388**	**702,796**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Deposits in time deposits	(3,846)	**(2,770)**	**(26,893)**
Withdrawals from time deposits	2,913	**6,096**	**59,184**
Purchases of property, plant and equipment	(24,023)	**(27,342)**	**(265,456)**
Purchases of intangible assets	(3,942)	**(5,242)**	**(50,893)**
Purchases of investment securities	(373)	**(544)**	**(5,282)**
Sales of investment securities	6,506	**1,196**	**11,612**
Net increase from sales of investments in subsidiaries resulting in changes in scope of consolidation (Note 27)	52,629	**4,854**	**47,126**
Payments for loans receivable	(2,053)	**(45)**	**(437)**
Proceeds from loans receivable	3,885	**2,559**	**24,845**
Other, net	1,759	**965**	**9,369**
Net cash provided by (used in) investing activities	33,455	**(20,273)**	**(196,825)**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Decrease in short-term borrowings	(27,782)	**(24,714)**	**(239,942)**
Proceeds from long-term borrowings	—	**104**	**1,010**
Repayments of long-term borrowings	(42,935)	**(90,274)**	**(876,447)**
Redemption of bonds	(20,040)	**(35,000)**	**(339,806)**
Proceeds from issuance of common stock	49,953	**101,594**	**986,350**
Proceeds from disposal of treasury shares	—	**11,067**	**107,447**
Payments for acquisition of treasury stock	(4)	**(16)**	**(154)**
Dividends paid to minority shareholders	(75)	**(267)**	**(2,592)**
Other, net	(1,553)	**(2,187)**	**(21,235)**
Net cash used in financing activities	(42,436)	**(39,693)**	**(385,369)**
Effect of exchange rate changes on cash and cash equivalents	10,701	**13,140**	**127,573**
Net increase in cash and cash equivalents	26,953	**25,562**	**248,175**
Cash and cash equivalents at beginning of year	198,661	**225,782**	**2,192,058**
Net increase in cash and cash equivalents associated with newly consolidated subsidiaries	168	**—**	**—**
Cash and cash equivalents at end of year (Note 26)	**¥225,782**	**¥251,344**	**$2,440,233**

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 (IFRS).

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 have been prepared by using the accounts of foreign consolidated subsidiaries prepared in accordance with either 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.

Solely for convenience of readers outside Japan, the accompanying consolidated financial statements have been reformatted with some expanded descriptions and translated into English 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, based on the findings of the independent Third Party Committee, the Company announced that it had deferred recognition of losses on securities investments from around the 1990s and was using a number of non-consolidated funds (collectively, the Funds) for 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 such losses.

Based on such findings of the investigation of the independent Third Party Committee, it was determined that the Company substantially controlled the Funds, which had losses on securities investments and had not previously been consolidated for the purpose of deferring recognition of losses.

The consequences of these findings were reflected in the current and prior year financial statements, including the following:

- Upon discovery of the illegitimate payments to external collaborators, the Company recorded a non-current receivable and off-setting allowance for doubtful accounts of the Funds (Note 12 "Allowance for doubtful accounts")
- As an indirect consequence of these events, the Company (a) made a settlement payment to its former president during the year ended March 31, 2013, (Note 22 "Settlement charge"), (b) has been investigated by various authorities and received various claims in connection with various lawsuits brought against the Company (Note 35 "Subsequent events" and Note 36 "Supplemental information") and (c) modified the terms of its syndicated loan due to violation of certain financial covenants and incurred commission fees of ¥3,392 million recorded in the statement of operations for the year ended March 31, 2013

In addition, certain reclassifications have been made in the 2013 consolidated financial statements to conform to the classification used in the 2014 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 ¥103 to US$1.00, the approximate rate of exchange prevailing at March 31, 2014. 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, 2014, the accounts of 153 (167 in 2013) subsidiaries have been included in the consolidated financial statements.

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, 2014, 4 (3 in 2013) 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 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 two categories.

Held-to-maturity debt securities are stated at amortized 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. Cost of securities sold is computed using the moving-average method.

(e) Derivative and Hedge Accounting

Accounting standards for financial instruments require 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 meet 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 for the years ended March 31, 2013 and 2014 were as follows:

	2013	**2014**
Buildings and structures	10.2%	**9.3%**
Machinery and equipment	29.8%	**29.2%**

(h) Allowance for Doubtful Accounts

The Company and its consolidated subsidiaries provide an 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) Common Stock and Bonds Issuance Expenses
Common stock and bonds issuance expenses are charged to income as incurred.

(j) Provision for Warranty Costs
A 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.

(k) Retirement Benefits
The Company and its consolidated subsidiaries provided an 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 were to have 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, 2013 and 2014.

(l) Provision for Loss on Business Liquidation
Provision for loss on business liquidation is recorded for estimated losses arising from the business liquidations to be carried out by certain consolidated subsidiaries of the Company.

(m) Provision for Loss on Litigation
Provision for loss on litigation is recorded for estimated losses on pending litigation.

(n) Research and Development
Expenses relating to research and development activities are charged to income as incurred.

(o) 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 operating lease transactions.

(p) 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 consolidated 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.

(q) Consumption Taxes
Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.

(r) 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

(a) Adoption of New Accounting Standard for Retirement Benefits and Related Guidance

On May 17, 2012, the Accounting Standards Board of Japan ("ASBJ") issued the "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, hereinafter "Retirement Benefit Implementation Standard") and the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, hereinafter "Retirement Benefit Implementation Guidance"). The Company adopted Retirement Benefit Implementation Standard and Retirement Benefit Implementation Guidance except for the provisions of the main clauses of Paragraph 35 of the Retirement Benefit Accounting Standard and Paragraph 67 of the Retirement Benefit Application Guidance, effective March 31, 2014. This amendment requires the Company to recognize the difference between the projected benefit obligation and plan assets as "liabilities for retirement benefits" and, therefore, records unrecognized actuarial gain or loss and unrecognized past service costs under "liabilities for retirement benefits." In the case that the amount of plan assets exceeds the amount of the projected benefit obligation, the excess is recorded in "net defined benefit assets."

This adoption is in accordance with the transitional provision stipulated in Paragraph 37 of the Retirement Benefit Accounting Standard and the effect of the change has been added to or deducted from "retirement benefits liability adjustments" under "accumulated other comprehensive income" as of March 31, 2014.

As a result, as of March 31, 2014, the Company recorded "net defined benefit assets" of ¥28,217 million ($273,951 thousand) and "liabilities for retirement benefits" of ¥27,291 million ($264,961 thousand). In addition, this adoption increased "accumulated other comprehensive income" by ¥2,665 million ($25,874 thousand) and increased net assets per share by ¥7.79 ($0.076) as of March 31, 2014.

"Pension liability adjustments of foreign subsidiaries" which had been separately presented in "accumulated other comprehensive income" prior to the adoption of the Retirement Benefit Accounting Standard and related guidance was included in "retirement benefits liability adjustments" as of March 31, 2014.

(b) Application of IAS No. 19 "Employee Benefits"

In line with the issuance of IAS No. 19, "Employee Benefits" (revised on June 16, 2011) to be applied for fiscal years beginning on or after January 1, 2013, certain overseas subsidiaries adopted IAS No. 19 effective this fiscal year and changed their method of recognizing actuarial gain or loss.

This change has been applied retrospectively to the consolidated financial statements for the fiscal year ended March 31, 2013. The impact of this retrospective application for the fiscal year ended March 31, 2013 is immaterial.

3. New Accounting Standards Not Yet Applied

On May 17, 2012, the ASBJ issued "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26) and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25) and certain provisions were applied effective March 31, 2014 as described 2. (a). In accordance with the transitional provision, the remaining provisions are permitted to apply effective April 1, 2014.

The Company will apply the remaining provisions effective April 1, 2014 and change its method of calculating and estimating retirement benefit obligation and service costs.

The retroactive application is not required and the impact of the adoption of the revised accounting standard and guidance on the consolidated financial statements is expected to be immaterial.

4. 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 bonds. 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.

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 7 years and 2 months from the balance sheet date. The 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 trade 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 30 "Derivative financial instruments."

(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, 2014, 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 executing 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 the 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 and keeps its liquidity in hand over a certain ratio of consolidated sales, in order 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 values. In addition, the notional amounts of derivatives in Note 30 “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, 2013 and 2014 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 (refer to 2)) below:

As of March 31, 2013	Millions of yen		
	Carrying value	Estimated fair value	Difference
Assets			
1) Cash and deposits	¥229,610	¥229,610	¥ —
2) Notes and accounts receivable	125,231	125,231	—
3) Investment securities	43,904	43,904	—
Total	¥398,745	¥398,745	¥ —
Liabilities			
1) Notes and accounts payable	¥ 42,272	¥ 42,272	¥ —
2) Short-term borrowings	39,637	39,637	—
3) Bonds, including current maturities	90,000	90,424	424
4) Long-term borrowings, including current maturities	430,753	442,623	11,870
Total	¥602,662	¥614,956	¥12,294
Derivatives*	¥ (185)	¥ (185)	¥ —

As of March 31, 2014	Millions of yen		
	Carrying value	Estimated fair value	Difference
Assets			
1) Cash and deposits	**¥252,121**	**¥252,121**	**¥ —**
2) Notes and accounts receivable	**132,233**	**132,233**	**—**
3) Investment securities	**51,070**	**51,070**	**—**
Total	**¥435,424**	**¥435,424**	**¥ —**
Liabilities			
1) Notes and accounts payable	**¥ 45,409**	**¥ 45,409**	**¥ —**
2) Short-term borrowings	**16,966**	**16,966**	**—**
3) Bonds, including current maturities	**55,000**	**56,325**	**1,325**
4) Long-term borrowings, including current maturities	**343,865**	**353,494**	**9,629**
Total	**¥461,240**	**¥472,194**	**¥10,954**
Derivatives*	**¥ (115)**	**¥ (115)**	**¥ —**

As of March 31, 2014	Thousands of U.S. dollars		
	Carrying value	Estimated fair value	Difference
Assets			
1) Cash and deposits	**$2,447,777**	**$2,447,777**	**$ —**
2) Notes and accounts receivable	**1,283,816**	**1,283,816**	**—**
3) Investment securities	**495,825**	**495,825**	**—**
Total	**$4,227,418**	**$4,227,418**	**$ —**
Liabilities			
1) Notes and accounts payable	**$ 440,864**	**$ 440,864**	**$ —**
2) Short-term borrowings	**164,718**	**164,718**	**—**
3) Bonds, including current maturities	**533,981**	**546,845**	**12,864**
4) Long-term borrowings, including current maturities	**3,338,495**	**3,431,981**	**93,486**
Total	**$4,478,058**	**$4,584,408**	**$106,350**
Derivatives*	**$ (1,117)**	**$ (1,117)**	**$ —**

* The value of assets and liabilities arising from derivatives is shown at net value, 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 5 "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 30 "Derivative financial instruments."

