

The background of the top half of the page is a gradient of blue, from a darker shade on the left to a lighter shade on the right. Overlaid on this gradient are numerous thin, light blue lines that curve and flow across the page, creating a sense of motion and depth. These lines are most concentrated in the upper left and middle sections, then taper off towards the right.

Reliable

Annual Report 2014

OLYMPUS®

Your Vision, Our Future



Corporate Philosophy

Social IN



- INtegrity**
Integrity in Society
- INnovation**
Creating Innovative Value
- INvolvement**
Social Involvement

We aim towards establishing firm ties with the society through the three IN's.

The Olympus Group strives to realize better health and happiness for people by being an integral member of society, sharing common values, and proposing new values through its business activities.

This "Social IN" concept is key to the basic Olympus philosophy underlying all our activities. Social IN comes from Social Value IN the Company, a concept of incorporating social values into the Company's activities.

Contents

Basic Information

- 02 Our Business: Our Business Domain and Key Technologies
- 04 Our Strategy: Medium-Term Vision (Corporate Strategic Plan)
- 05 Our Progress under Review: Advances in the Two Years Since the Institution of the New Management Team

Results and Growth Strategy

- 06 Financial Highlights
- 08 Interview with the President
- 14 Past, Present, and Future of Olympus—
Conversation with Analysts
- 20 Special Feature (Medical): Reliable Growth in Global Markets



Growth Strategy by Segment

- 28 At a Glance
- 30 Review of Business Segments
 - 30 Medical Business
 - 34 Scientific Solutions Business
 - 38 Imaging Business
- 42 Intellectual Property Report



Foundation for Supporting Growth

- 44 To Our Stakeholders (Message from the Chairman)
- 46 Corporate Governance
 - 50 Conversation between Outside Directors
- 52 Olympus CSR
- 56 Management Structure



Financial Section / Corporate Information

- 60 Financial Summary
- 61 Message from the Director in Charge of Finance
- 62 Analysis of Business Results, Financial Position, and Cash Flows
- 65 Risk Information
- 68 Consolidated Financial Statements and Notes
- 108 Independent Auditor's Report
- 110 Other Financial Data
- 112 Olympus Group Companies
- 114 Corporate Information



Editorial Policy

The Olympus Group strives to conduct disclosure in a manner that meets the information needs of its various stakeholders. *Annual Report 2014* is a tool for providing stakeholders with management and financial information for fiscal 2014, the year ended March 31, 2014.

Non-financial information can be found in *CSR Report 2014*, while the Company's corporate website provides up-to-date information on a variety of topics.

IR Website

<http://www.olympus-global.com/en/ir/>



CSR Activities

<http://www.olympus-global.com/en/csr/>

CSR Report 2014



Forward-Looking Statements

This annual report contains forward-looking statements concerning the Company's future plans, strategies, and performance. These forward-looking statements are not historical facts, rather they represent assumptions and beliefs based on economic, financial, and competitive data currently available.

Furthermore, these statements are subject to a number of risks and uncertainties that, without limitation, relate to economic conditions, worldwide business competition, customer demand, foreign currency exchange rates, tax rules, regulations, and other factors.

Olympus therefore wishes to caution readers that actual results may differ materially from its expectations.

Our Business Domain and Key Technologies

Olympus develops its operations in three core business domains. The Scientific Solutions Business continues to refine the optical technologies Olympus has treasured since its founding. The Imaging Business drives advanced research on electronic imaging technologies. The Medical Business, meanwhile, grows by leveraging the technologies of these two businesses. The technologies developed through these businesses are the greatest strength of Olympus, and it is this strength that enables us to make world-class products.

Gastrointestinal endoscope market share (Global): **70% No. 1**

Medical Business

A technological foundation with a dominating global market share and massive growth potential

Since developing the world's first practical gastrocamera in 1950, Olympus has continued to create world-leading gastrointestinal endoscopes, thereby maintaining a dominating share of the global market. These product development capabilities are supported by the optical technologies and electronic imaging technologies that are born out of microscopes and cameras.

In addition, we are applying the technologies accumulated through gastrointestinal endoscope development to the surgical device field in order to expand the breadth of our product lineup to realize further growth.



Universal upper digestive videoscope (gastrointestinal endoscope)

THUNDERBEAT (integrated with both Advanced Bipolar and Ultrasonic Energy)

ITknife nano™ disposable, high-frequency knife (endotherapy device)

Medical

Driver of profit and growth

Scientific Solutions

Driver of optical technologies and growth



Biological microscope market share (Global): **30%–40% No. 1**

Scientific Solutions Business

Source of the optical technologies that arise from microscopes and are then adapted to cameras and endoscopes

The Scientific Solutions Business encompasses the biological microscope business. Olympus is the global market share leader in this business, which it has conducted since its founding. It is also the source of the optical technologies that represent a core competence. The processing technologies used for the lenses of microscopes, their most crucial component, are also used for making the camera lenses that create pictures with stunning quality and the ultrasmall lenses attached to the tips of thin endoscopes. Truly, these technologies are critical to the mainstay products of all Olympus businesses.



IX83 research inverted microscope



IPLEX series industrial videoscope



OmniScan SX ultrasonic phased array flaw detectors

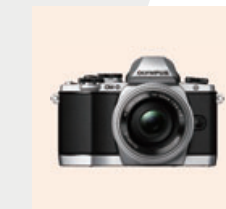
Mirrorless camera market share (Japan): **30%^(*) No. 1**

Imaging Business

Technological driver for creating sophisticated electronic imaging technologies

In the camera operations of the Imaging Business, product development cycles are short and competition is fierce due to the presence of numerous rivals. However, this business creates sophisticated electronic imaging technologies that are of great benefit to the other businesses. For example, the digital imaging technologies from digital camera development were used to evolve endoscopes from fiberscopes to videoscopes.

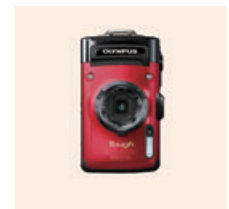
* Share of Japanese camera market in 2013 (Source: Olympus Corporation)



OLYMPUS OM-D E-M10 mirrorless camera



OLYMPUS PEN E-P5 mirrorless camera



OLYMPUS STYLUS TG-3 Tough compact digital camera



Imaging

Driver of optical and imaging technologies

Key Technologies

Optical Technology

Optical Measurement Technology / Advanced Optical Technology / Next-Generation Optical Design Technology

Electronic Imaging Technology

Imager Technology / Key Digital Imaging Technology / High-Speed Communication Technology / System LSI

Precision Technology

Precision Control Technology / Precision Mounting Technology / MEMS Technology / Miniature Devices

Biological Based Technology

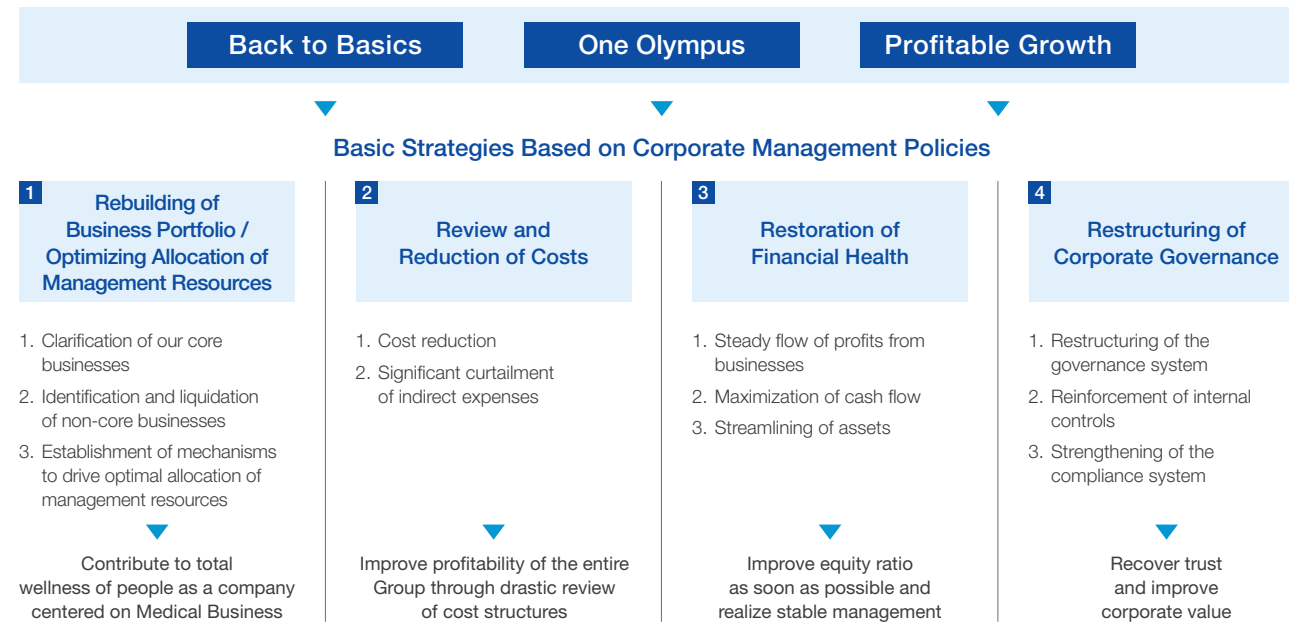
Live Cell Analysis Technology / Cell Separation, Cell Culture, and Evaluation Technology / Gene Transfer Technology

Our Strategy

Medium-Term Vision (Corporate Strategic Plan)

Olympus is promoting a medium-term vision for the five years from the fiscal year ended March 2013. Acting in accordance with the vision's slogan of "Back to Basics," the Company aims to return to the basic values it had at founding and make a fresh start in order to regain the credibility of its stakeholders, build itself anew, and create new corporate value.

Corporate Management Policies under the New Management



Performance Indices and Targets (Consolidated)

Performance indices	FY ended March 2013 (Results)	FY ended March 2014 (Results)	FY ending March 2017 (Targets)
Return on invested capital (ROIC)*	2.7%	5.9%	10% or more
Operating margin	4.7%	10.3%	10% or more
Free cash flow (Cash flow from operating activities + cash flow from investing activities)	¥58.7 billion	¥52.1 billion	¥70.0 billion or more
Equity ratio	15.5%	32.1%	30% or more

* Return on Invested Capital (ROIC): At Olympus, ROIC is calculated using the following assumptions: Return (Operating income after taxes) / IC (Shareholders' equity + Interest-bearing debt)

Results of implementing these basic strategies will be monitored based on four performance indices: "return on invested capital (ROIC)," "operating margin," "free cash flow," and "equity ratio."

The operating margin and the equity ratio both reached the levels targeted for fiscal 2017, meaning these goals were achieved three years early. We are making steady progress toward accomplishing the fiscal 2017 targets for ROIC and free cash flow.

Financial Plans (Consolidated)

	FY ended March 2014	FY ending March 2015 ^(*)	FY ending March 2017
	Results	Forecasts	Targets
Net sales	¥713.3 billion	¥760 billion	¥920 billion
Operating income (Operating margin)	¥73.4 billion (10%)	¥88 billion (12%)	¥143 billion (16%)
Ordinary income (Ordinary income ratio)	¥50.9 billion (7%)	¥70 billion (9%)	¥125 billion (14%)
Net income (Net income ratio)	¥13.6 billion (2%)	¥45 billion (6%)	¥85 billion (9%)

* Targets for fiscal 2015 are based on forecasts released on May 9, 2014.

Our Progress under Review

Advances in the Two Years Since the Institution of the New Management Team

In April 2012, Olympus instituted a new management team. Since then, the Company has continued the rapid advance of the strategies described in the medium-term vision.

The following is a list of the major accomplishments seen in different areas of the Company over the past two years.

Corporate (Management / Others Business)

- Apr. 2012 A special general meeting of shareholders is convened, and a new management team is instituted.
- Jun. The medium-term vision (corporate strategic plan) geared toward creating a new Olympus is announced by the new management team.
- Aug. The transference of the Information & Communication Business is announced.
- Sep. A business and capital alliance with Sony Corporation is announced.
- May 2013 Restructuring measures for the Imaging Business are announced.
- Jun. The Security on Alert designation placed on the Company's stock by the Tokyo Stock Exchange is removed.
- Jun. A stock option system (linked to performance and stock price) for corporate officer compensation is introduced.
- Jul. Capital to the extent of ¥112.6 billion is procured by issuing new shares through public offering in overseas markets and disposing of treasury stock.
- Feb. 2014 The withdrawal from the biologics business is announced.

Medical Business

- Feb. 2012 The THUNDERBEAT integrated energy device with both advanced bipolar and ultrasonic energy is launched in the European and U.S. markets.
- Apr. The EVIS EXERA III endoscopy system is launched in the European and U.S. markets.
- Nov. The EVIS LUCERA ELITE endoscopy system is launched in the Japanese market.
- Dec. Investment of approximately ¥20 billion in manufacturing sites in Japan (Aizu, Shirakawa, and Aomori) is decided.
- Apr. 2013 A joint venture company between Olympus and Sony Corporation is established, with Sony to develop surgical endoscope products with 3D and 4K imaging capabilities.
- Apr. A surgical endoscopy system with 3D imaging capabilities is launched in the European, U.S., and Japanese markets; the world's first 3D videoscope for surgery equipped with a bending tip is launched simultaneously.
- Nov. Our largest training and service center is established in Guangzhou, adding to existing Chinese training centers situated in Shanghai and Beijing.

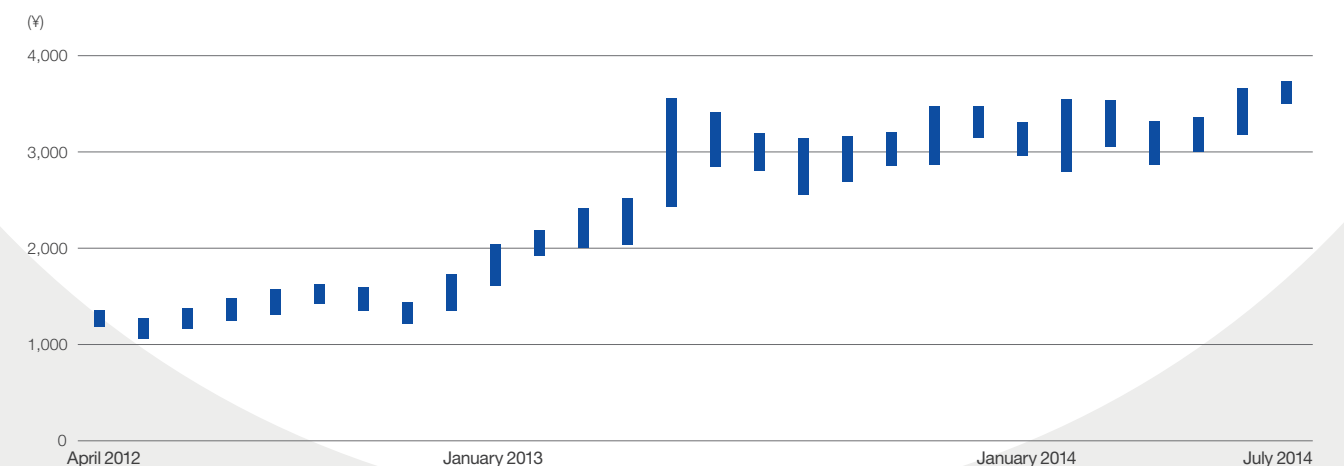
Scientific Solutions Business

- Jun. 2012 A plant in the Philippines is closed as part of efforts to rationalize production sites and improve operational efficiency.
- Jul. 2013 The strategic FLUOVIEW FVMPE-RS laser scanning microscope is introduced in the life science field.
- Jul. The strategic OmniScan SX series of miniature, light weight ultrasonic phased array flaw detectors is launched in the industrial field.
- Apr. 2014 The Life Science & Industrial Business is renamed the Scientific Solutions Business. A shift away from strategies based on product lineups is undertaken to pursue those oriented toward customer groups in order to improve business and capital efficiency and thereby increase profitability.

Imaging Business

- Mar. 2012 OM-D E-M5, a middle-class strategic mirrorless camera in the OM-D series, is launched.
- May 2013 Restructuring measures for the Imaging Business are announced. The reorganization of manufacturing sites is completed, effectively consolidating five sites into two sites (Shenzhen and Vietnam completed during fiscal 2014).
- Oct. OM-D E-M1, our flagship model for OM-D series mirrorless cameras that offers resolution levels comparable to full-size single-lens reflex cameras, is launched.
- Feb. 2014 OM-D E-M10, an OM-D series camera that features a more accessible price, is launched.

Stock Price over Past Two Years



Financial Highlights

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

(Millions of yen)

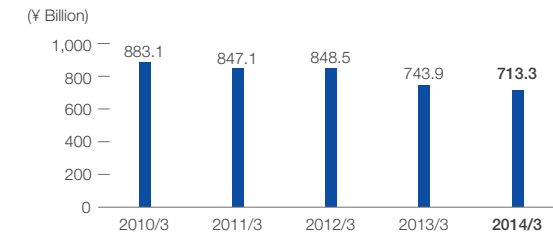
Consolidated	2009/3	2010/3	2011/3	2012/3	2013/3	2014/3
Business Results						
Net sales	980,803	883,086	847,105	848,548	743,851	713,286
Operating income	42,722	61,160	38,379	35,518	35,077	73,445
Percentage of net sales (%)	4.4%	6.9%	4.5%	4.2%	4.7%	10.3%
Net income (loss)	(50,561)	52,527	3,866	(48,985)	8,020	13,627
R&D expenditures	70,010	61,850	67,286	61,356	63,379	66,796
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
EBITDA ^(*)	104,679	116,113	84,186	80,408	78,659	119,752
Financial Position						
Total assets ^(**)	1,038,253	1,104,528	1,019,160	966,526	960,239	1,027,475
Total net assets ^(**)	110,907	163,131	115,579	48,028	151,907	331,284
Interest-bearing debt	642,839	661,481	648,787	642,426	560,390	415,831
Cash Flows						
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)
Free cash flow	20,900	55,278	49,472	(4,846)	58,688	52,115
Cash flow from financing activities	(3,751)	17,355	(37,359)	(5,761)	(42,436)	(39,693)
Per Share Data						
Net income (loss) per share (yen)	(188.85)	194.90	14.39	(183.54)	28.96	41.05
Total equity per share ^(**) (yen)	387.31	576.63	421.37	167.76	493.30	962.83
Cash dividends per share (yen)	20	30	30	—	—	—
Financial Indicators						
EBITDA margin ^(*) (%)	10.7%	13.1%	9.9%	9.5%	10.6%	16.8%
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%
Equity ratio (%)	10.0%	14.1%	11.0%	4.6%	15.5%	32.1%
Price earnings ratio (PER) ^(**) (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

*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. 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.

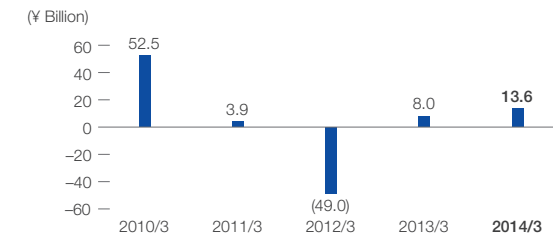
*3. Price earnings ratio (PER) for the fiscal years ended March 31, 2009 and 2012 are omitted as Olympus recorded net loss for these fiscal years.

Net Sales 4% DOWN (YoY) ↘



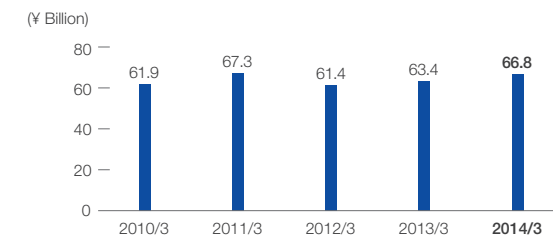
Net sales were down due to the September 2012 transference of the Information & Communication Business, but sales were up 13% if this factor is excluded.

Net Income (Loss) 70% UP (YoY) ↗



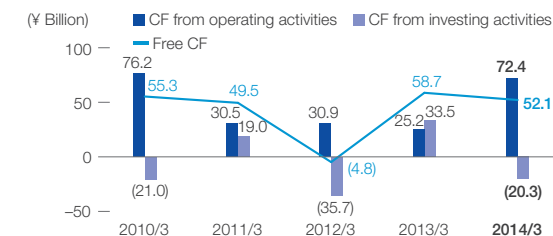
Net income exceeded ¥10.0 billion for the first time in four years because of significantly higher operating income as well as lower financing costs accompanying reduced interest-bearing debt.

R&D Expenditures 5% UP (YoY) ↗



While R&D expenditures are decreasing in the Imaging Business, overall expenditures are increasing due to the larger percentage of R&D expenditures accounted for by the Medical Business.

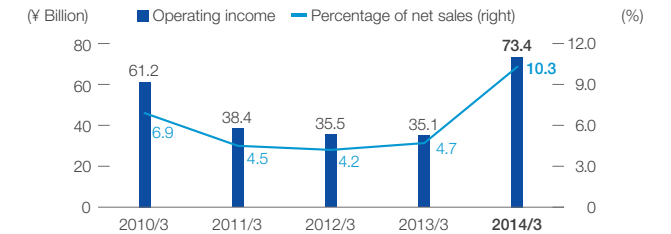
Cash Flow (CF) Improved (YoY) ↗



Net cash provided by operating activities was ¥72.4 billion, three times the level of the previous year. Net cash used in investing activities was ¥20.3 billion. The result was positive free cash flow of ¥52.1 billion.

Operating Income 109% UP (YoY) ↗

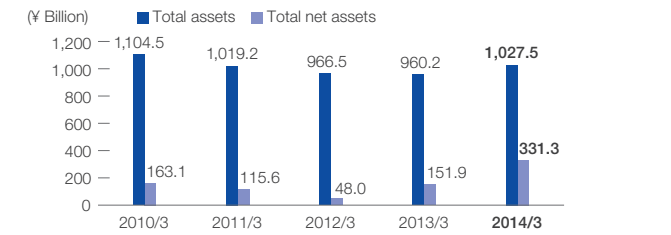
Percentage of Net Sales 5.6 points UP (YoY) ↗



Operating income doubled year on year due to substantially higher operating income in the Medical Business and lower operating loss in the Imaging Business. The percentage of net sales improved 5.6 percentage points.

Total Assets 7% UP (YoY) ↗

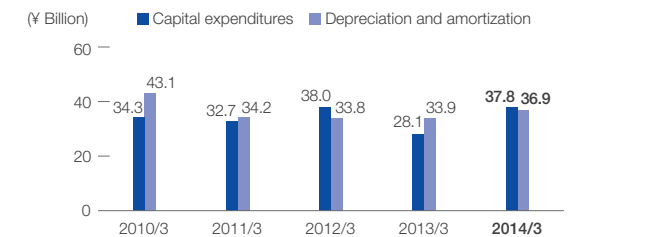
Total Net Assets 118% UP (YoY) ↗



Net assets doubled year on year following the July 2013 capital increase and substantially more beneficial foreign exchange adjustments because of yen depreciation.

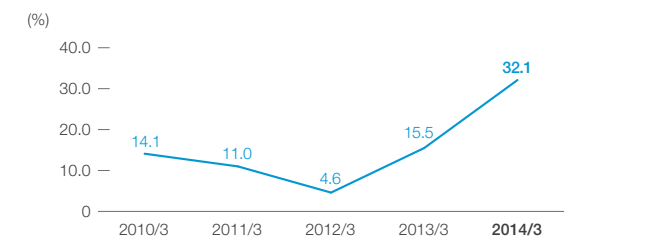
Capital Expenditures 35% UP (YoY) ↗

Depreciation and Amortization 9% UP (YoY) ↗



Capital expenditures increased as a result of significantly higher expenditures in the Medical Business. Consequently, depreciation and amortization rose, centered on the Medical Business.

Equity Ratio 16.6 points UP (YoY) ↗



The equity ratio improved approximately 17 percentage points year on year, reaching the target level of more than 30%, due to the July 2013 capital increase and an approximate ¥145.0 billion decrease in interest-bearing debt.



Hiroyuki Sasa
President and
Representative Director

Olympus finds its strength in its technologies, and that will not change. We will boldly push forward with aggressive management, paving the road toward meeting the goals of the medium-term vision, and realizing the growth that waits beyond, with strategic measures to overcome the obstacles placed before us.

Q₁

Would you please provide an overview of fiscal 2014?

A

While the global economy presented a harsh environment, particularly with regard to conditions in Europe and China, we realized strong income improvements in fiscal 2014, with our core Medical Business presenting a record-breaking performance.

In fiscal 2014, consolidated net sales declined 4% year on year, to ¥713.3 billion, largely as a result of the transference of the Information & Communication Business in fiscal 2013. Operating income, however, doubled over the year, reaching ¥73.4 billion, and ordinary income showed even more impressive growth, climbing to ¥50.9 billion, roughly four times the figure for fiscal 2013. Net income suffered, due to losses associated with litigation and the withdrawal from the biologics business, but still exceeded the previous year's level at ¥13.6 billion.

A major contributing factor to these strong improvements in income was our core Medical Business. Supported by the strong foundation of its gastrointestinal endoscope operations, this business turned in a record-breaking performance, posting new highs for both net sales and operating income. The Scientific Solutions Business, previously known as the Life Science & Industrial Business, recorded increases in both net sales and operating income, and the restructured Imaging Business saw a substantial decrease in operating loss.

Q₂

Looking back at your two years as president, what would you say have been the Company's triumphs?

A

Guided by the medium-term vision formulated by the new management team, we pushed forward with business initiatives based on a strong sense of commitment toward keeping the promises we had made. Over these two years, we worked to escape a very negative situation, and I believe we made great progress in such a short period and that our triumphs are clear.

Two years ago, Olympus was in a state of crisis on all fronts. The Company suffered from issues with its corporate governance systems and its finances and performance were problematic with regard to its low equity ratio, poor balance sheet, and lacking profitability.

Today, I believe we are receiving fewer complaints with regard to our corporate governance systems. In terms of performance, the Medical Business, which has been positioned as a major earnings driver, is making massive contributions to the overall performance of the Group. In addition, the reforms described for our business portfolio in the medium-term vision are nearly complete. The implementation of business reforms has advanced at a speed that exceeded expectations. These reforms include the transference of the Information & Communication Business, the withdrawal from the biologics business, and the sale

and liquidation of subsidiaries and affiliates from which we could not expect synergies with core businesses. We also reduced the size of compact camera operations in response to rapid market contraction. Furthermore, we addressed the issues with our financial position by commencing a business and capital alliance with Sony, procuring approximately ¥110 billion in capital from overseas markets, and reducing interest-bearing debt. As a result, the equity ratio improved substantially, to more than 30%, at the end of March 2014. Looking at specific performance indices, we accomplished our fiscal 2017 targets for the operating margin and the equity ratio three years in advance, while return on invested capital (ROIC) and free cash flow are improving smoothly and are in line with our plans.

Q₃

It would appear Olympus has been quite triumphant over the past two years. Conversely, what issues do you believe remain to be faced?

A

We are faced with pressing issues to be addressed by management in all three core businesses. Fiscal 2015 has been deemed to be a crucial year for implementing measures to resolve these issues and for setting the course for long-term growth on our quest to maximize shareholder value.

Specifically, we will advance five initiatives to address pressing management issues during fiscal 2015.

Issues in Core Businesses

Medical Business	Conduct strategic investment targeting long-term growth to further strengthen the surgical device field
Scientific Solutions Business	Revise basic strategies to move away from strategies based on product lineups to pursue those oriented toward customer groups
Imaging Business	Expand mirrorless camera operations by leveraging the OM-D series and pursue risk minimization by developing BtoB operations in consideration of risks in the mirrorless camera market

Initiatives to Support Core Businesses

Cost structures	Examine possible integration of business units to accelerate the optimization of Group organizations and the rationalization of indirect departments
Risk management	Secure a stable financial base in preparation for securities litigation risks



and industrial fields while also advancing structural production reforms in the pursuit of higher profitability. However, the business is deviating from our expectations in terms of profitability, and we therefore must quickly revise our strategies to correct this situation. While I mentioned that the Medical Business is progressing according to plan, I was referring to its impressive performance, which set new records for both net sales and operating income. Looking closely at the business itself, we will see some divergence from our plans. New gastrointestinal and surgical endoscope products were introduced, and these products can be said to be generating results. The energy device business, however, has failed to live up to expectations. The strong overall performance in the Medical Business was a result of other areas compensating for the lackluster performance in the energy device business. This, of course, is an issue needing to be addressed.

As all businesses are diverging from our plans, it is imperative that we act to return them to the proper course. Aiming to ensure the goals of the medium-term vision are met, we will conduct strategic investment in the Medical Business from a long-term perspective while working to strengthen the foundations of the Scientific Solutions Business and the Imaging Business.

Groupwide cost structures is also an area needing prompt attention. For this reason, we are reviewing the current business units and will undertake a Groupwide reorganization. Through these efforts, we hope to boost cost-competitiveness by strengthening head office functions, eliminating redundant functions throughout the Group, and realizing more efficient usage of management resources.

Looking at efforts in our core businesses, I can proudly say that progress in the Medical Business is in line with plans. However, the same cannot be said of the Imaging Business and the Scientific Solutions Business.

In the Imaging Business, we are faced with a need to achieve a stable position of profitability. We are accelerating our shift toward high-margin mirrorless cameras to accomplish this objective. From a long-term perspective, we see that the risk of the market for digital single-lens reflex camera maturing and contracting further will increase. This fact must be considered in future business initiatives. The Scientific Solutions Business, meanwhile, is facing harsh macro-economic conditions. In this difficult environment, we are introducing new strategic products in both the life science

Q₄

Would you please provide details regarding the Group's strategic investments in the Medical Business?

A

The strategic investments are geared toward reinforcing the operating foundations of the Medical Business to achieve the goals of the medium-term vision and continue growing thereafter. We will invest approximately ¥18 billion in fiscal 2015 to strengthen sales forces and advance R&D ventures while reducing manufacturing costs.

We have earmarked ¥18 billion for strategic investments. Of this amount, ¥12 billion will be allocated to expanding sales forces and conducting sales promotions in the surgical device field, which has been positioned as a future growth driver. These sales-oriented investments are designed to ensure that we achieve the targets set for fiscal 2017. The remaining ¥6 billion will be used for upfront investment in R&D ventures for realizing future growth following the completion of the medium-term vision.

▶ For more information, please refer to the [Medical Business section of Review of Business Segments](#) beginning on page 30.

In regard to expanding sales forces, we plan to introduce an additional 1,000 people into our staff during fiscal 2015. However, we do not believe that sales will grow naturally if we simply increase staff numbers. We are fully aware of the importance of technologies, and we realize that products lacking in quality will not sell. Up to now, we have developed our business centered on gastrointestinal endoscopes, so expanding our sales force for surgical devices and endotherapy products is currently a major priority.

To compete effectively in markets in the United States and Europe, we will need to foster specialized sales forces that have been endowed with the techniques and other in-depth knowledge necessary to properly explain the advantages of Olympus surgical devices and how they are used. Accordingly, we will hire new sales personnel in phases and work to expand sales while training these new personnel. I am confident that this course of action will lead to the accomplishment of the medium-term vision's goals.

At the same time, we must advance research and development to create the products that will be needed for long-term future growth. For this reason, we will actively conduct R&D investments in growing areas, such as ENT and gynecology, as well as in robotics and other advanced technologies.

We hope to transform Olympus into a world-leading medical equipment manufacturer over the medium-to-long term. However, undergoing this transformation will require that we make these strategic investments now, and this will be a top priority in fiscal 2015.

Q₅

Olympus has a dominating share of the gastrointestinal endoscope market. As for the surgical device market, competition from European and U.S. manufacturers is fierce, making for a difficult operating environment. How will Olympus differentiate itself in this environment?