2) Financial instruments for which it is extremely difficult to determine the fair value as of March 31, 2013 and 2014

	Millions of yen		Thousands of U.S. dollars
	2013	**2014**	**2014**
1) Non-listed equity securities	¥ 737	**¥ 442**	**$ 4,291**
2) Others	1,847	**2,153**	**20,903**
Total	¥2,584	**¥2,595**	**$25,194**

Because no quoted market price is available and estimating their future cash flow is deemed to be prohibitively expensive, therefore, 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, 2013 and 2014

As of March 31, 2013	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	¥229,570	¥ —	¥ —	¥ —
Notes and accounts receivable	125,231	—	—	—
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	705	1,141	—	—
Total	¥355,506	¥1,141	¥ —	¥ —

As of March 31, 2014	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	**¥252,093**	**¥ —**	**¥ —**	**¥ —**
Notes and accounts receivable	**132,233**	**—**	**—**	**—**
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	**781**	**1,372**	**—**	**—**
Total	**¥385,107**	**¥1,372**	**¥ —**	**¥ —**

	Thousands of U.S. dollars			
As of March 31, 2014	Within a year	Over a year but within five years	Over five years but within ten years	Over ten years
Cash and deposits	**$2,447,505**	**$ —**	**$ —**	**$ —**
Notes and accounts receivable	**1,283,816**	**—**	**—**	**—**
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	**7,583**	**13,320**	**—**	**—**
Total	**$3,738,904**	**$13,320**	**$ —**	**$ —**

4) Repayment schedule for bonds, long-term borrowings, lease payables and the other interest-bearing debt with maturities at March 31, 2013 and 2014

	Millions of yen					
As of March 31, 2013	Within a year	Over a year but within two years	Over two years but within three years	Over three years but within four years	Over four years but within five years	Over five years
Short-term borrowings	¥ 39,637	¥ —	¥ —	¥ —	¥ —	¥ —
Bonds	35,000	—	—	30,000	—	25,000
Long-term borrowings	62,873	79,653	70,720	20,695	75,331	121,481
Lease payables	2,007	1,656	1,499	712	273	54
Total	¥139,517	¥81,309	¥72,219	¥51,407	¥75,604	¥146,535

	Millions of yen					
As of March 31, 2014	Within a year	Over a year but within two years	Over two years but within three years	Over three years but within four years	Over four years but within five years	Over five years
Short-term borrowings	**¥16,966**	**¥ —**	**¥ —**	**¥ —**	**¥ —**	**¥ —**
Bonds	**—**	**—**	**30,000**	**—**	**25,000**	**—**
Long-term borrowings	**52,051**	**72,415**	**21,313**	**75,757**	**53,429**	**68,900**
Lease payables	**2,378**	**2,210**	**1,382**	**955**	**292**	**25**
Total	**¥71,395**	**¥74,625**	**¥52,695**	**¥76,712**	**¥78,721**	**¥68,925**

Note: Repayment dates of security deposits included in the other interest-bearing debt are not determined.

	Thousands of U.S. dollars					
As of March 31, 2014	Within a year	Over a year but within two years	Over two years but within three years	Over three years but within four years	Over four years but within five years	Over five years
Short-term borrowings	**$164,718**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**
Bonds	**—**	**—**	**291,262**	**—**	**242,718**	**—**
Long-term borrowings	**505,350**	**703,058**	**206,922**	**735,505**	**518,728**	**668,932**
Lease payables	**23,087**	**21,456**	**13,417**	**9,272**	**2,835**	**243**
Total	**$693,155**	**$724,514**	**$511,601**	**$744,777**	**$764,281**	**$669,175**

5. Securities

The following tables summarize acquisition cost and book value of securities with fair value as of March 31, 2013 and 2014:

Available-for-sale securities

Securities with book value exceeding acquisition cost

	Millions of yen						Thousands of U.S. dollars		
	2013			**2014**			**2014**		
	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Equity securities	¥25,262	¥34,386	¥9,124	**¥32,898**	**¥48,850**	**¥15,952**	**$319,398**	**$474,272**	**$154,874**
Others	—	—	—	**—**	**—**	**—**	**—**	**—**	**—**
Total	¥25,262	¥34,386	¥9,124	**¥32,898**	**¥48,850**	**¥15,952**	**$319,398**	**$474,272**	**$154,874**

Securities with book value not exceeding acquisition cost

	Millions of yen						Thousands of U.S. dollars		
	2013			2014			2014		
	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Equity securities	¥10,977	¥9,518	¥(1,459)	¥2,446	¥2,220	¥(226)	$23,748	$21,553	$(2,195)
Others	—	—	—	—	—	—	—	—	—
Total	¥10,977	¥9,518	¥(1,459)	¥2,446	¥2,220	¥(226)	$23,748	$21,553	$(2,195)

Note: In the years ended March 31, 2013 and 2014, the Company recognized impairment loss of ¥532 million and ¥228 million ($2,214 thousand), respectively, on available-for-sale securities with fair value.

The Company recognizes impairment loss when the fair market value of marketable and investment securities declines to less than 50% of the acquisition cost at the end of the period. In addition, an impairment loss is also recognized when the fair market value declines more than 30% but less than 50%, and the recovery of the fair market value is not expected due to 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, 2013 and 2014:

	Millions of yen						Thousands of U.S. dollars		
	2013			2014			2014		
	Sales proceeds	Aggregate gain	Aggregate loss	Sales proceeds	Aggregate gain	Aggregate loss	Sales proceeds	Aggregate gain	Aggregate loss
Equity securities	¥5,901	¥2,302	¥1,754	¥931	¥554	¥—	$9,039	$5,379	$—
Others	543	340	—	3	2	—	29	19	—
Total	¥6,444	¥2,642	¥1,754	¥931	¥556	¥—	$9,068	$5,398	$—

Investments in unconsolidated subsidiaries and affiliates included in investment securities as of March 31, 2013 and 2014 were as follows:

	Book value		
	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Investments in unconsolidated subsidiaries and affiliates	¥2,126	¥2,410	$23,398
Total	¥2,126	¥2,410	$23,398

6. Notes and Accounts Receivable

Notes and accounts receivable as of March 31, 2013 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Unconsolidated subsidiaries and affiliates	¥ 81	¥ 16	$ 155
Trade	125,150	132,217	1,283,660
Total	¥125,231	¥132,233	$1,283,816

7. Inventories

Inventories as of March 31, 2013 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Finished goods	¥59,740	¥51,613	$501,097
Work in process and raw materials	39,567	46,982	456,136
Total	¥99,307	¥98,595	$957,233

Write-downs of inventories for the years ended March 31, 2013 and 2014, net of the amount of the reversal, were included in the following account:

			Thousands of U.S. dollars
	2013	2014	2014
Cost of sales	¥7,571	¥(3,421)	$(33,214)

8. Short-Term Borrowings

Short-term borrowings consisted principally of bank loans. The annual interest rates on these borrowings ranged from 0.45% to 12.00% and from 0.50% to 5.32% as of March 31, 2013 and 2014, respectively.

9. Long-Term Debt

Long-term debt as of March 31, 2013 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	**2014**	**2014**
(Unsecured long-term debt)			
2.15% yen bonds, due July 2018	¥ 25,000	**¥ 25,000**	**$ 242,718**
1.94% yen bonds, due March 2017	20,000	**20,000**	**194,175**
1.58% yen bonds, due July 2013	20,000	**—**	**—**
1.69% yen bonds, due March 2013	15,000	**—**	**—**
1.98% yen bonds, due September 2016	10,000	**10,000**	**97,087**
2.53% loan from a Japanese bank, due September 2017	35,000	**35,000**	**339,806**
2.70% loan from a Japanese bank, due July 2018	33,100	**33,100**	**321,359**
2.51% loan from a Japanese bank, due December 2014	27,500	**—**	**—**
3.78% loan from a Japanese bank, due March 2015	25,856	**—**	**—**
2.33% loan from a Japanese bank, due September 2015	23,000	**23,000**	**223,301**
2.29% loan from a Japanese bank, due September 2014	21,900	**21,900**	**212,621**
1.89% loan from a Japanese bank, due March 2016	20,000	**20,000**	**194,175**
2.62% loan from a Japanese bank, due September 2014	20,000	**—**	**—**
2.65% loan from a Japanese bank, due September 2018	20,000	**20,000**	**194,175**
2.49% loan from a Japanese bank, due September 2016	20,000	**20,000**	**194,175**
1.98% loan from a Japanese bank, due December 2017	20,000	**20,000**	**194,175**
2.64% loan from a Japanese bank, due August 2017	20,000	**20,000**	**194,175**
2.01% loan from a Japanese bank, due August 2014	20,000	**20,000**	**194,175**
2.69% loan from a Japanese bank, due December 2014	12,000	**—**	**—**
1.51% loan from a Japanese bank, due March 2015	10,000	**10,000**	**97,087**
2.25% loan from a Japanese bank, due September 2019	20,000	**20,000**	**194,175**
1.58% loan from a Japanese bank, due May 2015	17,000	**17,000**	**165,049**
2.28% loan from a Japanese bank, due May 2019	18,000	**18,000**	**174,757**
2.00% loan from a Japanese bank, due May 2019	10,000	**10,000**	**97,087**
2.04% loan from a Japanese bank, due May 2021	15,000	**15,000**	**145,631**
Other loans from foreign banks	200	**200**	**2,282**
Other loans from Japanese banks	17,996	**20,630**	**200,291**
(Secured long-term debt)			
Other loans from Japanese banks	4,201	**—**	**—**
	520,753	**398,865**	**3,872,476**
Less-current maturities	(97,873)	**(52,051)**	**(505,350)**
	¥422,880	**¥346,814**	**$3,367,126**

As of March 31, 2014, the aggregate annual maturities of long-term debt were as follows:

Fiscal years ending March 31,	Millions of yen	Thousands of U.S. dollars
2015	¥ 52,051	$ 505,350
2016	72,415	703,058
2017	51,313	498,184
2018	75,757	735,505
2019	78,429	761,447
2020 and thereafter	68,900	668,932
Total	¥398,865	$3,872,476

10. Notes and Accounts Payable

Notes and accounts payable as of March 31, 2013 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	**2014**	**2014**
Unconsolidated subsidiaries and affiliates	¥ 31	**¥ 108**	**$ 1,049**
Trade	42,241	**45,301**	**439,815**
Total	¥42,272	**¥45,409**	**$440,864**

11. Retirement Benefit Plans

(1) For the year ended March 31, 2013

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 sheet as of March 31, 2013 consisted of the following:

	Millions of yen
	2013
Projected benefit obligation	¥ 157,826
Fair value of plan assets	(152,476)
Unrecognized prior service costs	4,796
Unrecognized actuarial loss	(2,234)
Prepaid pension costs	20,339
Retirement benefits for employees	28,251
Retirement benefit for directors and corporate auditors	142
Total provision for retirement benefit	¥ 28,393

Retirement benefit expenses for employees included in the consolidated statement of operations for the year ended March 31, 2013 consisted of the following:

	Millions of yen
	2013
Service costs	¥ 8,965
Interest cost on projected benefit obligation	4,051
Expected return on plan assets	(5,744)
Amortization of actuarial loss	8,255
Amortization of prior service costs	(1,889)
Retirement benefit expenses	13,638
Payment for defined contribution plans	543
Total	¥14,181

The discount rate used by the Company was mainly 2.0% for the year ended March 31, 2013. The rate of expected return on plan assets used by the Company was mainly 4.0% for the year ended March 31, 2013. The estimated amount of all retirement benefits to be paid at the future retirement date was allocated equally to each period over the estimated years of total service. Prior service costs were amortized by the straight-line method for mainly five years for the year ended March 31, 2013, and actuarial gains or losses were amortized by the straight-line method for mainly five years for the year ended March 31, 2013.