A

Compared with the gastrointestinal endoscope market, where we have a dominant position, we will face difficulty in the surgical device market. However, Olympus possesses technologies for the development and manufacture of devices that meet needs spanning from those for early diagnoses to those for minimally invasive treatments, and these capabilities will be a power tool in this market.

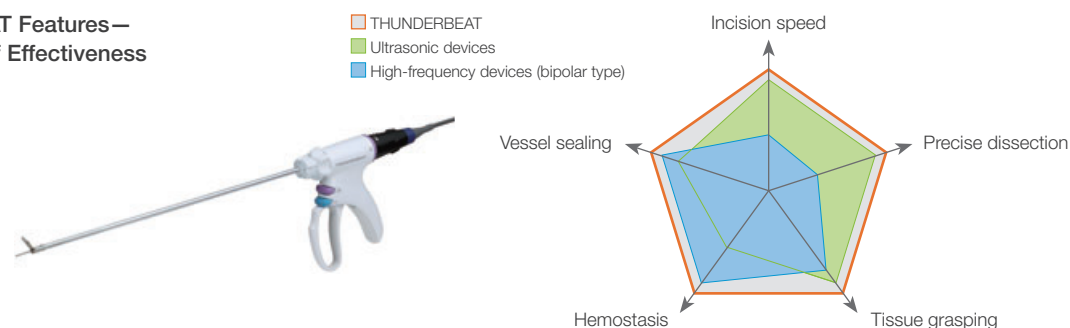
Efforts aimed at limiting medical costs have become an urgent priority around the world. Olympus is in a prime position to support such efforts. Our success in the surgical device market will be determined by our how we utilize this position. Success will also depend on our ability to provide the devices needed for new minimally invasive treatment methods and to propose the techniques and training that will allow these methods to be employed.

In the surgical device field, the 3D laparoscopy surgical system we introduced in 2013 has been performing better than expected, despite being more expensive than conventional 2D systems. This strong performance is because the depth of information provided by the 3D system is crucial in operating the laparoscope and to the safety of surgical procedures. I believe that this is how we should differentiate Olympus from competitors.

Another major advantage of Olympus is the ability to leverage synergies with its area of specialty: imaging equipment. Our strategies entail that we utilize this advantage to expand our market share centered on the energy device field, which will be a major growth driver in the surgical device field. In addition, our differentiated THUNDERBEAT energy device features leading technologies in its field. Going forward, we plan to strengthen sales systems for

surgical imaging equipment, while leveraging our existing sales channels, and thereby support physicians in developing new surgical techniques. At the same time, we will actively expand our participation in the surgical device market by bolstering our product lineup, possibly introducing products geared toward procedures requiring opening the abdominal cavity and other treatments.

**THUNDERBEAT Features—
Comparison of Effectiveness**



Q₆ The digital camera market continues to shrink, creating a harsh environment for the Imaging Business. What are the Company's plans for the future of this business?

A There are technological synergies between the Imaging Business and the Medical Business and between the Imaging Business and the Scientific Solutions Business, and I therefore believe that there is significant meaning to the existence of the Imaging Business. However, I also realize that, if we are going to continue this business, we will have to make sure it can generate stable profits.



An important role of the Imaging Business is to create state-of-the-art imaging technologies that can be applied to the Medical Business and the Scientific Solutions Business. It is the short product cycles and intensely competitive environment, populated by countless rivals, of the Imaging Business that bring these technologies into existence. When the digitization trend began, the camera business was among the first to be affected. Since then, the Imaging Business has continued to stand at the forefront of technological innovation, driving the advance of digital imaging technologies throughout the entire Company. Looking at Olympus as a whole, I believe that continuing to place the Imaging Business in this role will allow for technologies to be developed in the most efficient manner. The development cycle for gastrointestinal endoscopes is five to six years. Accordingly, the imaging

technologies used in these products are already old by the time they reach the market, meaning that it is difficult to determine how far technology has advanced by looking at marketed products alone. However, Olympus is always in possession of the latest digital imaging technologies. Just as we were among the first to make the jump from fiberscopes to videoscopes in the endoscope field, we will continue to create world-leading products by utilizing the technologies born out of the Imaging Business. In this manner, I believe the Imaging Business will help Olympus to maintain its dominating market shares.

At the same time, I also realize that the Imaging Business cannot be allowed to continue recording losses. We must restructure this business to make sure it can generate stable

profits over the medium-to-long term. We will accomplish this by cutting costs and shifting our product portfolio toward high-margin mirrorless cameras. On a monetary basis, the mirrorless camera market is expanding steadily, and we can at least expect this market to continue growing over the next several years. Nonetheless, the mirrorless camera market does present risks when looked at from a long-term perspective. For this reason, we plan to gradually transition the Imaging Business toward the growing business-to-business market. We expect to see business opportunities in various fields for the Company's advanced optical and imaging technologies. In fact, we are already seeing potential customers to be served with these technologies in the Medical Business and the Scientific Solutions Business.

Q₇ In closing, is there a message you would like to convey to the stakeholders of Olympus?

A Olympus is a company that finds its strength in its technologies, and that will not change. It is our technologies that have enabled us to survive until today, and I am convinced that these technologies will also help us find new potential centered on the Medical Business.

The markets for the products of the Medical Business continue to grow, and there are no indications of this trend coming to an end. Olympus is able to cater to these markets with its strength in digital technologies. The Company can also call upon its ability to combine its technologies with its expertise while making minute adjustments for the perfect match, a characteristic of the Japanese manufacturing industry that could be considered an analog technique. Olympus remains today because it continues to pass these techniques on from one employee to another, and I am convinced that this tradition will also ensure the Company's survival into the future. It is that perspective we will adopt as we advance technological development and work to beat out the competition.

In addition, our operations in the industrial field represent very high potential markets in which we have very strong positions. For example, our non-destructive testing technologies are expected to become increasingly important going forward. Demand for these technologies is growing along with global infrastructure demand, which continues to rise due to the accelerated installation of infrastructure that is accompanying economic development in emerging countries as well as the aging of roads, buildings,

and other infrastructure in developed countries. Moreover, non-destructive testing equipment like ultrasonic flaw detectors and industrial videoscopes employ technologies similar to those used in the Medical Business. For this reason, we aim to take advantage of growth opportunities while utilizing these technologies.

We will boldly push forward with aggressive management, paving the road toward meeting the goals of the medium-term vision, and realizing the growth that waits beyond, with strategic measures to overcome the obstacles placed before us. As we work to expand earnings and grow further, we will maintain our uncompromising stance toward excellence in terms of technologies and product creation, banding together to continue introducing the world to new and innovative products that are top in their class. I am confident that we will be able to show our stakeholders results that live up to their expectations in the future.

August 2014

Hiroyuki Sasa
President and Representative Director

Past, Present, and Future of Olympus

Conversation with Analysts



Hidekatsu Watanabe

Senior Analyst
Equity Research Department
Mizuho Securities Co., Ltd.

Profile

Mr. Watanabe joined Nomura Research Institute, Ltd., after graduating from the Faculty of Economics of Keio University in 1990. Positioned in the Corporate Research Department, he was placed in charge of the healthcare sector in 1995. He entered Mizuho Securities in 2000. Today, he covers a wide range of fields in the healthcare sector, including medical equipment.



Yukihiro Koike

Vice President
Equity Research Department
Morgan Stanley MUFG Securities Co., Ltd.

Profile

Mr. Koike joined Goldman Sachs Group, Inc., in 2008, where he conducted corporate research on the automotive sector. In 2010, he joined Morgan Stanley MUFG Securities, where he has focused on the healthcare sector, specifically medical equipment and specialty pharmaceuticals. He received a B.S. from Kyoto University (in Pharmacy) and received an MSc in neurology from the University of Southern California. Mr. Koike also holds a pharmacist license.



Yukihiro Koike
Morgan Stanley MUFG Securities Co., Ltd.

Hiroyuki Sasa
President and Representative Director

Hidekatsu Watanabe
Mizuho Securities Co., Ltd.

Masahiro Shibano
Citigroup Global Markets Japan Inc.



Masahiro Shibano

Director
Capital Markets Origination Department
Citigroup Global Markets Japan Inc.

Profile

Mr. Shibano received a master's degree in economics from the Graduate School of Economics in the Faculty of Economics of the University of Tokyo. He joined Nikko Citigroup Limited (currently Citigroup Global Markets Japan) in 2005. After being placed in charge of several sectors, he reached his current position of covering the precision instruments and semiconductor equipment sectors in 2009.

It has been two years since the Company instituted its new management team, and Olympus has implemented several monumental strategies during that time. How has Olympus changed? How should it target future growth? President Hiroyuki Sasa conversed with analysts with regard to their evaluation of the Company over the past two years, the challenges Olympus faces, and their hopes for the Company's future, receiving their earnest opinions and advice.

(Conversation held on June 17, 2014, in a meeting room of the Company's head office)

Current State of Corporate Governance and the Board of Directors and Changes over the Past Two Years

Sasa After the Company's scandal came to light, Olympus replaced all members of its Board of Directors. At the time, I suspect the outside directors that we appointed were dubious of how far Olympus could be trusted; indeed, taking up a position on the board required a significant degree of conviction as they certainly did not understand the Company. In fact, most members of the Board of Directors were in this position, and I remember feeling very tense not knowing how the board should function under these circumstances. As a representative from the business execution side, I thought exhaustively about how I could help the outside directors understand Olympus. By conducting briefings prior to meetings of the Board of Directors, I believe I was able to communicate the characteristics of our business as well as its strengths and weaknesses to the outside directors. Over the past two years, this new Board of Directors

made numerous important decisions and set several initiatives into motion. Examples include selling ITX Corporation, which operated the non-core Information & Communication Business, entering into a business and capital alliance with Sony Corporation, and cutting staff size as part of restructuring measures. Also, we saw the removal of the Security on Alert designation placed on the Company's stock by the Tokyo Stock Exchange, and subsequently we increased capital by approximately ¥110 billion. The Board of Directors discussed these and other undertakings from various perspectives. These experiences cultivated mutual understanding among the members of the board, and I believe that its proceedings now transpire more smoothly. Today, discussions at meetings of the Board of Directors are lively and forward-looking, and we find ourselves debating a variety of topics.

Watanabe I understand that you were an executive officer when the scandal surfaced. I assume that a number of thoughts crossed your mind as an executive officer, but you probably never imagined you would be placed in the position of leading Olympus. Rebuilding the Company's corporate governance systems was an unprecedented endeavor. Over these past two years, how did you drive Olympus forward to fortify the areas in which it was lacking and make it into the revitalized company it is today?

Sasa The business foundations of Olympus themselves were solid, particularly with regard to the Medical Business. While the Imaging Business continued to record losses and performance in the Scientific Solutions Business could not be seen as impressive, the Company's frameworks and the systems that drove the businesses were functioning soundly. The group presidents were advancing their respective businesses while looking toward the future and addressing the challenges faced. This situation continues today. And I believe that, even at the time of the scandal, Olympus had solid business foundations. For the non-business elements, it was necessary to address issues one at a time, looking at corporate governance and other management systems and determining what needed to be fixed and how. For issues of exceptional importance, we often devoted a great deal of time to discussions, which sometimes became very heated. For example, we extensively discussed what we should do about the potential business and capital alliance with Sony, and we examined exhaustively the necessity of the increase in capital.

Koike I would think that the Company had options, other than Sony, for an alliance partner. Why did you choose Sony, and how has the alliance proceeded in comparison to your expectations?

Sasa Olympus holds a share of approximately 20% of the global surgical endoscope market. Sony possesses 3D and 4K imaging technologies. These technologies have the potential to strengthen our surgical endoscopes, and this field is one that we needed to expand. Our initial plan for this alliance called for us to expand operations using these technologies through our own sales channels, and this is actually how matters are progressing. In participating in this alliance, we came to be surprised by Sony. The ingenuity and speed of this company as well as the breadth and depth of its technological capabilities were much greater than we had expected. This fact was something we could not have known before commencing our alliance.

Shibano With the majority of the Board of Directors consisting of outside directors, I assume that a significant amount of time is being devoted to decision making. In terms of organization, Olympus has already approved plans to revise business units, and I believe that the Company has established governance systems that are sufficient for the time being. What are your plans for the long term? Do you think that the current systems represent the ideal form for Olympus, or do you feel that there is room for improvement?

Sasa At the moment, I believe that our Board of Directors and its 13 members are ideal. I mean this in terms



of the number of members as well as the ratio of internal and outside directors and the ratio of independent directors and non-independent directors. Nonetheless, circumstances will change in the future, and it will be necessary to rethink our systems based on those changes. I believe that the ideal governance systems and membership ratios differ based on the operating environment, and that there are optimal systems for any circumstance we may face.

Watanabe At the moment, what issues do you expect to face in further evolving governance systems?

Evaluation of Business Performance and Initiatives over the Past Two Years

Watanabe When the Tokyo Stock Exchange designated the Company's stock as Security on Alert, Mizuho Securities revoked its rating. As a result, I temporarily stopped reporting on Olympus. Over the period of approximately two years before I resumed reporting, I did not revise the forecasts for Olympus. In my first report after I restarted coverage, I was expected to include both the previous forecasts and the Company's new forecasts, but both sets of figures were almost exactly the same. In other words, even amid the turmoil that followed the scandal, business at Olympus was proceeding generally according to plan. I believe that the stability of the Medical Business was a major factor behind this smooth progress. The ongoing losses in the Imaging Business are, of course, a problem. However, faced with today's exceptionally harsh market, I think that losses of merely a few billion yen are the best the Company's management could have done. Personally, I choose to focus on the degree to which a company can grow stably over a period of three to five years, rather than

Sasa The biggest issue Olympus faces at the moment is the need to flexibly allocate management resources in a volatile market environment. The integration of business units was one measure to address this issue. We must also ascertain the business opportunities created by this situation and evaluate these opportunities while readying our next move. This approach will require us to create a system that enables us to accurately evaluate each milestone we pass and ensure the decisions we make are appropriate. Our ability to realize such a system will have a large impact on the future of Olympus.

Of course, we will require a plan to build this system, and our people will not be able to act without a plan. I believe it is impossible to optimally allocate our management resources without clearly identifying what activities we will stop and what new initiatives we will undertake.

Watanabe It is rare for a company to be able to effectively reevaluate itself. I spoke with many endoscopic physicians immediately after the Olympus scandal, and even then they were not particularly upset. To physicians, it was almost as if the scandal did not matter at all.

Sasa I was the division manager in charge of the Marketing Division at the time of the scandal. After the news broke, I received words of encouragement from countless physicians, not only those in Japan but also physicians from around the world.

Watanabe It must be quite reassuring to know that the Company has the support of the end users of its products.

looking primarily at its ability to maximize earnings in the short term. From this perspective, I have a very high opinion of Olympus.

Koike I started covering Olympus in January 2013. The precision machinery industry team at Morgan Stanley MUFG Securities had been following the Company before the scandal, but I was new to Olympus, covering the Company as the first representative from our healthcare industry team. A year ago, there were not many brokers that had resumed coverage of Olympus, and we were the only one to send someone from their healthcare team. As such, there was a large backlash from investors with regard to our coverage. This backlash was particularly intense from overseas investors. It was not as if investors overseas were constantly monitoring the situation in Japan, and much of their information regarding the scandal came from media sources like newspapers. For this reason, we received many comments stating no improvement had been seen in governance at Olympus. Later, the Security on

Alert designation was lifted from the Company's stock and you began visiting institutional investors around the world to explain the situation at Olympus in conjunction with the capital increase. After this, we stopped hearing complaints about the Company's governance systems. The focus of institutional investors is always changing, and I am sure that they are now turning their critical eye to another aspect of Olympus. However, I believe that resolving the governance issues was a large step forward for the Company.