Extra severance payments for voluntary retirement of ¥1,336 million ($12,971 thousand) for the year ended March 31, 2013 are not included in the above table (Note 21 "Extra Severance Payments for Voluntary Retirement").

(2) **For the year ended March 31, 2014**

Employees of the Company and certain consolidated subsidiaries have funded defined benefit pension plans, defined contribution plans and unfunded retirement allowance plans. The Company and certain consolidated subsidiaries have cash balance plans by applying a point pension system to the 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 changes in retirement benefit obligation during the year ended March 31, 2014 were as follows (excluding retirement benefit obligation for the consolidated subsidiaries adopting the simplified method):

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Retirement benefit obligation at April 1, 2013	¥155,208	$1,506,874
Service costs	6,003	58,282
Interest cost	4,854	47,126
Actuarial gain	(274)	(2,660)
Retirement benefit paid	(4,385)	(42,573)
Prior service cost	(3)	(29)
Effect of foreign exchange translation	10,072	97,786
Other	162	1,573
Retirement benefit obligation at March 31, 2014	¥171,637	$1,666,379

The changes in plan assets during the year ended March 31, 2014 were as follows:

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Plan assets at April 1, 2013	¥152,476	$1,480,350
Expected return on plan assets	7,106	68,990
Actuarial gain	3,058	29,689
Contributions by the Company	5,418	52,602
Retirement benefit paid	(3,927)	(38,126)
Effect of foreign exchange translation	11,025	107,039
Other	40	388
Retirement benefit obligation at March 31, 2014	¥175,196	$1,700,932

The changes in retirement benefit obligation for the consolidated subsidiaries adopting the simplified method were as follows:

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Provision for retirement benefits at April 1, 2013	¥2,618	$25,417
Retirement benefit expense	339	3,291
Retirement benefit paid	(222)	(2,155)
Other	(102)	(990)
Liability for retirement benefits at March 31, 2014	¥2,633	$25,563

The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheet as of March 31, 2014 for the Company's and the consolidated subsidiaries' defined benefit plans:

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Funded retirement benefit obligation	¥ 162,627	$ 1,578,903
Plan assets at fair value	(175,196)	(1,700,932)
	(12,569)	(122,029)
Unfunded retirement benefit obligation	11,643	113,039
Net liability for retirement benefits in the balance sheet	(926)	(8,990)
Liability for retirement benefits	27,291	264,961
Net defined benefit assets	(28,217)	(273,951)
Net amount	¥ (926)	$ (8,990)

The components of retirement benefit expense for the year ended March 31, 2014 were as follows:

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Service costs	¥ 6,003	$ 58,282
Interest cost on projected benefit obligation	4,854	47,126
Expected return on plan assets	(7,106)	(68,990)
Amortization of actuarial loss	4,506	43,748
Amortization of prior service costs	(1,886)	(18,311)
Retirement benefit expense for consolidated subsidiaries adopting the simplified method	339	3,291
Other	73	709
Retirement benefit expense	¥ 6,783	$ 65,855

Unrecognized prior service cost and unrecognized actuarial loss included in accumulated other comprehensive income (before tax effect) as of March 31, 2014 were as follows:

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Unrecognized prior service cost	¥ (2,721)	$ (26,417)
Unrecognized actuarial loss	10,858	105,417
Total	¥ 8,137	$ 79,000

The fair value of plan assets, by major category, as a percentage of total plan assets as of March 31, 2014 were as follows:

	2014
Bonds	41%
Stocks	28%
General accounts	27%
Other	4%
Total	100%

The expected return on assets has been estimated based on the current and anticipated allocation to each asset class and the expected long-term returns on assets held in each category.

The assumptions used in accounting for the above plans were as follows:

Discount rate	mainly 1.5%
Expected rate of return on plan assets	mainly 4.0%

The amount of the contribution to the defined contribution plans was ¥3,498 million ($33,961 thousand) for the year ended March 31, 2014.

12. Allowance for Doubtful Accounts

The non-current allowance for doubtful accounts primarily represents an allowance recorded upon the consequences of the findings as discussed in Note 1 "Summary of significant accounting policies" (a) "Basis of presenting consolidated financial statements." Illegitimate payments for fees to external collaborators of ¥7,211 million ($70,010 thousand) were recorded as a non-current receivable and included in non-current other assets on the balance sheets as of March 31, 2013 and 2014. The Company did not agree to the fees and is seeking collection of the amounts paid; however, collection of such amounts was determined to be doubtful and full allowance was recorded against the non-current receivable.

13. Stock Option Plans

(1) March 31, 2013

There were no stock options outstanding as of March 31, 2013, because the subsidiary for which stock options to directors had vested was sold and deconsolidated during the year ended March 31, 2013. No options that had already vested as of April 1, 2012 were exercised or lapsed before the sale of the subsidiary.

(2) **March 31, 2014**

A summary of information regarding the consolidated subsidiaries' stock option plans for the year ended March 31, 2014 was as follows:

	Consolidated subsidiaries
Qualified beneficiaries	5 directors 20 executive officers
Class and number of shares for which new subscription rights were offered	Common stock 40,100
Grant date	August 26, 2013
Exercise period	From August 27, 2013 to August 26, 2043
Number of unvested stock options:	
As of March 31, 2013	—
Granted	40,100
Lapsed	—
Vested	40,100
As of March 31, 2014	—
Number of unvested stock options:	
As of March 31, 2013	—
Vested	40,100
Exercised	—
Lapsed	1,000
As of March 31, 2014	39,100
For stock options exercised during the year:	
Exercise price (yen)	¥—
Average price of common stock at the date of exercise (yen)	¥—
Fair value per share at the grant date:	
Exercise price (yen)	¥2,940

No stock options were exercised during the year ended March 31, 2014.

The assumptions used to measure the fair value of stock options granted for the year ended March 31, 2014 were as follows:

	First series of stock subscription rights
Estimate method	Black-Scholes option pricing model
Expected volatility (Note 1)	49.39%
Expected life (Note 2)	15 years
Expected dividend (Note 3)	¥0 per share
Risk-free interest rate (Note 4)	1.28%

Notes:
1: Expected volatility was estimated based on the stock price data of the Company for 15 years from August 1998 to August 2013.
2: Because of the insufficient data and difficulty in making a reasonable estimate, the expected life was based on the assumption that the stock subscription rights would have been executed at the midpoint of the exercise period.
3: Expected dividend was based on the dividend paid during the year ended March 31, 2013.
4: Risk-free interest rate was the interest rate of Japanese government bonds corresponding to the expected life of the options.

14. 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 38.0% and 38.0% for the years ended March 31, 2013 and 2014, respectively. 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 rates and the Company's effective tax rates for consolidated financial statement purposes for the years ended March 31, 2013 and 2014.

	2013	2014
Japanese statutory tax rates	38.0%	**38.0%**
Non-deductible expenses	2.8	**4.9**
Non-taxable income	(3.2)	**(14.0)**
Effect of lower tax rates applied for overseas subsidiaries	(8.0)	**(0.4)**
Increase in valuation allowance	120.7	**(28.7)**
Amortization of goodwill	16.1	**21.7**
Effect of reorganization of group structure	(109.9)	**(13.1)**
Decrease in deferred tax assets due to tax rate change	—	**12.3**
Other, net	0.4	**(3.7)**
Effective tax rates	56.9%	**17.0%**

Significant components of deferred tax assets and liabilities as of March 31, 2013 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	**2014**	**2014**
Deferred tax assets			
Inventories	¥ 6,825	**¥ 6,456**	**$ 62,680**
Prepaid expenses	5,915	**5,024**	**48,777**
Accrued bonuses	4,782	**5,512**	**53,515**
Investments in consolidated subsidiaries	3,894	**4,515**	**43,835**
Unrealized intercompany profits	1,969	**4,015**	**38,981**
Depreciation of property, plant and equipment	6,677	**7,090**	**68,835**
Amortization of intangible assets	4,620	**4,186**	**40,641**
Provision for retirement benefits	9,793	**—**	**—**
Liability for retirement benefits	—	**8,393**	**81,485**
Securities	6,519	**7,134**	**69,262**
Loss carry forward	60,479	**58,617**	**569,097**
Other	32,612	**38,430**	**373,106**
Sub-total	144,085	**149,372**	**1,450,214**
Valuation allowance	(97,526)	**(93,098)**	**(903,864)**
Total deferred tax assets	46,559	**56,274**	**546,350**
Prepaid pension expenses	(6,147)	**—**	**—**
Net defined benefit assets	—	**(9,597)**	**(93,175)**
Basis differences in assets acquired and liabilities assumed upon acquisition	(17,712)	**(14,788)**	**(143,573)**
Other	(17,236)	**(17,871)**	**(173,505)**
Total deferred tax liabilities	(41,095)	**(42,256)**	**(410,253)**
Net deferred tax assets	¥ 5,464	**¥ 14,018**	**$ 136,097**

Following the promulgation on March 31, 2014, of the "Act for Partial Revision of the Income Tax Act, etc." (Act No. 10 of 2014), the "Act for Partial Revision of the Local Tax Act, etc." (Act No. 4 of 2014), and the "Act for Local Corporation Tax" (Act No. 11 of 2014) were promulgated, the corporation tax rate was changed for the fiscal years beginning on or after April 1, 2014. In line with these changes, the effective tax rate used to measure deferred tax assets and liabilities was changed from 38.0% to 35.6% for temporary differences expected to be eliminated in the fiscal years beginning on or after April 1, 2014. As a result of this tax rate change, deferred tax assets (net of deferred tax liabilities) decreased by ¥2,201 million ($21,369 thousand) and income taxes, deferred increased by the same amount as of and for the fiscal year ended March 31, 2014.

15. 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 Law.

(1) March 31, 2013

A summary of information regarding the Consolidated Statement of Changes in Net Assets for the year ended March 31, 2013 was as follows:

Total number and class of shares issued and treasury stock

Class of shares	As of April 1, 2012 (Number of shares)	Increase (Number of shares)	Decrease (Number of shares)	As of March 31, 2013 (Number of shares)
Shares issued:				
Common stock (Note 1)	271,283,608	34,387,900	—	305,671,508
Treasury stock:				
Common stock (Note 2)	4,421,878	3,904	—	4,425,782

Notes:
1. The increase in the number of issued shares of common stock includes 34,787,900 shares through the issuance of shares through third-party allotment.
2. The increase in the number of shares of common stock in treasury includes 3,904 shares through the purchase of stock less than one trading unit.