Shibano I mainly cover the precision instruments industry, and I began reporting on Olympus roughly one month before the scandal. I was quite shocked with the incidents that unfolded. Looking back at the two years that followed, I find myself concurring with the other gentlemen here today; there has been almost no change in Olympus with regard to the strength of its Medical Business, its operating environment, or its position in the industry. After the scandal, product development moved forward in the Medical Business, despite all the issues that needed to be addressed both inside and outside the Company. Today, Olympus is reaping the benefits of the new products it developed during this period. I believe the ability to bring these products to launch even faced with such adversity is truly symbolic of the strength of Olympus. With regard to the digital camera business, however, I cannot be so positive, even considering the increasingly harsh operating environment. Looking at the results of the Company's restructuring of this business, I am forced to say that other companies are making better progress than Olympus. There are still numerous issues that need to be addressed in this business in terms of sales, marketing, and the precision of business plans, and I do not think that this situation is something that began when the scandal was exposed. I expect that the stock market is hoping for some clarification with regard to this business. Olympus needs to clearly explain its plans for the digital camera business, describing how it is positioned within the Company's business portfolio and stating whether this business will be continued or exited.

Sasa Gentlemen, I believe that everything you have said today is accurate. Reflecting on the past two years, we accomplished some of our initial goals, but we also failed to accomplish others. The market is always changing, and each change requires us to alter our plans in response. In terms of businesses, the Medical Business has proceeded as planned, while the Imaging Business has not. In regard to the Medical Business as well, we were not able to achieve certain targets because of the various measures we instituted, such as those related to foreign exchange. We were able to meet numeric targets, but there are still issues that need to be addressed. For example, our targets were unmet in the energy device field, and it was the strong performance of other areas that allowed us to achieve overall targets. If everything had progressed as planned, performance in the Medical Business would have been even more impressive.

Watanabe When discussing the possibility of investing in a medical equipment manufacturer with global institutional investors, people generally fall into one of two groups. One group asserts that if a company makes quality products, then it should see improvements in earnings and the operating margin in the short term. The other group believes that maintaining a consistent speed is important for medical equipment manufacturers, and that if such a company disrupts its own rhythm it will feel the negative impacts of this action 10 or so years down the line. I think most of the global investors who invest in medical equipment manufacturers fall into the latter group. These people tend to specialize in medical companies and hold on to their investments for incredibly long periods of time. It is therefore important for companies in the medical field to consciously issue information targeting these investors. In the case of Olympus, I believe you could achieve better results from disclosures if you communicated facts about the Medical Business, such as what you view as the appropriate business speed and operating margin. Particularly with regard to the surgical device field, investors need information about how much growth potential exists in the market and how much time will be needed for this potential to come to fruition. Explanations of such factors would paint a better picture of what Olympus is trying to achieve.



Shibano Just as Mr. Watanabe stated, I believe that a lot of investors are trying to comprehend the medical equipment industry from a medium-to-long-term perspective. However, the medical equipment industry is not one that can be understood intuitively. An understanding of this industry requires a great deal of knowledge regarding the medical systems of countries around the world, how widespread certain devices are, and the nature of technological evolution. From this perspective, I believe that it would be incredibly beneficial for you to continue activities like the investor relations explanatory meeting on the surgical device field that was held in spring 2014.

Koike Olympus has a dominating share of the market for gastrointestinal endoscopes, and it is easy to imagine that sales would increase if the Company introduced a new product in this area. In surgical devices, meanwhile, Olympus is currently expanding its sales force. I imagine this being an area of uncertainty for investors, who may be unsure as to whether or not the market for these products is one in which increasing sales personnel will have a significant benefit. With regard to future product strategies as well, I believe you could better communicate the Company's growth path by disclosing information about what products will be introduced into what regions and when.

Sasa While I cannot disclose specific details, I can give a general overview of our plans. Take for example, THUNDERBEAT, an energy device. As a future step in the development of this product, we are considering applying its technology to the field of open surgery. We also realize the necessity of expanding the range of THUNDERBEAT probes to make this device applicable to a wider range of surgeries. This step will be important in increasing the presence of THUNDERBEAT in operating rooms. At the same time, we will need to develop techniques for utilizing these devices and train physicians in



Opinions, Advice, and Hopes for Olympus

Shibano Even looking at the entire world, there are very few companies whose business could be truly described as “strong.” As such, Olympus is a rarity. In emerging countries, Olympus may have to face the threat of increasingly more powerful local companies as time progresses. My greatest hope is that the Company will continue to conduct the investments necessary to grow its business and maintain its

their usage. Our surgical device sales force will also require training, as we will not be able to compete with other manufacturers if sales personnel do not possess a deep understanding of these techniques.

Watanabe It is hard to grasp the whole of the Company's business by looking at it as merely a minimally invasive treatment company. This is particularly true for surgical endoscopes, partially because the appropriate level of market penetration for these devices varies by component. Even gaining this basic understanding is difficult for investors, and looking at Olympus at this level alone will not grant a clear picture. Even if you are unable to disclose specific details, it would be most helpful to investors if you could give some concrete idea of what type of demand is present in what parts of medical institutions.

Sasa The general surgery field is very broad. We aim to expand the usage of THUNDERBEAT in areas of this field in which its strengths will be a true asset. For example, THUNDERBEAT boasts exceptional performance in terms of stopping bleeding and the speed at which it makes incisions. Operations on certain organs present immense difficulty in simultaneously preventing blood loss while making incisions. We hope to spread minimally invasive procedures for such operations by promoting the use of THUNDERBEAT. In addition, we are advancing the GI in the OR surgical device strategy, which entails encouraging physicians to use gastrointestinal endoscopy in the operating room. Our gastrointestinal endoscopy systems developed for Europe and the United States are configured for connecting to a surgical endoscope, giving them a significant advantage. A survey conducted by Olympus showed that roughly 30% of hospitals routinely use gastrointestinal endoscopes in the operating room. These devices are used for such applications as confirming whether or not stitching conducted during surgeries has created a sufficient seal.

Watanabe That is remarkable. So you mean to say that gastrointestinal endoscopes are used for diagnosis, treatment, and even confirmation.

current position of superiority over the long term. I look forward to seeing Olympus develop its businesses while leveraging its strengths, and this sentiment applies not only to the Medical Business but also to the Imaging Business and the Scientific Solutions Business. In regard to investor relations activities, the amount of information disclosed has increased substantially over the past two years. I am most satisfied with these

proactive activities, particularly such examples as the tours of the Olympus gastrointestinal endoscope plant in Aizu, Fukushima Prefecture, and the explanatory meetings and tours of the training center held in Guangzhou in China. However, there is still so much more I want to know about the Company's business. I hope that you will expand upon these activities in the future.

Koike Looking at the Company's investor relations activities, I am particularly impressed with the small meetings held between analysts and yourself following quarterly financial results presentations and the teleconferences conducted targeting overseas investors on the night of presentations. This sort of effort is highly appreciated and differentiates Olympus from other companies. I believe that many investors hold these activities in very high regard, and this is especially true for overseas investors, who are rarely able to receive timely information disclosure from Japanese companies. I hope these activities will continue. Looking to the future, technological innovation will become more crucial than ever, and this applies to medical equipment manufacturers worldwide. If technologies do not advance, it will be difficult to receive approval for premium pricing rates under insurance systems. Were such a situation to occur, product selling prices could drop, subsequently creating a downward spiral. Such a development is a major risk inherent in the medical equipment industry. Olympus has significant room to breed new innovation in the endoscope and surgical device fields, and there are still numerous business opportunities for the Company to exploit. Whether or not Olympus can maintain its current high growth rates over the next 10 or 20 years is a concern often held by investors. In order to dispel this concern, I think Olympus should be even more proactive in its disclosure efforts. That would be a sure way to secure the ongoing support of capital markets.

Watanabe Both in Japan and overseas, we see a major corporate scandal once every couple of years. While Olympus caused one such scandal, it has since managed to overcome this setback, and it has actually become stronger than other companies that have been involved in scandals as a result. This improvement in strength was not only limited to governance. I therefore hope that Olympus will serve as an example for capital markets of how a company can move past such adversity. Also, I understand that Olympus is the only Japanese medical equipment manufacturer to conduct its business through collaboration with academia. Mr. Koike hinted at the decline in new technological innovations. Hopefully, Olympus will be able to uncover innovation through its work with academia and use this innovation to drive growth over the coming decade. I believe that the medical field is a core area in which Japan can make contributions to the rest of the world. Olympus has the potential to contribute to Japan's manufacturing industry in terms of both tangible and intangible elements as well as from



other angles, such as the culture of the industry itself. I strongly hope that Olympus will actively lead the medical field, both in Japan and on the wider global scale.

Sasa The market is constantly changing for all fields in which we operate. As I mentioned earlier, an important point going forward will be the extent to which we utilize the Company's assets and act flexibly in response to market change. The medical equipment industry is transforming on a global scale as marked by prominent M&A activities and other developments. Some companies are growing by becoming holding companies and skillfully managing numerous companies below them. Olympus, however, is not suited to this type of structure in my opinion. As symbolized by our slogan of “Back to Basics,” I believe that Olympus is a company that is most suited to focusing entirely on manufacturing, and this is where our expertise and managerial competence lies. It is vital that we accurately determine what our strengths are, and how we should respond to change, and in turn act accordingly. Recently, we approved plans to conduct upfront investment in business-to-business operations in the Imaging Business. With regard to this endeavor as well, we will need to ascertain what we can achieve with the Company's current management resources. The same must be done in the Medical Business. Looking ahead, a central concept in our management is the creation of a vision for the future Olympus by overlapping the potential accomplishments of our resources.

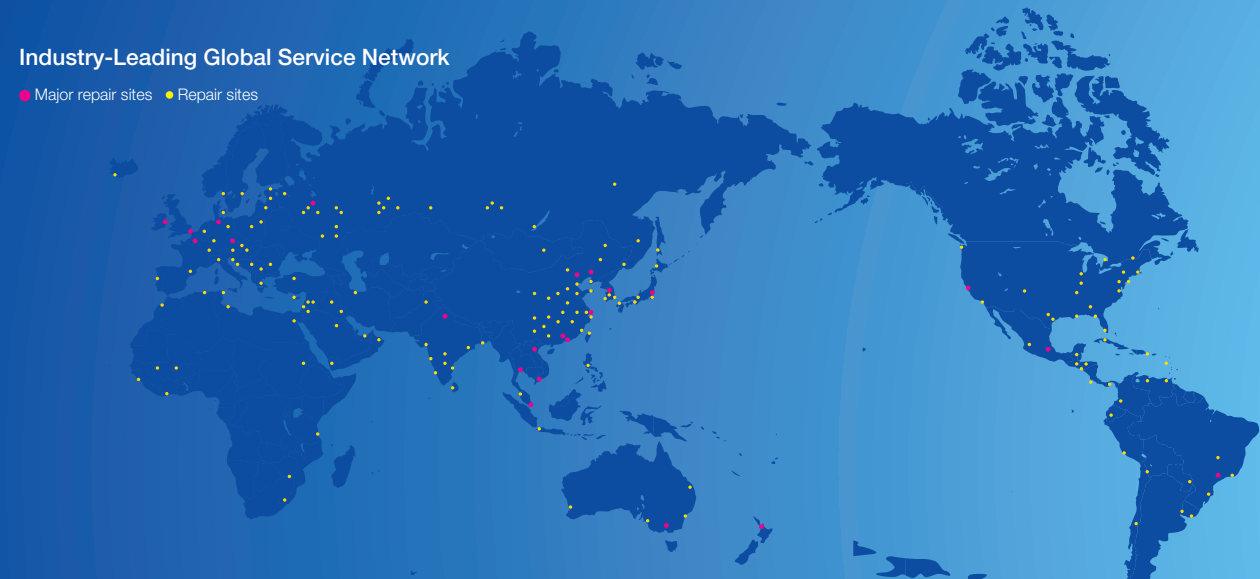
Thank you for joining us today. I hope to draw on your valuable input and insight in management to create an Olympus that lives up to your expectations.

Reliable Growth in Global Markets

Since successfully creating the world's first gastroscope, Olympus has continued to provide the world with top-class technologies, products, services, and solutions centered on gastrointestinal endoscopes. Today, our Medical Business spreads across the globe with approximately 80% of sales coming from outside of Japan. The two pillars of this business are early diagnosis, which is made possible by our gastrointestinal endoscopes, and minimally invasive treatments, which use our surgical devices. By providing value in these two areas, we are helping improve the quality of life of patients around the world while contributing to lower medical costs. In this special feature, we explain the global strategies and initiatives being implemented in the Medical Business, which has been positioned as a growth driver for Olympus.

Industry-Leading Global Service Network

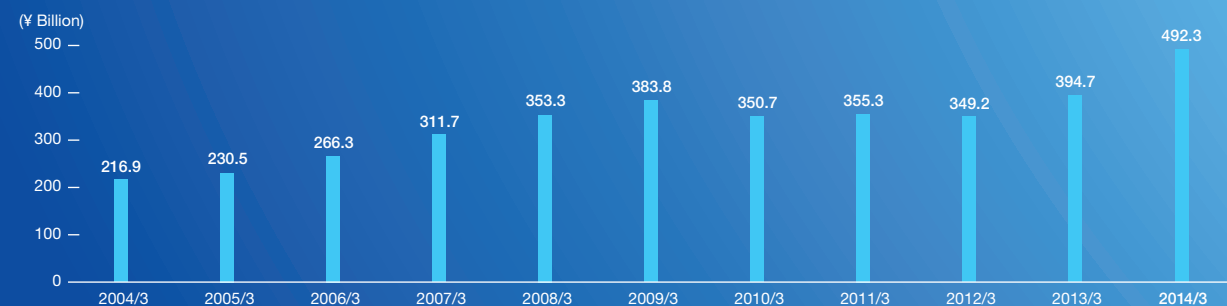
● Major repair sites ● Repair sites



One of the core strengths of the Company's Medical Business is its industry-leading global service network. As endoscopes are inserted directly into the human body even a small malfunction can lead to a serious medical accident. For this reason, instruments that have been repaired must have the same performance as new instruments. Safe and reliable use is one of the essential values of an endoscope.

Ever since beginning its endoscope business, Olympus has continued striving to enhance its service network based on that mind-set. Currently, there are more than 200 Olympus repair sites spread across the globe. This global service network is the industry's largest and just another way Olympus works to make sure that patients can undergo endoscopic examination and treatment procedures with peace of mind.