Dividends paid

There were no dividends paid in the year ended March 31, 2013, and there were no dividends whose record date is in the year ended March 31, 2013 but whose effective date is in the year ending March 31, 2014.

(2) **March 31, 2014**

A summary of information regarding the Consolidated Statement of Changes in Net Assets for the year ended March 31, 2014 was as follows:

Total number and class of shares issued and treasury stock

Class of shares	As of April 1, 2013 (Number of shares)	Increase (Number of shares)	Decrease (Number of shares)	As of March 31, 2014 (Number of shares)
Shares issued:				
Common stock (Note 1)	**305,671,508**	**37,000,000**	**—**	**342,671,508**
Treasury stock:				
Common stock (Notes 2 and 3)	**4,425,782**	**5,281**	**4,000,000**	**431,063**

Notes:
1. The increase in the number of issued shares of common stock includes 37,000,000 shares through public offering (offering through a book building method).
2. The increase in the number of share of common stock in treasury includes 5,281 shares through the purchase of stock of less than one trading unit.
3. The decrease in the number of share of common stock in treasury includes 4,000,000 treasury shares disposed through public offering (offering through a book building method).

Share subscription rights

Please refer to Note 13 “Stock option plans.”

Dividends paid

There were no dividends paid in the year ended March 31, 2014, and there were no dividends whose record date is in the year ended March 31, 2014 but whose effective date is in the year ending March 31, 2015.

16. Contingent Liabilities

The Company and its consolidated subsidiaries were contingently liable for notes and bills discounted of ¥195 million and ¥331 million ($3,214 thousand) as of March 31, 2013 and 2014, respectively. The Company and its consolidated subsidiaries were also contingently liable as guarantors of borrowings, primarily for housing loans to employees, amounting to ¥93 million and ¥65 million ($631 thousand), respectively, and as guarantors of borrowings from banks to third parties, amounting to ¥2,000 million and ¥843 million ($8,184 thousand), respectively, as of March 31, 2013 and 2014.

Concerning the Company's deferral of recognition of losses on securities investments, etc., the Company has been filed lawsuits mainly by the shareholders. A provision for loss on litigation was provided for the year ended March 31, 2014 (Note 24 "Provision for loss on litigation") at an amount considered necessary, however, there is a risk that the outcome may adversely affect the consolidated financial results in the future and an additional provision for loss on litigation may be necessary depending on the progress of the lawsuits.

17. 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, 2013 and 2014:

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Cash and deposits	¥ 2,000	**¥ —**	**$ —**
Lease receivables and leased investment assets	8,257	**8,393**	**81,486**
Buildings and structures	980	**—**	**—**
Machinery and equipment	443	**—**	**—**
Other assets	4,808	**5,081**	**49,330**
	¥16,488	**¥13,474**	**$130,816**

The obligations secured by such collateral were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Long-term debt	¥ 4,109	**¥ 5,081**	**$ 49,330**
Current maturities of long-term debt	93	**—**	**—**
Short-term borrowings	8,257	**8,393**	**81,486**
	¥12,459	**¥13,474**	**$130,816**

18. Selling, General and Administrative Expenses

The following table summarizes the major components of selling, general and administrative expenses for the years ended March 31, 2013 and 2014:

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Advertising and promotion expenses	¥ 39,946	**¥ 41,885**	**$ 406,650**
Salaries and allowance	104,079	**113,761**	**1,104,476**
Bonuses	21,699	**26,085**	**253,252**
Retirement benefit expenses	11,517	**8,650**	**83,981**
Amortization of goodwill	9,683	**9,457**	**91,816**
Research and development expenses	28,410	**29,174**	**283,243**
Depreciation and amortization	23,070	**26,002**	**252,447**

The total of research and development expenses included in "Selling, general and administrative expenses" and "cost of sales" for the years ended March 31, 2013 and 2014 amounted to ¥63,379 million and ¥66,796 million ($648,505 thousand), respectively.

19. Impairment Loss on Fixed Assets

The losses on impairment of fixed assets that the Company and its consolidated subsidiaries recorded for the years ended March 31, 2013 and 2014 were as follows:

For the year ended March 31, 2013

Use	Type of assets	Location	Millions of yen
Assets used for Imaging Business	Land	Tokyo, Guangdong Province in China and others	¥ 200
	Buildings and structures		1,236
	Tools, furniture and fixtures		713
	Machinery and equipment		573
	Construction in process		66
	Right of using facilities		47
	Patent		102
	Software, etc.		364
	Long-term prepaid expenses		432
Assets used for Others Business	Land	Massachusetts in America and others	10
	Buildings and structures		579
	Tools, furniture and fixtures		8
	Machinery and equipment		328
	Construction in process		3
	Leased assets		24
	Goodwill		16
	Patent		19
	Software, etc.		11
	Technology-related assets		1,031
	Marketing rights		348
Assets scheduled for disposal	Software	Tokyo	1,490
Total			¥7,600

For the year ended March 31, 2014

Use	Type of assets	Location	Millions of yen	Thousands of U.S. dollars
Assets used for Others Business	Buildings and structures	Tokyo, Massachusetts in America and others	**¥2,394**	**$23,243**
	Tools, furniture and fixtures		**137**	**1,330**
	Machinery and equipment		**906**	**8,796**
	Construction in process		**340**	**3,301**
	Goodwill		**174**	**1,689**
	Long-term prepaid expenses		**400**	**3,883**
Idle properties	Buildings and structures	Fukushima	**488**	**4,738**
Assets scheduled for disposal	Software	Singapore	**32**	**311**
Total			**¥4,871**	**$47,291**

The Company and its consolidated subsidiaries mainly classify their assets for business use into groups based on business segment. However, assets to be disposed of and idle assets are classified as respective independent groups of assets.

Some assets for business use were not expected to make a profit constantly because of the deterioration in the business environment. As a result, carrying amounts for assets for business use were written down to their recoverable amounts. The recoverable amount is measured according to the value in use or net selling price based on real estate appraisal. When the value in use based on future cash flows is estimated to be negative, the assets are assumed to have no recoverable value.

With regard to assets scheduled for disposal, a decision has been made to dispose of an in-house system for supporting operational efficiency improvement. As a result, the book value of these assets is considered to be zero.

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

20. Loss on Restructuring of Business

Loss on restructuring of business of ¥2,947 million recorded in the consolidated statement of operations for the year ended March 31, 2013 stems mainly from the reorganization of the Imaging Business.

21. Extra Severance Payments for Voluntary Retirement

A charge of ¥1,336 million was recorded in the consolidated statement of operations for the year ended March 31, 2013 for extra severance payments in connection with the results of a solicitation for voluntary retirement for certain employees.

22. Settlement Charge

(1) March 31, 2013

The Company's former Representative Director, President and Chief Executive Officer, Mr. Michael Woodford, filed an employment tribunal action against the Company. On May 29, 2012, the Company reached a settlement on a series of disputes, including those related to the dismissal of Mr. Woodford from his position as the Company's Representative Director, President and Chief Executive Officer. A charge of ¥1,231 million was recorded in the consolidated statement of operation for the year ended March 31, 2013 as settlement charge in "Other income (expenses)."

(2) March 31, 2014

A charge of ¥6,256 million ($60,738 thousand) was recorded in the consolidated statement of operations for the year ended March 31, 2014 as settlement charge in "Other income (expenses)."

The settlement charge consists of the following:

- ¥6,000 million ($58,252 thousand) paid to Terumo Corporation due to the settlement of the lawsuit (Note 36 "Supplemental information (2) Settlement of lawsuit")
- ¥256 million ($2,486 thousand) due to the settlement of the class action on compensation for damages concerning the ADRs' price plunge. The class action was filed in the United States District Court, Eastern District of Pennsylvania on November 14, 2011 by the representative of all the plaintiffs who purchased ADRs of the Company within the specified period.

23. Loss on Liquidation of Business

Loss on liquidation of business of ¥11,591 million ($112,534 thousand) recorded in the consolidated statement of operations for the year ended March 31, 2014 stems mainly from the liquidation of the consolidated subsidiaries which conducted the biologics business.

24. Provision for Loss on Litigation

The Company recorded a provision for loss on litigation of ¥11,000 million ($106,796 thousand) in the consolidated statement of operations for the year ended March 31, 2014 by estimating the amount considered necessary taking into account the progress of the lawsuits which were filed against the Company by the Teachers' Retirement System of the State of Illinois, etc. on June 28, 2012 and California State Teachers' Retirement System, etc. on June 27, 2013.

25. Income Taxes for Prior Periods

Income taxes for prior periods in the consolidated statement of operation for the year ended March 31, 2014 were recorded for the reassessment of the prior year tax returns of the consolidated subsidiary.

Concerning the transactions over five years from the year ended March 31, 2007 to the year ended March 31, 2011 between the domestic consolidated subsidiary and the consolidated subsidiary in England, the Company received the written notice of reassessment on July 30, 2013 based on transfer pricing taxation. The Company disagreed with the reassessment and filed a notice of appeal for objection with the Tokyo Regional Taxation Bureau and entered into the procedure for a mutual agreement with the bureau based on a tax treaty to avoid double taxation. Considering the estimated effect on the possible mutual agreement, a net amount of ¥1,476 million ($14,330 thousand), or the difference between the reassessed tax amount and the estimated tax refund amount based on the mutual agreement, was recorded as income taxes for prior periods in the consolidated statement of operations for the year ended March 31, 2014.