Net Sales for the Medical Business



Japan

Americas

Europe

Asia / Oceania

Nacho Abia
Division Manager of Medical Business Div. of Americas, Medical Business Group



Frank Drewalowski
Division Manager of Medical Business Div. of Europe, Medical Business Group



Mitsuhiro Hikosaka
Division Manager of Medical Business Div. of Asia / Oceania, Medical Business Group



Operating Environment and Outlook

- Recovery trend due to yen depreciation and job market improvement
- Stable, ongoing growth forecast due to sales contributions from new products, such as EVIS LUCERA ELITE
- Operating environment changing rapidly due to introduction of Healthcare Reform, which aims to reduce medical costs
- Operating environment changes anticipated to prove beneficial in medium-to-long term for Olympus as provider of early diagnosis and minimally invasive treatment methods
- Overall macroeconomic outlook in Europe, Middle East, and Africa mixed and unsettled
- Healthcare providers and hospitals increasingly expect integrated value propositions that cover clinical and economic aspects from medical technology companies
- Growth potential high in China and other markets
- Population and subsequently number of patients large, but number of physicians relatively low
- Political issues and strengthening of regulations by different countries expected to continue

Regional Strategies

- Strengthen principal domestic manufacturing sites to respond to expanding global demand for gastrointestinal endoscopes
- Enhance solutions capabilities for operating rooms centered on surgical and energy devices
- Accelerate sales promotions targeting clinics; strengthen sales approach for pancreatic-biliary-area endotherapy devices
- Revise strategies in energy device field; strengthen specialized sales forces targeting GPOs and IDNs
- Reinforce operations in urology and ENT areas
- Reorganize manufacturing sites to improve production efficiency of surgical devices
- Work closely with customers on a local level and exchange best practices across countries
- Expand sales force in growth areas, such as surgical energy and ENT devices
- Introduce new, systematic sales training programs to respond to evolving customer needs
- Further strengthen training support and service systems that will be key to expanding markets
- Progressively introduce new products to achieve growth
- Track sales results by stringently managing targets by region and field

Principal Manufacturing and Major Repairs Sites

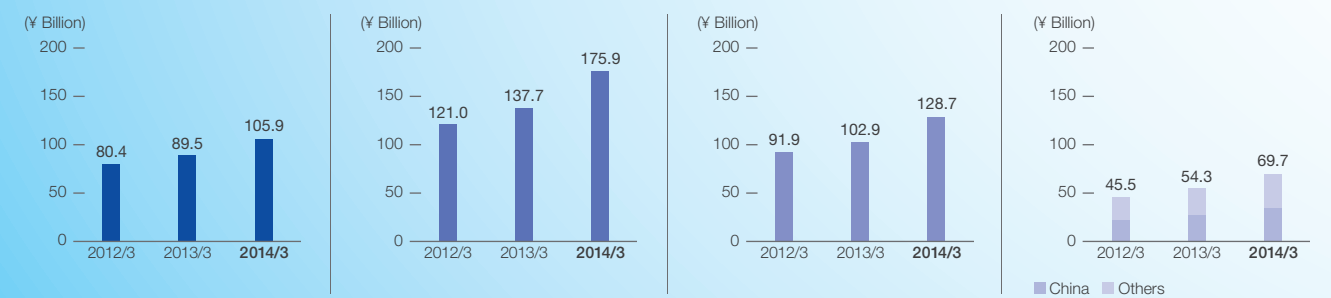
Principal manufacturing sites: Aizu and Shirakawa (Fukushima), Aomori, Hinode (Tokyo)
Major repair sites: Shirakawa (Fukushima), Ina (Nagano)

Principal manufacturing sites: Memphis (TN, U.S.), Norwalk (OH, U.S.), Maple Grove (MN, U.S.) (New facility in Brooklyn Park, MN, scheduled to be operational fall 2014.)
Major repair site: San Jose (CA, U.S.)

Principal manufacturing sites: Hamburg and Berlin (Germany), Southend-on-Sea / Cardiff (U.K.), Prerov (Czech Republic)
Major repair sites: Germany, U.K., Czech Republic

Principal manufacturing site: Long Thanh (Vietnam)
Major repair sites: Shanghai and Guangzhou (China), Australia, Singapore

Net Sales



Competitors by Field

- Gastrointestinal Endoscopes:** FUJIFILM Medical Co., Ltd. (Japan), HOYA CORPORATION (Japan)
- Endotherapy Devices:** Boston Scientific Corporation (U.S.)
- Surgical Endoscopes:** Stryker Corporation (U.S.), KARL STORZ GmbH & Co. KG (Germany)
- Energy Devices:** Ethicon Endo-Surgery Inc. (U.S.), Covidien plc (U.S.)

Americas

Olympus provides technologies that support early diagnosis methods as well as minimally invasive treatment therapies, which we believe are compatible with the goals of the U.S. Affordable Care Act. In order to realize further growth going forward, we will accelerate initiatives geared toward capturing the business opportunities being created as a result of this act.



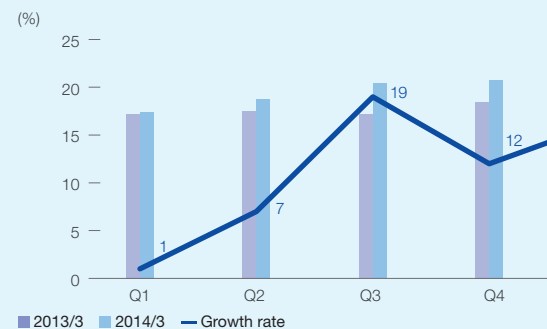
Nacho Abia
Division Manager of Medical Business Div. of Americas, Medical Business Group (President of Olympus Corporation of the Americas)

Q₁ What is your view of the business environment in the North American market? Also, would you please discuss the past year's results?

A The implementation of the Patient Protection and Affordable Care Act—or ObamaCare—is rapidly changing the Medical Business environment in the United States. The triple aim of healthcare reform is to reduce overall costs, improve patient outcomes, and enhance the patient healthcare experience. Olympus is ideally suited to help healthcare facilities meet these goals by delivering minimally invasive technologies aimed at early detection, diagnosis, and treatment of disease. Moving forward, we will continually strive to address pressure to reduce costs where possible while demonstrating the significant clinical and economic advantages of our solutions to healthcare provider networks. We will also need to further invest in strengthening our strategies for healthcare network management.

As Olympus has worked to adjust to this changing environment, we have seen our U.S. Medical Business outpace the medical device industry. We posted record sales in the fiscal year ended March 31, 2014^(*), with a 6% growth rate and a significant sales backlog to carry over into the current fiscal year. Our core Gastroenterology (GI), Urology, and ENT markets showed especially strong growth. Driven by our high-margin leasing business and strict discount controls, we saw our gross margins improve while Operating Expenses (OPEX) also grew due to sales team expansions in our GI Accessories (EndoTherapy) and Corporate Accounts groups^(**). After the launch of a new sales strategy along with a significant material investment last year, our GI Accessories are now experiencing quarterly growth rates between 15% and 18%.

EndoTherapy Quarterly Growth



What is the status of the new gastrointestinal endoscopes and surgical endoscopes?

Launches of our EVIS EXERA III endoscopy platform and VISERA ELITE surgical platform have done remarkably well and have led to record sales of processors. With the rapid adoption of the CV-190 processor, we anticipate significant future growth in EVIS EXERA 190 endoscope sales for GI. Likewise, the ability to connect and convert 2D systems into 3D imaging systems using our surgical platform has proven to be very appealing for surgical customers. We also have a sizable share of the ENT market for flexible nasopharyngoscopy and sinus surgery, and we are the dominant provider in the U.S. EndoUrology arena.

What is the status of the new electro-surgical device THUNDERBEAT?

Our innovative THUNDERBEAT electro-surgical device is unique to the industry and performs exceptionally well in almost every aspect of surgery, including grasping, dissecting, cutting, and sealing. Despite its

high-performance capabilities, some of the constraints to the device's widespread adoption have been contract limitations due to preexisting, multiyear agreements between hospital networks and competitors; physicians' lack of familiarity with the new technology; and a shortage of compatible disposables to meet all of the needs for surgical applications using energy devices.

With this in mind, we have revised our THUNDERBEAT strategy to direct our sales resources to the most appropriate accounts, customers, and procedures. Moving forward, we are also working to incorporate training as a major part of our Olympus strategy.



Q₂ What initiatives and policies will you focus on over the next year?

A At Olympus, the Surgical field is divided into Surgical Endoscopy (SE), Urology / Gynecology (Uro / Gyn), ENT, and Energy. Over the next year, each of these sectors will be a primary area of focus for Olympus, and we will work hard to build on our existing strengths. One of those strengths is our ability to negotiate across our entire Surgical portfolio, allowing preferential pricing for customers using multiple Olympus products. We also have strong competitive strengths in each sector. For SE, Olympus is uniquely positioned to offer world-class 3D visualization at a fraction of the cost of robotics while providing a common platform for 2D / 3D imaging and GI endoscopy. In Uro / Gyn, we are gaining competitive ground with our stone management devices and

are investing in additional sales people and products. For ENT, the additions of our DIEGO ELITE platform and high-quality video endoscopes have greatly improved our product portfolio and market positioning. Finally, in the Energy market, we have made significant investments in our Corporate Accounts groups and remain competitive in the OR (operating room). In addition, we will continue investing in additional sales staff and clinical specialists, and we will make surgeon training an ongoing priority. We are working diligently to take advantage of the opportunities offered by our contract with Premier and are in negotiations with a number of other group purchasing organizations (GPOs) to secure their Energy contracts.

Q₃ Finally, would you please discuss your medium-to-long-term business growth strategies?

A It is well-known that the U.S. has an aging population and is experiencing increasing levels of chronic disease, including obesity, back pain, and diabetes. It is also generally agreed that ObamaCare initiatives should result in a larger percentage of the U.S. population being covered by insurance. Those two factors make it reasonable to assume that demand for Olympus medical and surgical products will continue to increase for the foreseeable future.

What are the growth strategies for surgical and endotherapy devices?

We have several strategies to grow our Surgical and EndoTherapy devices. First, we will work to improve market access through GPO and Integrated Delivery Network (IDN) contracts. We will leverage the diversity of our GI and Surgical portfolios to drive additional sales volume and invest in dedicated sales resources to protect our existing market share and increase device consumption. Finally, we will work to provide solutions that offer improved patient outcomes and/or reduce costs.

What are the future initiatives in Central and South America?

We are optimistic about our expansion plans for Latin America. We recently established a new Latin American Division (LAD) headquartered in Miami and are investing in resources to support our South American business. The expansion of LAD will allow us to develop specialized products and services for the region as we work to address each country's specific regulatory and compliance requirements and focus on improving our customer service and our training program for healthcare providers. In Brazil and Mexico, our two largest markets, we have direct sales subsidiaries working to identify business opportunities. A recent update to our pricing strategy in Brazil resulted in significant growth in our GI business, and we will continue to refine our strategies in Latin America as we learn how to best engage those markets.

^{*}1. Figures for United States only (Canada and South America excluded)
^{**}2. Specialized sales forces for approaching group purchasing organizations (GPOs), integrated delivery networks (IDNs), other major hospital networks, and U.S. veterans' hospitals

Europe

The European market consists of various countries with differing operating environments. Olympus aims to grow its operations throughout the region by working closely with customers on a local level in order to meet their needs in a systematic, evidence-based way and by exchanging best practices across countries.



Frank Drewalowski
Division Manager of Medical Business Div. of Europe, Medical Business Group

Q₁ What is your view of the business environment in the European market? Also, would you please discuss the past year's results?

A At the Medical Business Group Europe, our market responsibility also includes Russia and the CIS countries as well as the Middle East and Africa (EMEA). The market conditions in our region therefore vary quite significantly and, consequently, our business environment is rather complex. Sometimes this can balance things out nicely. On the flipside, it may also be challenging to attain exceptionally strong sales growth across the board. For example, in the fiscal year ended March 2013, Russia posted terrific growth while our business in southern European countries suffered from the Euro crisis. In the past year, however, sales in Russia dropped sharply again, after government investment in the healthcare system and general regulations for the import of medical technology products changed. While our business in Spain and Italy was quite robust after the economic crisis seems to have bottomed out and sales in many other countries posted strong growth, we could not fully compensate for the unforeseen setback in the Russian market to the extent that we would have liked to.

Overall, our medical endoscope solutions for GI departments in the five biggest markets—Germany, United Kingdom, France, Spain, and Italy—and the Nordic countries have traditionally been major strongholds of our business in Europe, and this was further bolstered with the recent launch of EXERA III. Our business with surgical endoscopy solutions was fueled by the successful launch of our 3D imaging system with the world's only deflectable 3D tip laparoscope.

In the field of surgical energy devices, THUNDERBEAT, the world's first hand device that delivers the benefits of bipolar energy for sealing and ultrasound energy for cutting, was a main growth driver with varied target achievement rates across the region. In some key countries, we made major inroads and achieved tremendous growth even above our highly ambitious targets. We are pursuing to systematically learn from such best practices and to identify to what extent a similar approach might help us in other countries, even if market conditions might differ.

As for general trends in the business environment, we see that healthcare providers and hospitals are increasingly expecting integrated value propositions and a good understanding of their value chain from medical technology companies. For us, this means to approach customers more holistically, both in terms of our various products and systems as well as in terms of service and training. In other words, we must



Frank Drewalowski and President Sasa at the Medica (in Düsseldorf, Germany, November 2013) with 3D glasses at a 3D surgical endoscopy demonstration

Q₂ What initiatives and policies will you focus on over the next year?

A In line with our global strategy, our surgical business is also the field where we are pursuing the most dynamic growth in EMEA, especially in the area of energy devices, such as THUNDERBEAT, and devices for Ear Nose and Throat (ENT) applications, such as DIEGO ELITE. Competition is strong and well established in these areas, but we believe that our innovative products and solutions provide unique value to healthcare providers and meet their needs in terms of clinical as well as economic benefits. To ensure that we make the most of the growth opportunities, we are investing in expanding the sales force for surgical energy and ENT devices. We also implement special organizational conditions in the way we steer and monitor these growth business areas across EMEA. We have designated them as "Greenhouse" projects because the idea is to make sure these businesses grow strong before they are fully integrated into the usual organizational structures next to our already well-established business areas.

Investing in training is also a major part of our growth strategy. We are increasing our Medical

built strong partnerships with several prestigious university hospitals by delivering integrated systems and operating room solutions.

Expert Training for healthcare professionals to train them on the new possibilities for early diagnosis and minimally invasive treatment that our innovations enable. And we have set up a new systematic integrated training curriculum for our expanding sales force.



Regarding clinical benefits, we will continue to focus on our unique Narrow Band Imaging (NBI) technology, for better early endoscopic detection of cancer in the fields of gastroenterology, pulmonology, urology, and ENT. In the field of minimally invasive surgical treatment, we will seek to further enhance our See & Treat positioning, as we believe we offer an ideally matched portfolio of surgical endoscopy and energy based surgical devices for the operating room.

Q₃ Finally, would you please discuss your medium-to-long-term business growth strategies?

A As a sales and marketing organization that sells highly innovative products, we must also be innovative in our marketing and sales approach and adapt to evolving and often more complex decision-making processes at healthcare providers in Europe. Therefore, enhancing our expertise in identifying and catering to the needs of our customers and the various stakeholders of healthcare providers are essential for our long-term growth. Against this background, we have initiated our comprehensive Olympus Sales Force Effectiveness program that will help us to meet the customer needs in a systematic and evidence-based way. We will also maintain a strong focus on excellence in after sales and repair service management.

From a more general perspective, one of the overarching trends in the EMEA region is that people have ever higher expectations for quality of life. Thus, the number of patients tends to grow because in mature markets the population is aging while in emerging markets more people can afford access to better healthcare systems.

At the same time, healthcare systems need to become more economically efficient when healthcare budgets are limited. With our focus on early diagnosis and minimally invasive treatment, we believe our medical systems are well positioned to meet the demands of these two interlinked trends.

Asia / Oceania

The key to expanding the Asian market can be found in training support and service systems. Olympus will strengthen these systems to respond to the rising demand for safe endoscopic procedures and endoscope repairs. At the same time, large-scale products will be systematically introduced into the Chinese market, a growth driver in Asia, to rapidly expand our operations in this region.

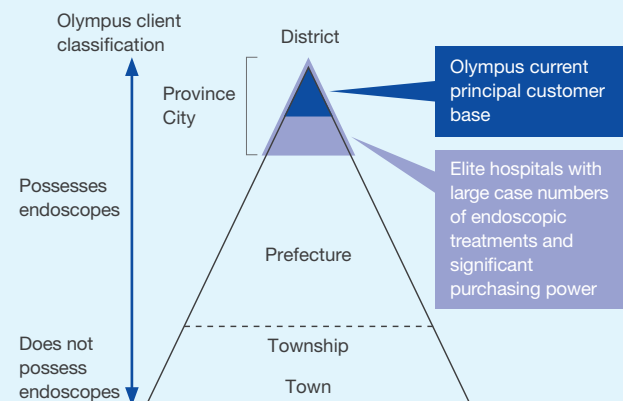


Mitsuhiro Hikosaka
Division Manager of Medical Business Div. of Asia / Oceania, Medical Business Group (Executive Officer of Olympus Corporation / President of Olympus China Co., Ltd.)

Q₁ What is your view of the business environment in the Asian market? Also, would you please discuss the past year's results?

A Operating Environment in Asia
Asia is characterized by considerable latent demand, particularly in China. The population in Asia, and consequently the number of patients, is massive, but the number of physicians is quite low in comparison. On top of this, medical technologies still need improvement. Our main challenge in this region is spreading medical procedures and helping train physicians. At the same time, political issues and the institution of stricter regulations will probably continue. Accordingly, it will be important for Olympus to ensure it can advance business activities in compliance with ever-stronger regulations and unimpeded by political issues.

Latent Demand in China, Asia's Growth Driver



Initiatives and Successes over the Past Year

Our operations continued to feel the impacts of anti-corruption activities and political issues throughout fiscal 2014, and I regret having to report that, on a local currency basis, sales in China were unchanged as a result. Over the year, we strengthened our corporate

governance systems, and our systems are now particularly strong for our industry. At the same time, we pushed forward with efforts to spread endoscope usage and train physicians with the aim of advancing ongoing medical progress in Asia. For example, in November 2013, we established a training center in Guangzhou. Adding to our existing Chinese training centers situated in Shanghai and Beijing, this center is our largest training center in Asia. Going forward, demand for training and after-sales services is expected to grow, and we are constructing systems in response, such as infrastructure for spreading medical procedures and helping train physicians. In addition, we relocated our local office in Australia, where stable economic growth is creating a rise in demand. Into this office, we introduced a repair center that allows visitors to bear witness to our high-quality service as well as a training facility^(*). These were some of our greatest accomplishments in fiscal 2014.

^{*} The training facility utilizes training apparatus made to resemble a human body into which trainees can insert endoscopic surgery forceps (the scissor-like instruments used to grasp and pull tissue and foreign substances inside the human body).



New office with enhanced service and training functions established in Australia in February 2014

Q₂ What initiatives and policies will you focus on over the next year?

A In spring 2014, EVIS LUCERA ELITE and VISERA ELITE were introduced into the Chinese market. These products are already available in Europe, the United States, and Japan and are expected to be major growth drivers in China. Also, we plan to receive sales approval for a new 3D laparoscopy surgical system from the Chinese government. I anticipate that this new system will greatly change surgical procedures, and I am committed to supporting this change. Furthermore, we intend to commence sales of our new THUNDERBEAT energy device during fiscal 2016, positioning us to further expand our share of the surgical device market in China. In the coming year, we will focus on sales activities in the gastrointestinal and

surgical device fields, including promotions of new products. Through these efforts, we aim to transform these new products into growth drivers that will make strong contributions to earnings from fiscal 2015 onward. Furthermore, we aim to strengthen sales of Axeon, a new gastrointestinal endoscope targeting hospitals that do not boast substantial purchasing power. Axeon is positioned as a strategic product for expanding the number of institutions using endoscopes, and we anticipate it to be a powerful tool in advancing the growth of our operations.



Q₃ Finally, would you please discuss your medium-to-long-term business growth strategies?

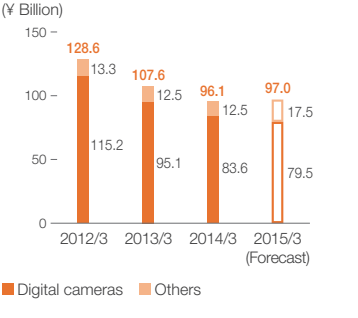
A China
To reiterate, China is a major growth driver in Asia. There are currently approximately 25,000 hospitals in the country, but the Company's main customer base consists only of the elite hospitals among these, or roughly 1,300 institutions. We aim to expand our customer base to around 3,000 institutions, and we will need to expand the market itself to do this. We are developing robust service systems, centered on specialized training and other educational support services, while helping boost the quality of China's medical services through academic societies and other interactions with physicians. We hope these efforts will contribute to future market expansion. From a long-term perspective, we are also strengthening the sales and service systems needed to respond to projected rapid market expansion and intensified competition.

diagnosis and treatment rates of early-stage cancer. For example, stomach cancer has a high rate of occurrence in Japan, South Korea, and northern China, while other parts of Asia and Oceania have recently been seeing a rise in colorectal cancer, which was previously rare. While incidence varies by country, it is common for cancer to be found at a late stage due to the lack of physicians trained in endoscopic procedures in Asia. Higher early diagnosis rates will require that endoscopic procedures be spread and the number of physicians capable of safely conducting these procedures be increased. Support for these advancements is crucial. For this reason, training centers and other infrastructure must be developed throughout Asia, not only in China, and we believe that it is the Company's mission to contribute to local communities in Asia by supporting their government and academic societies in that endeavor. We already have training centers in place in China, and we are considering the possibility of establishing such centers in other Asian nations.

Asia / Oceania

The usage level of gastrointestinal endoscopes in Asia is such that it will take 20 years or more for the region to catch up with developed nations. In this manner, endoscope usage is still quite low in China, India, and other Asian nations. Nevertheless, the market is growing. The overall size of the Asian endoscope market is expected to double in size over the next five years and to triple in size over the next 10 years. In light of this, Olympus is constructing foundations from a forward-looking perspective targeting 10 years down the line. However, before endoscope usage, it is important that we address the

However, in improving the standard of medical care, it will not be enough to just spread early cancer diagnosis techniques and help physicians learn procedures. The general public will also need to be educated. These represent important tasks that we must tackle from the big-picture perspective of eliminating cancer itself, which will require collaboration with government institutions in each country. Above all else, we must make Olympus into a company that is indispensable to medical progress. It is this sense of purpose that guides our actions.

Business Segment	Main Areas and Products	Results of Operations (2014/3)	Net Sales	Operating Income (Loss) / Operating Margin	Share of Net Sales	Share of Net Sales by Region																																			
 <p>Medical Business</p>	<p>Gastrointestinal Endoscopes Endoscopy systems (videoscopes, video processors, light sources, liquid crystal display (LCD) panels); Peripheral equipment (image recording device, endoscope cleaning systems, sterilization systems), etc.</p> <p>Surgical Devices Surgical video endoscopy systems, peripheral devices for endoscopic surgery, electro-surgical knives, etc.</p> <p>Endotherapy Devices Endoscopic devices for all disciplines of endoscopy (approximately 1,000 different devices for various diagnostic and treatment procedures, including biopsy forceps, high-frequency polypectomy snares, grasping forceps, stone retrieval and lithotripter baskets, hemostasis accessories, etc.)</p>	<p>In the gastrointestinal endoscope field, sales of gastrointestinal video endoscopy systems launched during fiscal 2013 made large contributions to earnings. In the surgical device field, domestic and overseas sales were up for surgical endoscopy systems. As a result, net sales in the Medical Business were ¥492.3 billion, up 25% year on year, and operating income totaled ¥112.7 billion, up 30%. Both figures represented new record highs.</p>	<p>Net Sales</p>  <table border="1"> <tr><th>Year</th><th>Endoscopes</th><th>Surgical & endotherapy devices</th><th>Total</th></tr> <tr><td>2012/3</td><td>191.8</td><td>157.4</td><td>349.2</td></tr> <tr><td>2013/3</td><td>218.7</td><td>176.1</td><td>394.7</td></tr> <tr><td>2014/3</td><td>274.0</td><td>218.3</td><td>492.3</td></tr> <tr><td>2015/3 (Forecast)</td><td>294.5</td><td>245.5</td><td>540.0</td></tr> </table>	Year	Endoscopes	Surgical & endotherapy devices	Total	2012/3	191.8	157.4	349.2	2013/3	218.7	176.1	394.7	2014/3	274.0	218.3	492.3	2015/3 (Forecast)	294.5	245.5	540.0	<p>Operating Income (Loss) / Operating Margin</p>  <table border="1"> <tr><th>Year</th><th>Operating Income (¥ Billion)</th><th>Operating Margin (%)</th></tr> <tr><td>2012/3</td><td>68.2</td><td>19.5</td></tr> <tr><td>2013/3</td><td>87.1</td><td>22.1</td></tr> <tr><td>2014/3</td><td>112.7</td><td>22.9</td></tr> <tr><td>2015/3 (Forecast)</td><td>115.0</td><td>21.3</td></tr> </table>	Year	Operating Income (¥ Billion)	Operating Margin (%)	2012/3	68.2	19.5	2013/3	87.1	22.1	2014/3	112.7	22.9	2015/3 (Forecast)	115.0	21.3	<p>69.0%</p>	<p>Others 3.1%</p> <p>Asia / Oceania 16.6%</p> <p>Europe 25.8%</p> <p>North America 30.3%</p> <p>Japan 24.2%</p>
Year	Endoscopes	Surgical & endotherapy devices	Total																																						
2012/3	191.8	157.4	349.2																																						
2013/3	218.7	176.1	394.7																																						
2014/3	274.0	218.3	492.3																																						
2015/3 (Forecast)	294.5	245.5	540.0																																						
Year	Operating Income (¥ Billion)	Operating Margin (%)																																							
2012/3	68.2	19.5																																							
2013/3	87.1	22.1																																							
2014/3	112.7	22.9																																							
2015/3 (Forecast)	115.0	21.3																																							
 <p>Scientific Solutions Business</p>	<p>Life Science Upright microscopes and polarizing microscopes, inverted microscopes, laser confocal microscopes, box-type fluorescence imaging devices, stereo microscopes, fluorescence macromicroscopes, microscope digital cameras, imaging software, bio-imaging systems, virtual slide systems</p> <p>Industrial Metallurgical microscopes, semiconductor inspection microscopes, laser microscopes, measuring microscopes, microscopic 3D measurement systems, industrial videoscopes, industrial fiberscopes, industrial rigid scopes, ultrasonic flaw detectors, eddy current flaw detectors, phased array flaw detectors, X-ray diffraction analyzers, peripheral equipment</p>	<p>In the life science field, we introduced new products, such as laser scanning microscopes. New offerings in the industrial field included industrial videoscopes and ultrasonic flaw detectors. These new products sold favorably, driving a 15% year-on-year increase in net sales, to ¥98.5 billion, and a 40% rise in operating income, to ¥4.9 billion.</p>	<p>Net Sales</p>  <table border="1"> <tr><th>Year</th><th>Life science</th><th>Industrial</th><th>Total</th></tr> <tr><td>2012/3</td><td>42.7</td><td>49.8</td><td>92.4</td></tr> <tr><td>2013/3</td><td>38.9</td><td>46.6</td><td>85.5</td></tr> <tr><td>2014/3</td><td>44.8</td><td>53.7</td><td>98.5</td></tr> <tr><td>2015/3 (Forecast)</td><td>47.1</td><td>56.9</td><td>104.0</td></tr> </table>	Year	Life science	Industrial	Total	2012/3	42.7	49.8	92.4	2013/3	38.9	46.6	85.5	2014/3	44.8	53.7	98.5	2015/3 (Forecast)	47.1	56.9	104.0	<p>Operating Income (Loss) / Operating Margin</p>  <table border="1"> <tr><th>Year</th><th>Operating Income (¥ Billion)</th><th>Operating Margin (%)</th></tr> <tr><td>2012/3</td><td>5.4</td><td>5.9</td></tr> <tr><td>2013/3</td><td>3.5</td><td>4.1</td></tr> <tr><td>2014/3</td><td>4.9</td><td>5.0</td></tr> <tr><td>2015/3 (Forecast)</td><td>4.5</td><td>4.3</td></tr> </table>	Year	Operating Income (¥ Billion)	Operating Margin (%)	2012/3	5.4	5.9	2013/3	3.5	4.1	2014/3	4.9	5.0	2015/3 (Forecast)	4.5	4.3		
Year	Life science	Industrial	Total																																						
2012/3	42.7	49.8	92.4																																						
2013/3	38.9	46.6	85.5																																						
2014/3	44.8	53.7	98.5																																						
2015/3 (Forecast)	47.1	56.9	104.0																																						
Year	Operating Income (¥ Billion)	Operating Margin (%)																																							
2012/3	5.4	5.9																																							
2013/3	3.5	4.1																																							
2014/3	4.9	5.0																																							
2015/3 (Forecast)	4.5	4.3																																							
 <p>Imaging Business</p>	<p>Digital Cameras Digital single-lens cameras, compact digital cameras, digital camera related products, digital camera lens barrels, optical components</p> <p>Others IC recorders, binoculars</p>	<p>Net sales in the focus area of mirrorless cameras increased 13% year on year following the expansion of our lineup of strategic OM-D series products. Overall, net sales in the Imaging Business were down 11% because we accelerated the shift to mirrorless cameras and reduced compact camera sales volumes. Regardless, operating loss decreased substantially as a result of lower costs.</p>	<p>Net Sales</p>  <table border="1"> <tr><th>Year</th><th>Digital cameras</th><th>Others</th><th>Total</th></tr> <tr><td>2012/3</td><td>115.2</td><td>13.3</td><td>128.6</td></tr> <tr><td>2013/3</td><td>95.1</td><td>12.5</td><td>107.6</td></tr> <tr><td>2014/3</td><td>83.6</td><td>12.5</td><td>96.1</td></tr> <tr><td>2015/3 (Forecast)</td><td>79.5</td><td>17.5</td><td>97.0</td></tr> </table>	Year	Digital cameras	Others	Total	2012/3	115.2	13.3	128.6	2013/3	95.1	12.5	107.6	2014/3	83.6	12.5	96.1	2015/3 (Forecast)	79.5	17.5	97.0	<p>Operating Loss</p>  <table border="1"> <tr><th>Year</th><th>Operating Loss (¥ Billion)</th></tr> <tr><td>2012/3</td><td>(10.8)</td></tr> <tr><td>2013/3</td><td>(23.1)</td></tr> <tr><td>2014/3</td><td>(9.2)</td></tr> <tr><td>2015/3 (Forecast)</td><td>(3.5)</td></tr> </table>	Year	Operating Loss (¥ Billion)	2012/3	(10.8)	2013/3	(23.1)	2014/3	(9.2)	2015/3 (Forecast)	(3.5)							
Year	Digital cameras	Others	Total																																						
2012/3	115.2	13.3	128.6																																						
2013/3	95.1	12.5	107.6																																						
2014/3	83.6	12.5	96.1																																						
2015/3 (Forecast)	79.5	17.5	97.0																																						
Year	Operating Loss (¥ Billion)																																								
2012/3	(10.8)																																								
2013/3	(23.1)																																								
2014/3	(9.2)																																								
2015/3 (Forecast)	(3.5)																																								
<p>Others</p>	<p>In order to concentrate the allocation of management resources to business domains, we followed up the September 2012 transference of the Information & Communication Business by withdrawing from the biologics business in February 2014. We also proceeded with the sale and liquidation of several subsidiaries from which we could not expect synergistic benefits with core businesses. As a result, net sales in the Others segment declined 37%, to ¥26.4 billion. Operating loss in this segment came to ¥5.4 billion, but we expect to break even in fiscal 2015 and beyond due to the benefits of withdrawing from the biologics business.</p>																																								

Company History

1919
Established as Takachiho Seisakusho to manufacture microscopes in Japan

1920
Asahi 600x microscope introduced

1936
Semi-Olympus I, the first Olympus camera introduced, marking entry into camera business

1949
Name changed to Olympus Optical Co., Ltd.
The Company listed on the TSE

1950
Development of the world's first practical gastrocamera

1968
Entry into industrial endoscope field

1969
The world's first micro-cassette tape recorder developed

1975
Entry into medical surgical endoscopy field

1996
Entry into digital camera business

2008
Acquisition of Gyrus Group PLC to strengthen surgical area of Medical Business

2009
Olympus launches its first mirrorless interchangeable lens camera, OLYMPUS PEN E-P1



MEDICAL BUSINESS



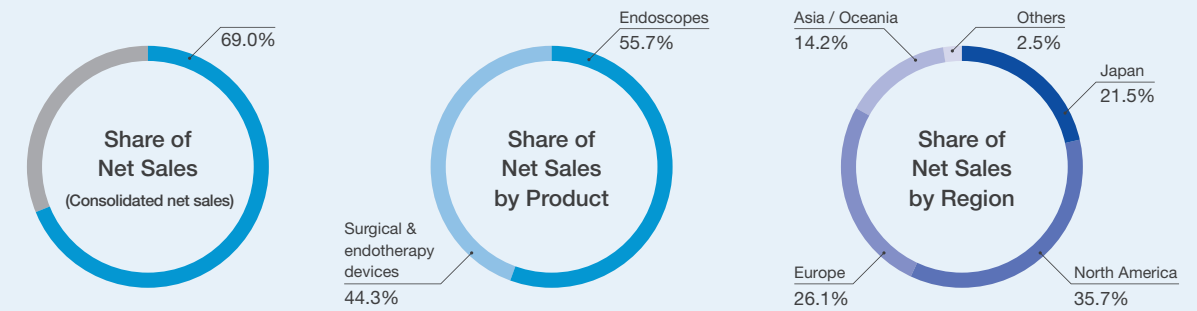
Akihiro Taguchi
President,
Medical Group

Message from the Group President

We will expand our business by providing world-leading services centered on early diagnosis and minimally invasive treatment methods.