26. 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 for the years ended March 31, 2013 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Cash and deposits	¥229,610	¥252,121	$2,447,777
Less-time deposits with maturities over three months	(3,828)	(777)	(7,544)
Cash and cash equivalents	¥225,782	¥251,344	$2,440,233

27. Cash Flow from Sales of Investments in Subsidiaries Resulting in Changes in Scope of Consolidation

Details of assets and liabilities, and the reconciliation between the transaction price and proceeds from the transfer of ITX Corporation, Net Protections, Inc. and 11 other companies, which have been excluded from consolidated subsidiaries due to sale of shares during the fiscal year ended March 31, 2013 were as follows:

	Millions of yen
Current assets	¥ 64,733
Non-current assets	29,852
Current liabilities	(54,970)
Non-current liabilities	(2,009)
Net unrealized holding gains on available-for-sale securities, net of taxes	(13)
Foreign currency translation adjustment	221
Minority interests	(240)
Gain on sales of investment securities in subsidiaries, net	20,027
Transfer price for business	57,601
Cash and cash equivalents	(3,402)
Proceeds from sale not yet collected	(1,570)
Net: proceeds from sales of investment securities in subsidiaries, net	¥ 52,629

Details of assets and liabilities, and the reconciliation between the transaction price and proceeds from Japan Medical Data Center Co., Ltd. and 8 other companies, which have been excluded from consolidated subsidiaries due to sale of shares during the fiscal year ended March 31, 2014 were as follows:

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 8,621	$ 83,699
Non-current assets	4,522	43,903
Current liabilities	(2,711)	(26,320)
Non-current liabilities	(651)	(6,320)
Foreign currency translation adjustment	(29)	(282)
Minority interests	(1,478)	(14,350)
Gain on sales of investment securities in subsidiaries, net	128	1,243
Transfer price for business	8,402	81,573
Cash and cash equivalents	(3,548)	(34,447)
Net: proceeds from sales of investment securities in subsidiaries, net	¥ 4,854	$ 47,126

28. Lease Transactions

Finance Lease Transactions (Lessee):

The Company and its consolidated subsidiaries lease certain machinery and equipment under 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 was as follows:

As of March 31	Millions of yen		Thousands of U.S. dollars
(Equivalent amount)	2013	**2014**	**2014**
Acquisition cost	¥ 428	**¥ 302**	**$ 2,932**
Accumulated depreciation	(362)	**(287)**	**(2,786)**
Accumulated loss on impairment	—	**—**	**—**
Net book value	¥ 66	**¥ 15**	**$ 146**

	Millions of yen		Thousands of U.S. dollars
(Future lease payments)	2013	**2014**	**2014**
Due within one year	¥57	**¥15**	**$146**
Due after one year	17	**2**	**19**
Total	¥74	**¥17**	**$165**
Balance of impairment loss account on leased assets included in the outstanding future lease payments	¥—	**¥—**	**$ —**

As of March 31	Millions of yen		Thousands of U.S. dollars
(Lease payments and pro forma information)	2013	**2014**	**2014**
Lease payments	¥136	**¥59**	**$573**
Equivalent of depreciation expense	121	**51**	**495**
Equivalent of interest expense	6	**2**	**19**

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, 2013 and 2014 were as follows:

	Millions of yen		
As of March 31, 2013	Due within one year	Due after one year	Total minimum lease payments
	¥301	¥258	¥559

	Millions of yen			Thousands of U.S. dollars		
As of March 31, 2014	Due within one year	Due after one year	Total minimum lease payments	Due within one year	Due after one year	Total minimum lease payments
	¥1,175	**¥1,732**	**¥2,907**	**$11,408**	**$16,815**	**$28,223**

Finance Lease Transactions (Lessor):

Leased investment assets recognized in the consolidated balance sheets as of March 31, 2013 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Lease receivables and leased investment assets:			
Lease receivables	¥21,161	**¥23,786**	**$230,932**
Estimated residual value	2,146	**1,347**	**13,078**
Interest income	(2,405)	**(2,614)**	**(25,379)**
Leased investment assets	¥20,902	**¥22,519**	**$218,631**

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Other assets:			
Lease receivables	¥26,256	**¥34,188**	**$331,922**
Estimated residual value	2,074	**5,140**	**49,903**
Interest income	(3,831)	**(4,816)**	**(46,757)**
Leased investment assets	¥24,499	**¥34,512**	**$335,068**

The following table sets forth amounts of lease receivables and leased investment assets to be collected subsequent to March 31, 2013 and 2014:

	Millions of yen					
As of March 31, 2013	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 receivables	¥ 875	¥ —	¥ —	¥ —	¥ —	¥ —
Lease receivable components of leased investment assets	21,161	—	—	—	—	—
Other assets:						
Lease receivables	—	978	171	104	42	23
Lease receivable components of leased investment assets	—	11,244	7,847	4,102	1,977	1,086

	Millions of yen					
As of March 31, 2014	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 receivables	**¥ 934**	**¥ —**	**¥ —**	**¥ —**	**¥ —**	**¥ —**
Lease receivable components of leased investment assets	**23,786**	**—**	**—**	**—**	**—**	**—**
Other assets:						
Lease receivables	**—**	**344**	**552**	**66**	**24**	**2**
Lease receivable components of leased investment assets	**—**	**14,393**	**9,425**	**5,003**	**1,593**	**3,774**

	Thousands of U.S. dollars					
As of March 31, 2014	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 receivables	**$ 9,068**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**
Lease receivable components of leased investment assets	**230,932**	**—**	**—**	**—**	**—**	**—**
Other assets:						
Lease receivables	**—**	**3,340**	**5,359**	**641**	**233**	**19**
Lease receivable components of leased investment assets	**—**	**139,738**	**91,505**	**48,573**	**15,466**	**36,640**

Operating Lease Transactions (Lessor):

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

	Millions of yen		
As of March 31, 2013	Due within one year	Due after one year	Total minimum lease payments
	¥2,685	¥3,029	¥5,714

	Millions of yen			Thousands of U.S. dollars		
As of March 31, 2014	Due within one year	Due after one year	Total minimum lease payments	Due within one year	Due after one year	Total minimum lease payments
	¥3,145	**¥3,832**	**¥6,977**	**$30,534**	**$37,204**	**$67,738**

29. Other Comprehensive Income

The following table presents reclassification adjustments and corresponding tax effects allocated to each component of other comprehensive income for the years ended March 31, 2013 and 2014:

	Millions of yen		Thousands of U.S. dollars
	2013	**2014**	**2014**
Net unrealized holding gains (losses) on available-for-sale securities, net of taxes:			
Amount arising during the year	¥ 4,636	**¥ 8,236**	**$ 79,961**
Reclassification adjustments for gains and losses included in net income	(368)	**(483)**	**(4,689)**
Amount before tax effect	4,268	**7,753**	**75,252**
Tax effect	(1,103)	**(2,212)**	**(21,476)**
Net unrealized holding gains (losses) on available-for-sale securities, net of taxes	¥ 3,165	**¥ 5,541**	**$ 53,796**
Net unrealized gains (losses) on hedging derivatives, net of taxes:			
Amount arising during the year	¥ (18)	**¥ 7**	**$ 68**
Reclassification adjustments for gains and losses included in net income	1,494	**(28)**	**(272)**
Amount before tax effect	1,476	**(21)**	**(204)**
Tax effect	(188)	**—**	**—**
Net unrealized gains (losses) on hedging derivatives, net of taxes	¥ 1,288	**¥ (21)**	**$ (204)**
Foreign currency translation adjustments:			
Amount arising during the year	¥43,516	**¥42,103**	**$408,767**
Reclassification adjustments for gains and losses included in net income	629	**2,519**	**24,456**
Foreign currency translation adjustments	¥44,145	**¥44,622**	**$433,223**
Pension liabilities adjustments of foreign subsidiaries:			
Amount arising during the year	¥ (6,700)	**¥ 1,348**	**$ 13,087**
Reclassification adjustments for gains and losses included in net income	1,514	**1,218**	**11,825**
Amount before tax effect	(5,186)	**2,566**	**24,913**
Tax effect	1,875	**(1,416)**	**(13,748)**
Pension liabilities adjustment of foreign subsidiaries	¥ (3,311)	**¥ 1,150**	**$ 11,165**
Share of other comprehensive income of companies accounted for by the equity method:			
Amount arising during the year	¥ 5	**¥ 77**	**$ 748**
Share of other comprehensive income of companies accounted for by the equity method	¥ 5	**¥ 77**	**$ 748**
Total other comprehensive income	¥45,292	**¥51,369**	**$498,728**

30. 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 its subsidiaries.

The Company's and its consolidated subsidiaries' trade payables 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 credit worthy 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, fair values and unrealized gain or (loss) for outstanding derivative financial instruments by risk category and instrument type as of March 31, 2013 and 2014:

Derivatives for which the hedge accounting is not applied

	Millions of yen		
As of March 31, 2013	Notional amount	Fair value	Unrealized gain or (loss)
Foreign exchange forward contracts:			
To buy U.S. dollars	¥ 115	¥ 1	¥ 1
To buy other currencies	17,061	(183)	(183)
To sell U.S. dollars	1,354	(26)	(26)
To sell other currencies	4,391	(74)	(74)
Foreign exchange option contracts:			
Put option	3,967	80	80
Foreign currency swap contracts:			
Receive British pounds / pay Euro	2,081	(8)	(8)
Receive other currencies / pay other currencies	5,888	7	7

	Millions of yen			Thousands of U.S. dollars		
As of March 31, 2014	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	**¥ 396**	**¥ 9**	**¥ 9**	**$ 3,845**	**$ 87**	**$ 87**
To buy other currencies	**20,193**	**(269)**	**(269)**	**196,049**	**(2,612)**	**(2,612)**
To sell U.S. dollars	**3,312**	**(31)**	**(31)**	**32,155**	**(301)**	**(301)**
To sell other currencies	**3,129**	**6**	**6**	**30,379**	**58**	**58**
Foreign exchange option contracts:						
Put option	**3,584**	**154**	**154**	**34,796**	**1,495**	**1,495**
Foreign currency swap contracts:						
Receive British pounds / pay Euro	**1,418**	**0**	**0**	**13,767**	**3**	**3**
Receive other currencies / pay other currencies	**7,295**	**16**	**16**	**70,825**	**155**	**155**

The fair values of foreign exchange 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, 2013	Millions of yen	
	Notional amount	Fair value
Foreign exchange forward contracts, accounted for by deferral hedge accounting:		
To buy U.S. dollars	¥ 294	¥21
To buy other currencies	6	(0)
To sell U.S. dollars	286	(4)
To sell other currencies	122	1
Foreign exchange forward contracts, accounted for by special hedge accounting:		
To buy U.S. dollars	9,530	*
To buy other currencies	25	*
To sell U.S. dollars	23,834	*
To sell other currencies	7,531	*
Interest rate swap contracts, accounted for by deferral hedge accounting:		
Receive floating / pay fixed	—	—
Interest rate swap contracts, accounted for by special hedge accounting short-cut method:		
Receive floating / pay fixed	347,295	**

As of March 31, 2014	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	¥ —	¥—	$ —	$—
To buy other currencies	—	—	—	—
To sell U.S. dollars	—	—	—	—
To sell other currencies	—	—	—	—
Foreign exchange forward contracts, accounted for by special hedge accounting:				
To buy U.S. dollars	11,243	*	109,155	*
To buy other currencies	6	*	58	*
To sell U.S. dollars	39,765	*	386,068	*
To sell other currencies	16,480	*	160,000	*
Interest rate swap contracts, accounted for by deferral hedge accounting:				
Receive floating/pay fixed	—	—	—	—
Interest rate swap contracts, accounted for by special hedge accounting short-cut method:				
Receive floating / pay fixed	284,900	**	2,766,019	**

The fair value of foreign exchange forward contracts is estimated based on market prices for contracts with similar terms.
The fair value of interest rate swap contracts is estimated by obtaining quotes from financial institutions.
* Foreign exchange forward contracts are accounted for as part of accounts receivable and accounts payable. Therefore, the fair value of the contracts is 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 is included in the fair value of underlying long-term debt.

31. 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, and Olympus Imaging 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 four reportable segments: Medical Business, Life Science and Industrial Business, Imaging Business, and Others.