In the gastrointestinal endoscope field, we are strengthening our operating foundation by leveraging new products introduced into markets in Japan and abroad with the aim of solidifying our position as the world's No. 1 manufacturer. Meanwhile, the surgical device field has been positioned as a future growth driver, and we plan to strengthen these operations by conducting strategic investments targeting long-term growth. Specifically, we aim to rapidly grow surgical device operations by expanding our market share in the energy device field and strategically developing businesses in the urology, gynecology, and ENT areas.

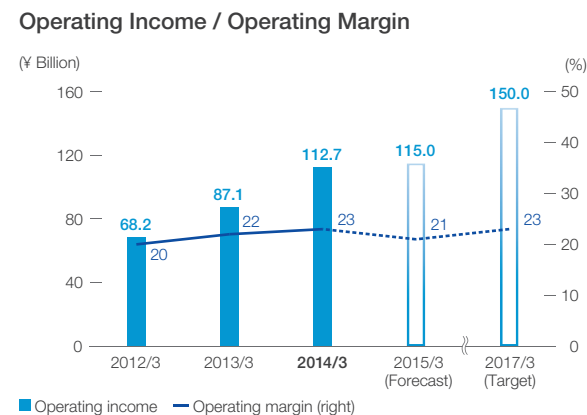
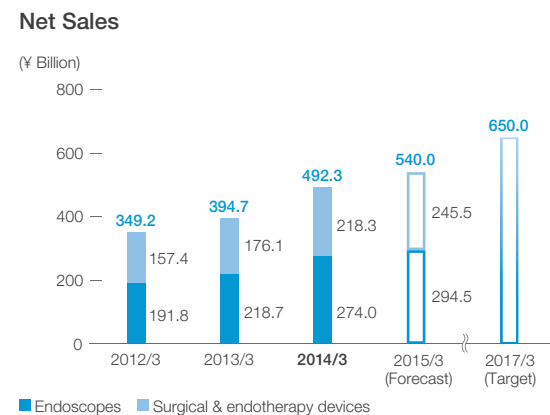
Composition (Fiscal year ended March 31, 2014)



<ul style="list-style-type: none"> Share of more than 70% of global gastrointestinal endoscope market Technological capabilities that led to development of world's first practical gastrocamera and have continued to lead innovation since Position as only manufacturer to deal in both imaging equipment and energy devices Network of more than 200 repair sites worldwide 	<p>Strengths</p> <p>S</p>	<p>Weaknesses</p> <p>W</p>	<ul style="list-style-type: none"> Position as latecomer in surgical device field after European and U.S. companies Insufficient lineup of surgical device products for procedures requiring open surgery and other treatments Deficient development, manufacturing, and sales capabilities for endotherapy and other disposable products
	<p>Opportunities</p> <p>O</p>	<p>Threats</p> <p>T</p>	

		(Millions of yen)		
		2012/3	2013/3	2014/3
Operating Results	Net Sales	349,246	394,724	492,296
	Operating Expenses	281,058	307,655	379,561
	Operating Income	68,188	87,069	112,735
	Operating Margin (%)	19.5	22.1	22.9
Sales by Product	Endoscopes	191,798	218,674	273,966
	Domestic	43,803	47,335	57,136
	Overseas	147,995	171,339	216,830
	Surgical & Endotherapy	157,448	176,050	218,330
	Domestic	36,615	42,177	48,735
	Overseas	120,833	133,873	169,595
Segment Data	R&D Expenditures (¥ Billion)	26.9	31.3	34.4
	Capital Expenditures (¥ Billion)	15.6	17.1	26.7
	Number of Employees*	16,225	16,552	18,345

* Including average number of temporary employees



Overview of Fiscal 2014

In gastrointestinal endoscopes, our mainstay business, products introduced in fiscal 2013 made strong contributions to sales; EVIS EXERA III recorded impressive sales in the United States while EVIS LUCERA ELITE performed well in Japan.

In surgical devices, the VISERA ELITE integrated video endoscopy system, which supports endoscopic surgery, continued to record strong sales in Japan and overseas. In addition, sales were robust for the 3D laparoscopy surgical system launched in Japan, Europe,

and the United States. Also, the surgical energy device THUNDERBEAT got off to a strong start after being introduced into the Japanese market during the second half of fiscal 2014. As a result of these factors, sales in the surgical device field also increased.

Reflecting the above, the Medical Business saw net sales rise 25% year on year and operating income increase 30%, both setting new records, due to the benefits of new product launches and yen depreciation.

Business Environment

In both developed countries, where populations are rapidly aging, and emerging countries, which are experiencing high economic growth, the improvement of patient quality of life and control of both healthcare and social security expenses have become urgent priorities. In the United States, for example, the Affordable Care Act (ObamaCare) has created a burgeoning trend toward efficiency and operational rationality in the medical industry. Olympus

possesses technologies for the development and manufacture of products that meet needs spanning from those for early diagnoses to those for minimally invasive treatments. These technologies place the Company in a prime position to contribute to the medical industry. By leveraging this strength, Olympus will seek further business expansion by providing technologies, products, services, and solutions of the world's highest caliber.

Challenges and Business Strategies

Now is the ideal timing for conducting the investments that will enable us to achieve the goals defined for fiscal 2017, the final year of the medium-term vision, and drive our growth thereafter. For this reason, we have earmarked approximately ¥18 billion for strategic investments to be instituted in fiscal 2015. These investments are separate from those described in the medium-term vision, and their primary goal is to strengthen the surgical device field,

which has been positioned as a future growth driver.

Of this amount, ¥12 billion will be allocated to expanding sales forces and conducting sales promotions to enhance selling capabilities. The remaining ¥6 billion will be devoted to R&D expenditures geared toward expanding the scope of our business. All investments are slated for completion in fiscal 2015.

Breakdown of Strategic Investments Targeting Long-Term Growth

Area	Details	Amount
Personnel expenses	Increase number of staff by approximately 1,000 people, centered on sales personnel (primarily in North America and Asia, where growth in surgical device market is expected)	Approx. ¥9 billion
Sales promotion expenses	Aggressively conduct sales promotions in North America, Asia, and other key markets (including sales training expenses and costs related to sample-use medical equipment)	Approx. ¥3 billion
R&D expenditures	Undertake upfront investment for future business growth and expansion (including ENT and gynecology areas and development of other advanced technologies)	Approx. ¥6 billion
Total		Approx. ¥18 billion

Priority Measures Based on Growth Strategies

Further Strengthen the Surgical Device Field

Medium-term vision goal: Average growth of 14% a year

1. Develop the Energy Device Business

Crucial to strengthening the surgical device field is growing the energy device business into a core pillar of operations. Based on this recognition, we have continued to bolster sales of the strategic product THUNDERBEAT since its launch, and we are expanding our sales force to ensure higher sales into the future. In addition, we are enhancing the specialized sales force formed to approach group purchasing organizations (GPOs) and integrated delivery networks (IDNs) in the United States, one of THUNDERBEAT's largest markets. We are also promoting sales by



THUNDERBEAT

stepping up training initiatives and we will target further sales growth by bolstering our lineup of products that employ THUNDERBEAT's cutting-edge technologies.

2. Advance Strategies in All Areas of the Surgical Device Field

In strengthening the surgical device field, it will be important to boost sales of surgical endoscopes that utilize the Company's strength in imaging technologies. Another crucial measure will be expanding operations in the urology and ENT areas, where we gained a solid sales network through the acquisition of Gyrus Group PLC. Accordingly, we will

bolster specialized sales forces geared toward both tasks. In addition, we will work to increase worldwide sales of DIEGO ELITE^(*), a differentiated product developed using proprietary technologies for paranasal sinus surgical devices, an area that is primarily dominated by overseas manufacturers.

Furthermore, we aim to develop new businesses in areas peripheral to the surgical device fields, and we will conduct R&D expenditures to this end.

Expand Sales in Emerging Markets

Medium-term vision goal: Average growth of 23% a year

Emerging countries are experiencing population aging in a similar fashion to developed countries, and healthcare costs are shooting upward. For this reason, it is incredibly important to make the development of new endoscopists. To meet this need, Olympus established a training center in Guangzhou during 2013. Adding to existing Chinese training centers situated in Shanghai and Beijing, this center is our largest in Asia. The Company is now amply equipped to respond to the projected growth in training and after-sales service demand in the Chinese market. Going forward, we plan to develop training centers in other parts of Asia with the aim of growing our business by spreading knowledge regarding early diagnosis, minimally invasive treatment, and other procedures using endoscopes.



DIEGO ELITE

* DIEGO ELITE has been launched in Europe and the Americas and will be introduced into Japan after obtaining regulatory approval.



Training and service center in Guangzhou

TOPICS

Reorganization and Enhancement of Global Manufacturing Network to Strengthen Production Capabilities

Amid rising global demand for medical equipment, Olympus has been reorganizing and enhancing its global manufacturing network to raise production capacity and production efficiency. As one facet of these efforts, our five surgical device manufacturing sites in the United States were consolidated into three during 2014. At the same time, we are relocating former Gyrus Group PLC. plants to integrate previously dispersed functions and improve production efficiency. The new manufacturing plant to be completed in Brooklyn Park, in the U.S. state of Minnesota, during fiscal 2015 will contribute to increases in both production capacity and production efficiency for energy devices, which are expected to see growing demand. By strengthening manufacturing systems in conjunction with sales efforts, we aim to expand the surgical device field.

In Japan, where we manufacture our gastrointestinal endoscopes, we plan to invest a total of approximately ¥20 billion in three plants, situated in Aizu, Shirakawa, and Aomori, for the construction of new facilities, which are slated for

completion during 2015 to 2016. These investments are anticipated to result in a 30% increase in production capacity coupled with a 50% improvement in production efficiency.



New Brooklyn Park plant, Minnesota (artist rendition)

In Asia, we are consolidating manufacturing functions into our Vietnam plant, particularly those related to endotherapy products that need to be mass-produced. This move will free up our Aomori plant to focus on manufacturing endotherapy devices that require highly precise technologies and are therefore not suited to automated production.

Similar manufacturing network reforms are being implemented in Europe, and the Group is progressively developing the foundations that will enable product creation to be conducted while fully leveraging the capabilities of its manufacturing infrastructure around the world.

SCIENTIFIC SOLUTIONS BUSINESS

Shinichi Nishigaki
President, Scientific Solutions Group

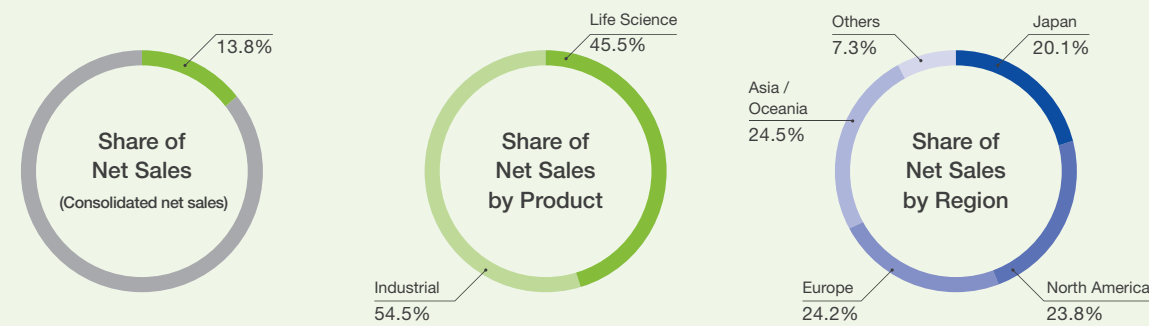


Message from the Group President

We will leverage the strengths of our technology development capabilities and high market share to respond to a diverse range of needs while improving profitability by revising strategies.

Effective April 1, 2014, the name of the Life Science & Industrial Business was changed to the Scientific Solutions Business. In this business, we will revise strategies to move away from strategies based on product lineups to pursue those oriented toward customer groups. This shift will enable us to strategically allocate management resources toward expanding our market share and increasing sales. At the same time, organizational integration will be advanced to increase both business and capital efficiency and thereby improve profitability.

Composition (Fiscal year ended March 31, 2014)

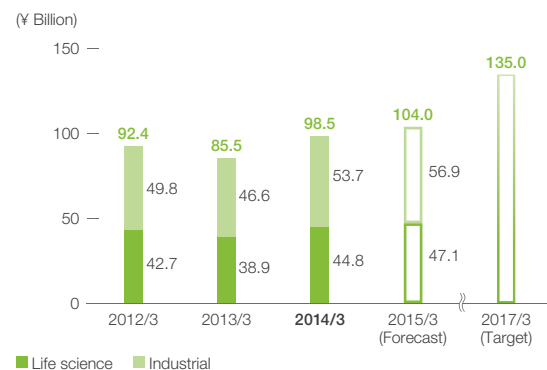


Strengths	Weaknesses
<ul style="list-style-type: none"> Industry's top share of 30% to 40% in biological microscope market World-leading share of 50% in industrial endoscope market Comprehensive solutions capabilities utilizing diverse product lineups State-of-the-art optical technologies continually refined since Company's founding 	<ul style="list-style-type: none"> High susceptibility to changes in economic conditions of specific regions and countries Redundant functions and inefficiencies resulting from business diversification Diminished synergies in certain smaller businesses due to portfolio expansion
<ul style="list-style-type: none"> Increased focus on advanced science research by governments of various countries and higher related budgets in these countries following economic upturns Rising demand for non-destructive testing equipment due to aging of infrastructure in developed countries and installation of infrastructure in emerging countries Expanding demand for industrial microscopes due to growth of electronic component industry in conjunction with spread of smartphone usage 	<ul style="list-style-type: none"> Trend toward limiting capital expenditure by private-sector companies Delayed execution of government budgets and budget cuts in various countries Economic deceleration and decreasing demand in emerging countries
Opportunities	Threats

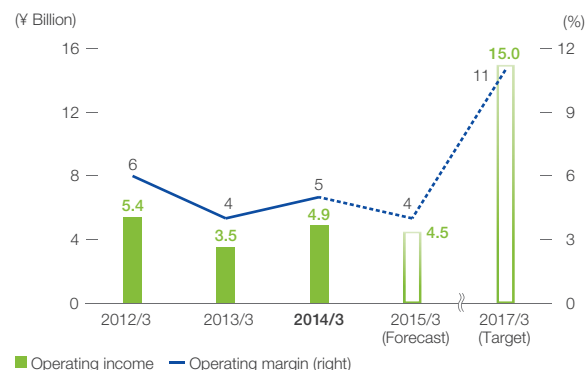
		(Millions of yen)		
		2012/3	2013/3	2014/3
Operating Results	Net Sales	92,432	85,513	98,510
	Operating Expenses	86,993	81,986	93,575
	Operating Income	5,439	3,527	4,935
	Operating Margin (%)	5.9	4.1	5.0
Sales by Product	Life Science	42,650	38,910	44,778
	Domestic	10,560	10,315	11,855
	Overseas	32,090	28,595	32,923
	Industrial	49,782	46,603	53,732
	Domestic	8,394	7,526	7,968
	Overseas	41,388	39,077	45,764
Segment Data	R&D Expenditures (¥ Billion)	8.7	8.2	9.3
	Capital Expenditures (¥ Billion)	4.3	3.4	4.5
	Number of Employees*	5,150	4,575	4,284

* Including average number of temporary employees

Net Sales



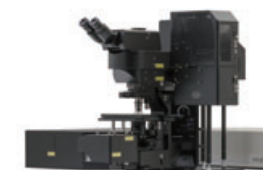
Operating Income / Operating Margin



Overview of Fiscal 2014

Overseas, government budget cuts continued to create a harsh operating environment. Domestically, however, we began seeing an increase in budget execution among research and medical institutions during the second half of fiscal 2014. Activity was also brisk in Japan's automotive market. These factors made clear contributions to sales growth. In the life science field, sales were strong for FLUOVIEW FVMPE-RS, a laser scanning microscope used to conduct advanced life science research that was

launched in fiscal 2013. The industrial field, meanwhile, saw growth in sales of new IPLEX series industrial videoscopes, which are used to inspect jet engines. Likewise, sales were up for products in the OmniScan SX series, a line of miniature ultrasonic phased array flaw detectors that are able to inspect the inside of materials to detect flaws that cannot be viewed from the outside. The benefits from sales of these new products resulted in a 15% increase in net sales and a 40% rise in operating income year on year.