The "Medical Business" manufactures and sells medical endoscopes, surgical endoscopes, endotherapy devices and other products. The "Life Science and Industrial Business" manufactures and sells biological microscopes, industrial microscopes, industrial endoscopes, non-destructive testing equipment and other products. The "Imaging Business" manufactures and sells digital cameras, voice recorders and other products. The "Others" business manufactures and sells biomedical materials and conducts system development and other business activities.

The Company transferred its Information & Communication Business of ITX Corporation, Former ITX, which was previously classified in the Group's Information and Communication segment on September 28, 2012, to newly established ITX Corporation, New ITX, which was then sold and then transferred New ITX to IJ Holdings Inc., a wholly owned subsidiary of a partnership operated and managed by Japan Industrial Partners, Inc. As a result, this newly established company was excluded from the scope of consolidation at the same date.

(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 "Summary of significant accounting policies." 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							
	For the year ended March 31, 2013							
	Medical	Life Science and Industrial	Imaging	Information and Communication	Others	Total	Adjustments	Consolidated Total
Net sales:								
Third parties	¥394,724	¥85,513	¥107,638	¥114,243	¥41,733	¥743,851	¥ —	¥743,851
Intersegment	159	10	37	—	252	458	(458)	—
Total	¥394,883	¥85,523	¥107,675	¥114,243	¥41,985	¥744,309	¥ (458)	¥743,851
Segment profit (loss)	¥ 87,069	¥ 3,527	¥ (23,073)	¥ 1,704	¥ (4,870)	¥ 64,357	¥ (29,280)	¥ 35,077
Assets	505,302	89,995	81,740	—	62,364	739,401	220,681	960,082
Depreciation and amortization	20,270	4,420	2,591	283	1,827	29,391	4,508	33,899
Amortization of goodwill	7,032	770	—	1,504	377	9,683	—	9,683
Capital expenditures	17,147	3,429	3,076	231	1,826	25,709	2,400	28,109

	Millions of yen							
	For the year ended March 31, 2014							
	Medical	Life Science and Industrial	Imaging	Information and Communication	Others	Total	Adjustments	Consolidated Total
Net sales:								
Third parties	**¥492,296**	**¥98,510**	**¥96,111**	**¥—**	**¥26,369**	**¥713,286**	**¥ —**	**¥ 713,286**
Intersegment	**109**	**10**	**13**	**—**	**298**	**456**	**(456)**	**—**
Total	**¥492,405**	**¥98,546**	**¥96,124**	**¥—**	**¥26,667**	**¥713,742**	**¥ (456)**	**¥ 713,286**
Segment profit (loss)	**¥112,735**	**¥ 4,935**	**¥ (9,182)**	**¥—**	**¥ (5,356)**	**¥103,132**	**¥ (29,687)**	**¥ 73,445**
Assets	**559,053**	**94,568**	**78,730**	**—**	**23,603**	**755,954**	**271,521**	**1,027,475**
Depreciation and amortization	**25,219**	**4,843**	**1,731**	**—**	**906**	**32,699**	**4,151**	**36,850**
Amortization of goodwill	**8,428**	**921**	**—**	**—**	**108**	**9,457**	**—**	**9,457**
Capital expenditures	**26,719**	**4,498**	**3,496**	**—**	**817**	**35,530**	**2,280**	**37,810**

	Thousands of U.S. dollars							
	For the year ended March 31, 2014							
	Medical	Life Science and Industrial	Imaging	Information and Communication	Others	Total	Adjustments	Consolidated Total
Net sales:								
Third parties	**$4,779,573**	**$956,408**	**$933,117**	**$—**	**$256,009**	**$6,925,107**	**$ —**	**$6,925,107**
Intersegment	**1,058**	**349**	**126**	**—**	**2,894**	**4,427**	**(4,427)**	**—**
Total	**$4,780,631**	**$956,757**	**$933,243**	**$—**	**$258,903**	**$6,929,534**	**$ (4,427)**	**$6,925,107**
Segment profit (loss)	**$1,094,515**	**$ 47,913**	**$ (89,146)**	**$—**	**$ (52,000)**	**$1,001,282**	**$ (288,224)**	**$ 713,058**
Assets	**5,427,699**	**918,136**	**764,369**	**—**	**229,155**	**7,339,359**	**2,636,126**	**9,975,485**
Depreciation and amortization	**244,845**	**47,019**	**16,806**	**—**	**8,796**	**317,466**	**40,301**	**357,767**
Amortization of goodwill	**81,825**	**8,942**	**—**	**—**	**1,049**	**91,816**	**—**	**91,816**
Capital expenditures	**259,408**	**43,670**	**33,942**	**—**	**7,931**	**344,951**	**22,136**	**367,087**

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 ¥(29,280) million and ¥(29,687) million ($(288,224) thousand) for the years ended March 31, 2013 and 2014, 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 ¥220,681 million and ¥271,521 million ($2,636,126 thousand) as of March 31, 2013 and 2014, respectively, of corporate assets, which are not allocable to the reportable segments.
4. Adjustments for depreciation and amortization include ¥4,508 million and ¥4,151 million ($40,301 thousand) for the years ended March 31, 2013 and 2014, respectively, of depreciation and amortization for corporate assets, which are not allocable to the reportable segments.
5. Adjustments for capital expenditures include ¥2,400 million and ¥2,280 million ($22,136 thousand) for the years ended March 31, 2013 and 2014, respectively, of the increase in corporate assets, which are not allocable to the reportable segments.

(4) Related information

(a) Sales by destination

Net sales to third parties by countries or areas grouped according to geographical classification for the years ended March 31, 2013 and 2014 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	**2014**	**2014**
to Japan	¥287,025	**¥172,583**	**$1,675,564**
to North America	177,233	**216,098**	**2,098,039**
to Europe	157,179	**184,012**	**1,786,524**
to Asia	102,395	**118,717**	**1,152,592**
to Other areas	20,019	**21,876**	**212,388**
	¥743,851	**¥713,286**	**$6,925,107**

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

Property, plant and equipment by geographical countries or areas as of March 31, 2013 and 2014 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	**2014**	**2014**
Japan	¥ 53,952	**¥ 53,748**	**$ 521,825**
America	35,948	**35,550**	**345,146**
Europe	25,842	**30,037**	**291,621**
Asia	14,060	**16,105**	**156,359**
	¥129,802	**¥135,440**	**$1,314,951**

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, 2013 and 2014 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 assets by reportable segment for the years ended March 31, 2013 and 2014 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	**2014**	**2014**
Medical	¥ —	**¥ —**	**$ —**
Life Science and Industrial	—	**—**	**—**
Imaging	3,733	**—**	**—**
Information and Communication	—	**—**	**—**
Others	2,377	**4,351**	**42,243**
Reportable segment total	6,110	**4,351**	**42,243**
Adjustments and eliminations	1,490	**520**	**5,048**
	¥7,600	**¥4,871**	**$47,291**

(e) Outstanding balances of goodwill by reportable segment as of March 31, 2013 and 2014 were as follows:

	Millions of yen					
	2013					
	Medical	Life Science and Industrial	Imaging	Information and Communication	Others	Consolidated Total
Outstanding balance of goodwill	¥101,534	¥3,919	¥—	¥ —	¥893	¥106,346

	Millions of yen					
	2014					
	Medical	Life Science and Industrial	Imaging	Information and Communication	Others	Consolidated Total
Outstanding balance of goodwill	**¥103,745**	**¥3,005**	**¥—**	**¥ —**	**¥100**	**¥106,850**

	Thousands of U.S. dollars					
	2014					
	Medical	Life Science and Industrial	Imaging	Information and Communication	Others	Consolidated Total
Outstanding balance of goodwill	**$1,007,233**	**$29,175**	**$—**	**$ —**	**$971**	**$1,037,379**

(f) Amortization of negative goodwill by reportable segment

There was no amortization of negative goodwill for the years ended March 31, 2013 and 2014.

32. Amounts per Share

Net income per share is computed by dividing income available to common shareholders by the average number of common shares outstanding for each fiscal year. Diluted income per share is similar to the basic one except that the 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 2013, 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
	2013	**2014**	**2014**
Net income:			
Basic	¥28.96	**¥41.05**	**$0.399**
Diluted	¥ —	**¥41.04**	**$0.398**

As of March 31:	Yen		U.S. dollars
	2013	**2014**	**2014**
Net assets	¥493.30	**¥962.83**	**$9.348**

The bases for calculation are as follows:

(1) Basic and diluted net income per share

For the years ended March 31:

	2013	2014
Average number of shares for basic net income	276,957,809	**331,992,635**

(2) Net assets per share

As of March 31:

	Number of shares	
	2013	2014
The number of shares of common stock used for the calculation of net assets per share	301,245,726	**342,240,445**

As of March 31:

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Total net assets	¥151,907	**¥331,284**	**$3,216,350**
Amounts deducted from total net assets:			
Stock acquisition rights	—	**115**	**1,117**
Minority interests	3,302	**1,650**	**16,019**
Net assets attributable to shares of common stock	¥148,605	**¥329,519**	**$3,199,214**

33. Related Party Transactions

There were no related party transactions to be disclosed for the years ended March 31, 2013 and 2014.

34. Business Combination

For the year ended March 31, 2013

(Business Divestitures)

1. Outline of business divestiture

(1) Name of company to which a divested business was transferred through company split and company to which shares were transferred

(a) Name of company to which a divested business was transferred through company split: ITX Corporation

(b) Name of company to which shares were transferred: IJ Holdings Inc.

(2) Operations of divested business

Information & Communication Business

(3) Primary reason for business divesture

Although the Information & Communication Business has generated steady cash flow and the Olympus Group has been actively engaged in this business, the Company reached the conclusion that aggressive expansion of retail activities and investment in human resources were essential to bring further growth to this business. Therefore, it was required to establish a framework that allowed expeditious and aggressive injection of management resources including know-how and funding for the above-mentioned business.

Upon consultation with Japan Industrial Partners, Inc., the Company decided to conduct this company split and share transfer. The decision was made in the belief that utilizing Japan Industrial Partners, Inc.'s many achievements and abundant experience in assisting with subsidiaries becoming independent, businesses being divested, etc., and stimulating further development of the business with the support of Japan Industrial Partners, Inc. in the area of management know-how and funding, would lead to further growth of the business and maximization of the shareholder value of the Company.

(4) Date of company split and share transfer

Company split: September 28, 2012

Share transfer: September 28, 2012

(5) Outline of other transactions including legal form

The Company transferred the Information & Communication Business of ITX Corporation to the newly established company ("New ITX"), which is the successor in an absorption-type company split, and transferred New ITX to IJ Holdings Inc., a wholly owned company of a partnership operated and managed by Japan Industrial Partners, Inc. ITX Corporation changed its trade name to Impress Development K.K. on the same date.

2. Accounting treatment

(1) Gain on transfer of business, which is reported as and included in "Gain on sales of investment securities in subsidiaries and affiliates, net" for the year ended March 31, 2013

¥17,600 million ($187,234 thousand)

(2) Carrying amount of assets and liabilities of the transferred business consisted of the following:

	Millions of yen
Current assets	¥57,427
Non-current assets	26,317
Total assets	¥83,744
Current liabilities	¥48,208
Non-current liabilities	1,832
Total liabilities	¥50,040

3. Reportable segment in which divested business was included

Information and Communication Business

4. Estimated net sales and operating income of the divested business in the consolidated statement of operations for the year ended March 31, 2013

Net sales	¥114,243 million
Operating income	¥ 1,704 million

For the year ended March 31, 2014

There was no material business combination to be disclosed during the year ended March 31, 2014.

35. Subsequent Events

(1) Filing of Lawsuit

A lawsuit has been filed against the Company. An overview of the lawsuit is as follows:

(1) Date of filing lawsuit

April 7, 2014

(2) Names of plaintiffs

Mitsubishi UFJ Trust and Banking Corporation
The Master Trust Bank of Japan, Ltd.
Japan Trustee Services Bank, Ltd.
Trust & Custody Services Bank, Ltd.
The Nomura Trust and Banking Co., Ltd.
State Street Trust and Banking Co., Ltd.

(3) Details of the lawsuit and amount of claim

A total of six banks including Mitsubishi UFJ Trust and Banking Corporation and five other trust banks filed a lawsuit against the Company seeking compensation for damages in the total amount of ¥27,915 million ($271,019 thousand) pursuant to Articles 709 and 715 of the Civil Code, Article 350 of the Companies Act and Article 21-2 of the Financial Instruments and Exchange Act, resulting from the Company's false statements for the purpose of the Company's deferral of the recognition of losses contained in the Annual Securities Reports, Semi-Annual Reports and Quarterly Reports for the periods from the fiscal year ended March 31, 2001 through the first quarter of the fiscal year ended March 31, 2012.

The amount of compensation for damages claimed consists of ¥27,915 million ($271,019 thousand) and 5% per annum interest on the amount attributable to each of the shares from the day immediately following the share acquisition trade date of each of the shares that incurred losses up to the payment of the principal.

(4) Future outlook

The lawsuit's effect on the financial results of the Company is uncertain since its financial impact is not estimable at this stage.

(2) Reduction in Legal Capital Surplus and Legal Earnings Reserve and Appropriation of Surplus

The Company made a resolution at a meeting of its Board of Directors held on May 9, 2014 to place the matter of reduction in legal capital surplus and legal earnings reserve and appropriation of surplus as a matter to be resolved at the 146th Ordinary General Meeting of Shareholders held on June 26, 2014 and this was resolved and approved by the general shareholder meeting on that date.

(1) Purpose of reduction in legal capital surplus and legal earnings reserve and appropriation of surplus

The Company recorded accumulated deficits carried forward of ¥49,435,478,406 ($479,956,101.03) in the non-consolidated financial statements for the fiscal year ended March 31, 2014. To eliminate the deficit and protect the flexibility and agility of future capital policy, pursuant to the provisions of Article 448, Paragraph 1 of the Companies Act, the Company shall reduce the amount of its legal capital surplus and transfer the same amount to other capital surplus, and it shall reduce the amount of legal earnings reserve and transfer the same amount to retained earnings carried forward. Moreover, pursuant to the provisions of Article 452 of the Companies Act, the Company shall transfer the amount of other capital surplus to retained earnings carried forward.

(2) Outline of reduction in legal capital surplus and legal earnings reserve

i) Outline of reduction of amounts of legal capital surplus and legal earnings reserve

Legal capital surplus	¥8,275,923,138 ($80,348,768) out of ¥99,216,032,696 ($963,262,453)
Legal earnings reserve	Full amount of ¥6,626,182,483 ($64,331,869)

ii) Line items describing surplus to be increased and respective amounts

Other capital surplus	¥8,275,923,138 ($80,348,768)
Retained earnings carried forward	¥6,626,182,483 ($64,331,869)

(3) Outline of appropriation of surplus

i) Line item describing surplus to be reduced and respective amount

Other capital surplus	Full amount of ¥40,931,170,614 ($397,390,006)

ii) Line item describing surplus to be increased and respective amount

Retained earnings carried forward	¥40,931,170,614 ($397,390,006)

(4) Schedule for the reduction in legal capital surplus and legal earnings reserve and appropriation of surplus

i) Date of resolution of Board of Directors	May 9, 2014 (Friday)
ii) Date of resolution of General Meeting of Shareholders	June 26, 2014 (Thursday)
iii) Effective date	June 30, 2014 (Monday)

As this matter applies to the exemption under the provision of Article 449, Paragraph 1 of the Companies Act, the formal objection procedure of creditors is not required.

(5) Future outlook

As this matter involves a transfer between accounts within the “net assets” section, there is no change to the net assets in total. Accordingly, there will be no impact on the financial results of the Company.

(3) Prepayment of Debt

In order to reduce interest-bearing debt from the perspective of financial soundness, the Company made prepayment of debt on June 26, 2014 to Mizuho Bank, Ltd.

(1) The amount of prepayment	¥20,000 million ($194 million) (Balance as of March 31, 2014: ¥20,000 million ($194 million))
(2) Interest rate	1.98% (Fixed interest rate)
(3) Date of borrowing	December 26, 2008
(4) Initial terms of repayment	Lump sum repayment
(5) Initial date of repayment	December 26, 2017
(6) Date of prepayment	June 26, 2014
(7) Expenses related to prepayment	¥807 million ($8 million)
(8) Interest saved by prepayment	¥1,388 million ($13 million)

(4) Granting of Share-Based Compensation Stock Options

The Company made a resolution at a meeting of its Board of Directors held on June 26, 2014, to allot stock acquisition rights (The 2nd stock acquisition rights of Olympus Corporation) as share-based compensation stock options to Directors (excluding Outside Directors) and Executive Officers for the purpose of incentivizing Directors and Executive Officers to work for medium-to-long-term performance improvement and corporate value enhancement.

(1) Date of rights granted
July 11, 2014

(2) Number of stock acquisition rights to be issued

Directors (excluding Outside Directors)	129
Executive Officers	281
Total	410

(3) Class and number of shares to be issued upon exercise of stock acquisition rights
41,000 shares of common stock of the Company

(4) Qualified beneficiaries
25 in total (5 Directors and 20 Executive Officers of the Company)

(5) Period of exercise of the stock acquisition rights
From July 12, 2014 to July 11, 2044

(6) Proceeds upon exercise of stock acquisition rights
The amount is determined by multiplying the exercise price of ¥1 per share by the number of shares granted.

(7) Method to calculate amount to be paid in for stock acquisition rights granted
The amount to be paid in shall be determined by the Board of Directors of the Company based on the fair value calculated using the Black-Scholes model as of the date of stock acquisition rights granted. The said amount shall be offset against the remuneration claims of each Director and Executive Officer.

(8) Amount to increase common stock upon exercise of stock acquisition rights
The amount of the increase in common stock in the case that shares are issued due to the exercise of the stock acquisition rights shall be determined by multiplying the maximum increase in common stock, etc. calculated in accordance with Article 17, Paragraph 1 of the Ordinance on Accounting of Companies by 0.5. If any fractional amounts less than ¥1 occur as a result of this calculation, the said amounts will be rounded up to the nearest yen.

The amount of the increase in legal capital surplus in the case that shares are issued due to the exercise of offered stock acquisition rights shall be determined by deducting the increase in common stock stipulated above from the maximum increase in common stock, etc.

36. Supplemental Information

(1) Future Circumstances

Following the Company's announcement on November 8, 2011 concerning its deferral of recognition of losses on securities investments, etc., investigations by overseas investigative authorities, supervisory bodies and other public bodies (including those in the U.K. and the U.S.) remain ongoing. The consolidated financial statements may be corrected if any further material facts come to light during such investigations in the future.

As a result of inappropriate financial reporting by the Company, holders of its shares, etc. have filed lawsuits against the Company, and there is a risk that various shareholders and shareholder groups may claim damages or file lawsuits against the Company in the future for a similar reason. The effect of these events on the financial results of the Company is uncertain since its financial impact is not estimable at this stage.

Concerning investigations by domestic investigative authorities, supervisory bodies and other public bodies, in a case that was pending in the Tokyo District Court for breaches of the Securities and Exchange Act and the Financial Instruments and Exchange Act, the Company was fined ¥700 million ($6,796 thousand) on July 3, 2013 (prosecution's demand: ¥1,000 million ($9,709 thousand)). The judgment for the case was settled after the period allowed for appeal had expired and the case was resolved upon payment of the fine.

The Company recorded the fine in the consolidated statement of operations as "penalty charges."

In addition, in conjunction with the Company's deferral of recognition of losses mentioned above, the investigation by the UK Serious Fraud Office that had been ongoing is now completed and on September 3, 2013, prosecution was brought against the Company and its subsidiary Gyrus Group Limited ("GGL") on charges of breaching Section 501 of the UK Companies Act of 2006 in relation to the explanation made to the auditors of GGL subsidiaries concerning the documents related to GGL's financial accounts. The trial of this case is currently ongoing in the UK courts.

The effect of this prosecution on the financial results of the Company is uncertain since its financial impact is not estimable at this stage.

(2) Settlement of Lawsuit

Concerning a lawsuit filed against the Company, the Company made a comprehensive examination by taking into account the progress of the action, details of lawsuit and potential legal costs and other matters that would arise if the lawsuit were to be continued, and decided that swiftly resolving the matter through settlement would be the best approach. As a result, a court settlement was reached on November 18, 2013.

(1) Date of filing lawsuit
July 23, 2012

(2) Plaintiff

1. Company:	Terumo Corporation
2. Address:	2–44–1, Hatagaya, Shibuya–ku, Tokyo
3. Representative:	Yutaro Shintaku, President, Representative Director

(3) Content of lawsuit and amount of claim

The Company issued 6,811,000 shares, amounting to a total of ¥14,998 million ($159,553 thousand), to Terumo Corporation through third party allotment, in accordance with the securities registration statement submitted on August 4, 2005.

Terumo Corporation claims, owing to the Company's past deferral of the recognition of losses, that false statements on important matters were contained in the securities registration statement when such third party allotment was made. Consequently, the lawsuit was filed to seek compensation for damages of ¥6,612 million ($70,340 thousand), in accordance with Article 18, Paragraph 1 and Paragraph 2 of the former Securities and Exchange Act and Article 19 of the said Act, which are applied by replacing the terms pursuant to the provision of Article 23–2 of the said Act.

The amount of compensation for damages claimed consists of ¥6,612 million ($70,340 thousand) and 5% per annum interest on this amount for the period from August 22, 2005 up to the payment of the principal.

(4) Details of settlement including name, address and representative of counterparty and the terms of settlement

1. Company:	Terumo Corporation
2. Address:	2–44–1, Hatagaya, Shibuya–ku, Tokyo
3. Representative:	Yutaro Shintaku, President, Representative Director
4. Terms of settlement:	The Company will pay Terumo Corporation ¥6 billion as a settlement package and Terumo Corporation will dismiss its claim against the Company.

Due to the settlement of this lawsuit in the year ended March 31, 2014, the settlement package paid to Terumo Corporation was recorded as "settlement package" in the consolidated statement of operation.

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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, 2014, 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, 2014, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

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Emphasis of Matters

1. We draw attention to Note 36 of the consolidated financial statements, which describes that following the Company's announcement on November 8, 2011 concerning its deferral of recognition of losses on securities investments, etc., investigations by overseas investigative authorities, supervisory bodies and other public bodies (including those in the U.K. and the U.S.) remain ongoing. The consolidated financial statements may be corrected if any further material facts come to light during such investigations in the future. In addition, as a result of inappropriate financial reporting by the Company, holders of its shares, etc. have filed lawsuits against the Company, and there is a risk that various shareholders and shareholder groups may claim damages or file lawsuits against the Company in the future for a similar reason.
2. We draw attention to Note 16 of the consolidated financial statements, which describes that concerning the Company's deferral of recognition of losses on securities investments, etc. the Company has been filed lawsuits mainly by the shareholders. A provision for loss on litigation was provided for the year ended March 31, 2014 at an amount considered necessary, however, there is a risk that the outcome may adversely affect the consolidated financial results in the future and an additional provision for loss on litigation may be necessary depending on the progress of the lawsuits.
3. We draw attention to Note 35 of the consolidated financial statements, which describes that a total of six banks filed a lawsuit against the Company seeking compensation for damages.

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.

Ernst & Young Shin Nihon LLC

June 26, 2014
Tokyo, Japan

Other Financial Data

Net Sales and Operating Income by Business Segment

(Millions of yen)

Fiscal years ended March 31		2009	2010	2011	2012	2013	2014
Medical	Net sales	383,828	350,716	355,322	349,246	394,724	**492,296**
	Operating expenses	308,394	275,507	283,640	281,058	307,655	**379,561**
	Operating income	75,434	75,209	71,682	68,188	87,069	**112,735**
Scientific Solutions	Net sales	118,819	114,095	100,808	92,432	85,513	**98,510**
	Operating expenses	114,059	105,341	92,255	86,993	81,986	**93,575**
	Operating income	4,760	8,754	8,553	5,439	3,527	**4,935**
Imaging	Net sales	224,460	174,924	131,417	128,561	107,638	**96,111**
	Operating expenses	229,591	171,610	146,436	139,321	130,711	**105,293**
	Operating income (loss)	(5,131)	3,314	(15,019)	(10,760)	(23,073)	**(9,182)**
Information & Communication	Net sales	152,946	189,354	209,520	229,399	114,243	**—**
	Operating expenses	151,292	184,490	204,278	224,122	112,539	**—**
	Operating income	1,654	4,864	5,242	5,277	1,704	**—**
Others	Net sales	100,750	53,997	50,038	48,910	41,733	**26,369**
	Operating expenses	107,716	59,000	53,644	56,902	46,603	**31,725**
	Operating loss	(6,966)	(5,003)	(3,606)	(7,992)	(4,870)	**(5,356)**
Elimination or Corporate	Net sales	—	—	—	—	—	**—**
	Operating expenses	27,029	25,978	28,472	24,634	29,280	**29,687**
	Operating loss	(27,029)	(25,978)	(28,472)	(24,634)	(29,280)	**(29,687)**
Consolidated	Net sales	980,803	883,086	847,105	848,548	743,851	**713,286**
	Operating expenses	938,081	821,926	808,726	813,030	708,774	**639,841**
	Operating income	42,722	61,160	38,379	35,518	35,077	**73,445**

Notes:
1. Effective from the fiscal year ended March 31, 2010, some businesses previously reported in the Others segment have been reclassified and are now presented in the Scientific Solutions Business segment.
2. On April 1, 2014, the Life Science & Industrial Business was renamed the Scientific Solutions Business.

Net Sales by Region

(Millions of yen)

Fiscal years ended March 31		2009	2010	2011	2012	2013	2014
Medical	Japan	76,214	75,064	79,430	80,418	89,512	**105,871**
	North America	140,898	125,912	129,766	121,020	137,715	**175,869**
	Europe	125,130	103,725	93,925	91,933	102,850	**128,675**
	Asia and Oceania	32,781	34,481	40,182	45,489	54,300	**69,673**
	Others	8,805	11,534	12,019	10,386	10,347	**12,208**
	Total	383,828	350,716	355,322	349,246	394,724	**492,296**
Scientific Solutions	Japan	22,740	21,171	31,114	18,954	17,841	**19,823**
	North America	29,734	18,937	23,011	23,288	20,941	**23,475**
	Europe	41,389	20,753	19,654	20,250	19,119	**23,849**
	Asia and Oceania	21,122	16,856	21,222	23,675	20,907	**24,139**
	Others	3,834	2,383	5,807	6,265	6,705	**7,224**
	Total	118,819	80,100	100,808	92,432	85,513	**98,510**
Imaging	Japan	31,383	27,598	26,087	31,351	31,360	**29,876**
	North America	52,440	41,178	26,280	19,001	16,847	**14,801**
	Europe	78,585	55,002	38,565	40,863	31,944	**27,281**
	Asia and Oceania	53,342	42,123	31,849	32,787	24,704	**21,713**
	Others	8,710	9,023	8,636	4,559	2,783	**2,440**
	Total	224,460	174,924	131,417	128,561	107,638	**96,111**
Information & Communication	Japan	152,946	189,354	209,520	229,399	114,243	**—**
	North America	—	—	—	—	—	**—**
	Europe	—	—	—	—	—	**—**
	Asia and Oceania	—	—	—	—	—	**—**
	Others	—	—	—	—	—	**—**
	Total	152,946	189,354	209,520	229,399	114,243	**—**
Others	Japan	63,978	59,976	40,351	38,115	34,069	**17,013**
	North America	14,584	10,049	2,952	1,954	1,730	**1,953**
	Europe	12,790	9,047	2,219	3,103	3,266	**4,207**
	Asia and Oceania	6,907	6,585	4,040	5,353	2,484	**3,192**
	Others	2,491	2,335	476	385	184	**4**
	Total	100,750	87,992	50,038	48,910	41,733	**26,369**
Total	Japan	347,261	373,163	386,502	398,237	287,025	**172,583**
	North America	237,656	196,076	182,009	165,263	177,233	**216,098**
	Europe	257,894	188,527	154,363	156,149	157,179	**184,012**
	Asia and Oceania	114,152	100,045	97,293	107,304	102,395	**118,717**
	Others	23,840	25,275	26,938	21,595	20,019	**21,876**
	Total	980,803	883,086	847,105	848,548	743,851	**713,286**

Notes:
1. Effective from the fiscal year ended March 31, 2010, some businesses previously reported in the Others segment have been reclassified and are now presented in the Scientific Solutions Business segment.
2. On April 1, 2014, the Life Science & Industrial Business was renamed the Scientific Solutions Business.

Net Sales by Product

(Millions of yen)

Fiscal years ended March 31		2009	2010	2011	2012	2013	2014
Endoscopes	Domestic	44,567	40,904	43,848	43,803	47,335	**57,136**
	Overseas	168,329	151,044	151,611	147,995	171,339	**216,830**
	Total	212,896	191,948	195,459	191,798	218,674	**273,966**
Surgical & Endotherapy	Domestic	31,647	34,160	35,582	36,615	42,177	**—**
	Overseas	139,285	124,608	124,281	120,833	133,873	**—**
	Total	170,932	158,768	159,863	157,448	176,050	**—**
Surgical	Domestic	—	—	—	—	—	**25,648**
	Overseas	—	—	—	—	—	**133,914**
	Total	—	—	—	—	—	**159,562**
Endotherapy	Domestic	—	—	—	—	—	**23,087**
	Overseas	—	—	—	—	—	**35,681**
	Total	—	—	—	—	—	**58,768**
Total (Medical)	Domestic	76,214	75,064	79,430	80,418	89,512	**105,871**
	Overseas	307,614	275,652	275,892	268,828	305,212	**386,425**
	Total	383,828	350,716	355,322	349,246	394,724	**492,296**
Life Science	Domestic	16,331	12,743	10,550	10,560	10,315	**11,855**
	Overseas	50,877	35,903	33,914	32,090	28,595	**32,923**
	Total	67,208	48,646	44,464	42,650	38,910	**44,778**
Industrial	Domestic	—	19,493	20,564	8,394	7,526	**7,968**
	Overseas	—	29,664	35,780	41,388	39,077	**45,764**
	Total	—	49,157	56,344	49,782	46,603	**53,732**
Diagnostic Systems (Blood Analyzers)	Domestic	6,409	1,950	—	—	—	**—**
	Overseas	45,202	14,342	—	—	—	**—**
	Total	51,611	16,292	—	—	—	**—**
Total (Scientific Solutions)	Domestic	22,740	34,186	31,114	18,954	17,841	**19,823**
	Overseas	96,079	79,909	69,694	73,478	67,672	**78,687**
	Total	118,819	114,095	100,808	92,432	85,513	**98,510**
Digital Cameras	Domestic	27,276	24,215	22,330	27,333	27,234	**25,932**
	Overseas	177,639	134,662	94,534	87,904	67,867	**57,670**
	Total	204,915	158,877	116,864	115,237	95,101	**83,602**
Others	Domestic	4,107	3,383	3,757	4,018	4,126	**3,944**
	Overseas	15,438	12,664	10,796	9,306	8,411	**8,565**
	Total	19,545	16,047	14,553	13,324	12,537	**12,509**
Total (Imaging)	Domestic	31,383	27,598	26,087	31,351	31,360	**29,876**
	Overseas	193,077	147,326	105,330	97,210	76,278	**66,235**
	Total	224,460	174,924	131,417	128,561	107,638	**96,111**
Information & Communication	Domestic	152,946	189,354	209,520	229,399	114,243	**—**
	Overseas	—	—	—	—	—	**—**
	Total	152,946	189,354	209,520	229,399	114,243	**—**
Others	Domestic	63,978	46,961	40,351	38,115	34,069	**17,013**
	Overseas	36,772	7,036	9,687	10,795	7,664	**9,356**
	Total	100,750	53,997	50,038	48,910	41,733	**26,369**
Total	Domestic	347,261	373,163	386,502	398,237	287,025	**172,583**
	Overseas	633,542	509,923	460,603	450,311	456,826	**540,703**
	Total	980,803	883,086	847,105	848,548	743,851	**713,286**

Notes:
1. Effective from the fiscal year ended March 31, 2009, some businesses previously reported in the Information & Communication Business segment have been reclassified and are now presented in the Others segment.
2. Effective from the fiscal year ended March 31, 2010, businesses previously reported in the Life Science Business segment are now presented in the Life Science Business and Industrial Systems Business segments.
3. Effective from the fiscal year ended March 31, 2010, some businesses previously reported in the Others segment have been reclassified and are now presented in the Scientific Solutions Business segment.
4. In the fiscal year ended March 31, 2010 (on August 3, 2009), the Diagnostic Systems Business was divested.
5. On April 1, 2014, the Life Science & Industrial Business was renamed the Scientific Solutions Business.