FLUOVIEW FVMPE-RS multi photon laser scanning microscope



IPLEX series industrial video scope



OmniScan SX ultrasonic phased array flaw detectors

Business Environment

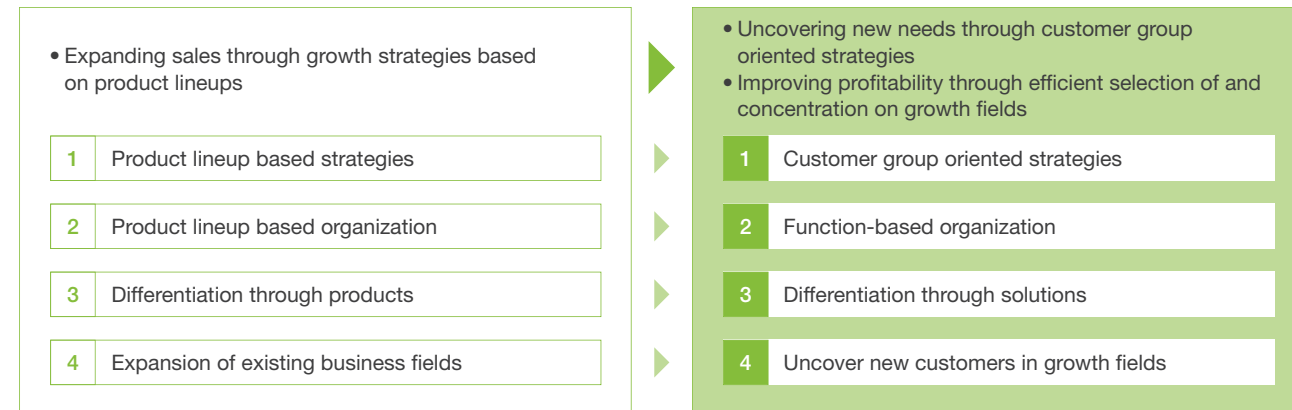
Improvements in the business environment are being seen supported by the execution of budgets at domestic and overseas research and medical institutions as well as a recovery trend in capital expenditure. These positive trends were stimulated by an upward turn in global economic conditions and the depreciation of the yen, a result of the economic stimulus measures instituted by the new government

administration in Japan. In the medium-to-long term, we expect to see the acceleration of advanced research on such topics as induced pluripotent stem cells (iPS cells) in the area of life science research. In addition, the market for the Scientific Solutions Business's products is projected to expand as a result of increased infrastructure investment in emerging countries accompanying economic development.

Challenges and Business Strategies

In the Scientific Solutions Business, growth strategies previously focused on actively expanding the product portfolio. We plan to revise those strategies to place more emphasis on profitability. Specifically, we are moving away from strategies based on product lineups to pursue those oriented toward customer groups. As part of this transition, we will

narrow the range of customer groups to be targeted, and we aim to raise investment efficiency by carefully selecting businesses to be pursued in growth fields and concentrating resource allocation on these businesses. Other measures to generate income will include improving business efficiency and constitution through organizational integration.



Priority Measures Based on Growth Strategies

Shift from Product Lineup Based Strategies to Customer Group Oriented Strategies, Select and Concentrate Business on Growth Fields and Fields Expected to Be Targets of Future Investment

The Scientific Solutions Business previously advantaged strategies that entailed specialized sales divisions for each of its various product lineups, including biological microscopes, industrial microscopes, industrial endoscopes, and ultrasonic flaw detectors. These strategies will be revised to create the optimal sales system from a customer-oriented standpoint. Through this revision, we aim to improve efficiencies, gain a better understanding of unmet customer needs, and subsequently construct a system that will allow us to provide comprehensive solutions proposals for our customers.

Furthermore, we will carefully examine product portfolios and select target customer groups, after which we will clearly identify the growth fields in which we will pursue development in the future. Business operations will then be expanded efficiently by selecting target fields and concentrating investments on these fields. Potential targets include such fields as advanced life science research and infrastructure maintenance where we can expect high profitability and strong market growth. Product portfolios

will be expanded after orientation toward this narrowed scope of fields. At the same time, we will consider the requirement for business reorganizations from fields that have been deemed unprofitable.

Integrate Business Organization across Divisional and Regional Boundaries

The Scientific Solutions Business has traditionally divided its organization in accordance with product lineups, splitting the business between the life science and industrial fields. This split organization will be integrated going forward. Cross-regional integration is already proceeding. In April 2014, North American sales and manufacturing organizations for microscopes and non-destructive testing equipment were integrated, followed by the merger of life science and industrial field sales divisions in Asia during May. These measures will be expanded into other regions as we move forward. In addition, we will work to maximize operational efficiency by integrating business functions around the world. In this undertaking, the web platforms that differ by region will be made uniform to construct more effective marketing communication functions while product introduction and training processes will be standardized on a global scale.

Overview of Strategic Shift

Previous strategies will be revised, and the range of target customer groups and product lines will be narrowed, based on selection and concentration, to place greater emphasis on profitable growth.



TOPICS

Strategic Olympus Products

Olympus products are used in a variety of areas; biological microscopes are primarily used in the research and development field, while industrial microscopes as well as industrial videoscopes and other non-destructive testing equipment are mainly employed for inspecting and examining infrastructure.

Biological Microscopes

Our biological microscopes find various uses in research fields like biology and life science. For example, they are used in clinical examinations to inspect blood samples and perform other functions as well as in pathology studies, such as those pertaining to cancer diagnosis. Recently, advanced medical research has been progressing at breakneck speed in the neurology, oncology, and regenerative medicine fields. We therefore expect to see not only increased demand for our biological microscopes but also greater potential for synergies with the Medical Business.



Industrial Microscopes, Industrial Videoscopes, and Other Non-Destructive Testing Equipment

The Company's industrial field products are put to use in the examination and inspection fields. These products help users perform needed checks with high levels of efficiency and precision and contribute to more efficient inspections and maintenance of jet engines as well as roads, railways, and other pieces of social infrastructure. We anticipate that these products will become increasingly important as infrastructure installation accelerates in emerging countries and infrastructure ages in developed countries, and we therefore look forward to ongoing growth in these areas.



IMAGING BUSINESS

Haruo Ogawa
President,
Imaging Group

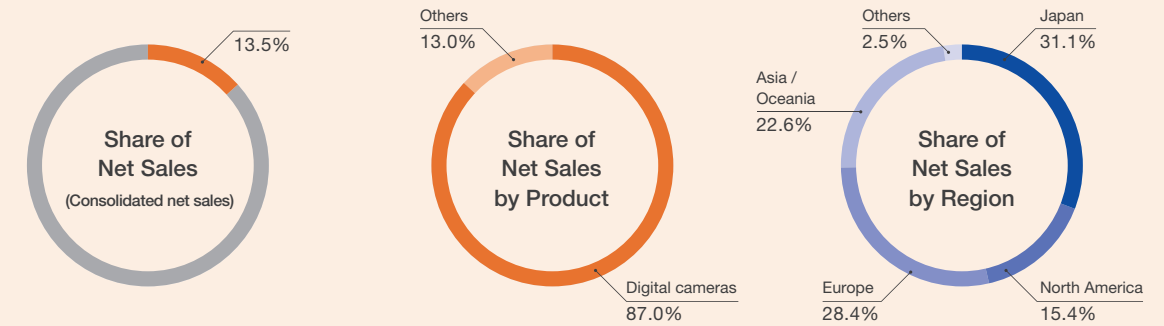


Message from the Group President

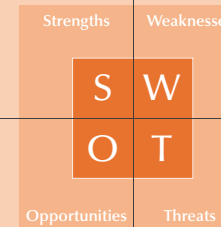
We will work to break even on the operating income level in the camera business by expanding mirrorless camera operations and minimizing risks.

In the Imaging Business, we will pursue business development based on the policies of expanding mirrorless camera operations and minimizing risks. Accordingly, we will accelerate the shift from compact cameras, for which the market is continually shrinking, to high-margin mirrorless cameras while also taking measures to cut costs. In this way, we will work to break even on the operating income level. At the same time, we aim to quickly grow business-to-business (BtoB) operations in light of the risks present in the mirrorless camera market.

Composition (Fiscal year ended March 31, 2014)



- Unique technologies accumulated by concentrating on mirrorless cameras
- Ability to design and manufacture high-performance lenses that are small and light weight
- Top share in mirrorless camera market in Japan
- High-level imaging technologies and connections with Group customers from Medical Business and Scientific Solutions Business that are applicable to BtoB operations



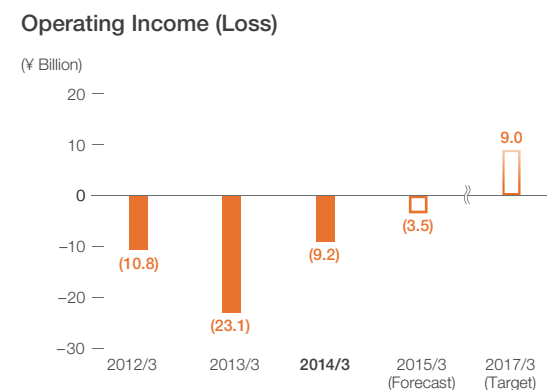
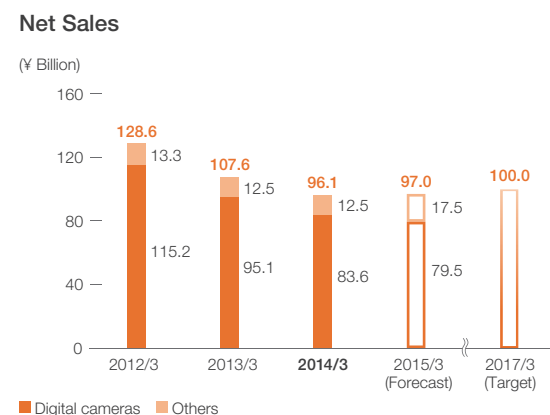
- Lacking sales system for high-priced SLR cameras (sales system shift under way)
- Insufficient lineup of high-priced interchangeable lens products (lineup expansion scheduled)

- Expansion of mirrorless camera market
- Widening range of applications for cameras and increased demand for imaging-related technologies outside of private sector

- Intensifying competition in mirrorless camera market
- Increased usage of smartphones and tablets PCs

		(Millions of yen)		
		2012/3	2013/3	2014/3
Operating Results	Net Sales	128,561	107,638	96,111
	Operating Expenses	139,321	130,711	105,293
	Operating loss	(10,760)	(23,073)	(9,182)
Sales by Product	Digital Cameras	115,237	95,101	83,602
	Domestic	27,333	27,234	25,932
	Overseas	87,904	67,867	57,670
	Others	13,324	12,537	12,509
	Domestic	4,018	4,126	3,944
	Overseas	9,306	8,411	8,565
Segment Data	R&D Expenditures (¥ Billion)	9.6	10.2	8.7
	Capital Expenditures (¥ Billion)	5.2	3.1	3.5
	Number of Employees*	11,644	8,180	7,883

* Including average number of temporary employees



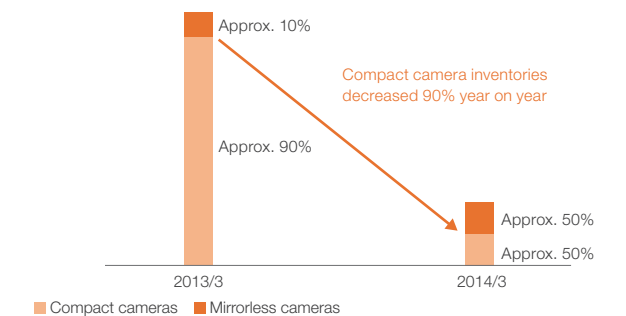
Overview of Fiscal 2014

In digital SLR cameras, we introduced into the OM-D series of strategic mirrorless cameras OM-D E-M1, our new flagship model, and OM-D E-M10, which features a more accessible price. In addition, we continued to shift our operations away from compact cameras and toward mirrorless cameras. As a result, mirrorless camera sales rose 13% year on year, to ¥42.8 billion, surpassing compact camera sales, which totaled ¥40.8 billion, for the first time. We took preemptive steps to address the rapidly shrinking compact camera market by reducing sales volumes of these cameras, a measure that resulted in overall net sales declining 11% in the Imaging Business. Regardless, operating loss decreased ¥13.9 billion.

Compact camera inventories have continued to be a detriment to income. However, in fiscal 2014, we succeeded in reducing these inventories by approximately 90% on a unit basis and roughly 60% on a monetary basis. Meanwhile, we are expanding our lineup of mirrorless cameras and lenses and

increasing the ratio of sales accounted for by high-value-added OM-D series cameras. Looking at digital camera inventories on the whole, inventory levels are relatively unchanged from March 31, 2013, on a monetary basis. However, the content of these inventories has changed; they now consist more of mirrorless cameras, which boast long product life cycles.

Inventory Ratios for Mirrorless Cameras and Compact Cameras (Unit basis)



Business Environment

The compact camera market is rapidly contracting due to the spread of smartphones and tablet PCs, and this market is expected to shrink about 30% in fiscal 2015. Similarly, growth is projected to be flat in the digital SLR camera market, meaning that our focus market—mirrorless cameras—is likely to be the only market showing positive

growth in fiscal 2015. The strategic OM-D series primarily consists of mid-to-high-end models (those priced more than US\$600), which are anticipated to see the largest growth in demand. For this reason, we forecast that shipment volumes of OM-D series cameras will increase approximately 20% year on year in fiscal 2015.

Challenges and Business Strategies

Going forward, we will accelerate the shift toward mirrorless cameras, specifically the high-value-added OM-D series. We will also step up the risk minimization measures that proved effective in reducing losses during fiscal 2014.

By further scaling back compact camera operations and stringently managing SG&A expenses, we aim to realize a substantial reduction in operating loss in fiscal 2015.

Earnings Improvement Forecasts for Fiscal 2015

(Billions of yen)

	2013/3	2014/3	2015/3 (Forecasts)	Change	
Net sales	107.6	96.1	97.0	+0.9	
SLR cameras (mirrorless)	37.7	42.8	59.5	+16.7	<ul style="list-style-type: none"> Expand sales volumes centered on OM-D series Increase average selling prices
Compact cameras	57.4	40.8	20.0	(20.8)	Decrease sales volume targets in anticipation of future market contraction (Compact camera sales volume target: 2,710,000 units ▶ 1,000,000 units)
Others	12.5	12.5	17.5	+5.0	
Gross profit	32.6	42.2	45.2	+3.0	<ul style="list-style-type: none"> Lower cost of sales (logistics, inventories, quality, etc.) Increase mirrorless camera sales ratio (Percent of net sales accounted for by mirrorless cameras: 44% ▶ 61%)
SG&A expenses	55.7	51.3	48.7	(2.6)	Cut SG&A expenses by reducing number of models to be developed, improving sales channel efficiency, etc.
Operating loss	(23.1)	(9.2)	(3.5)	+5.7	Forecast to break even if upfront investment of ¥3.5 billion in BtoB operations is excluded

Priority Measures Based on Growth Strategies

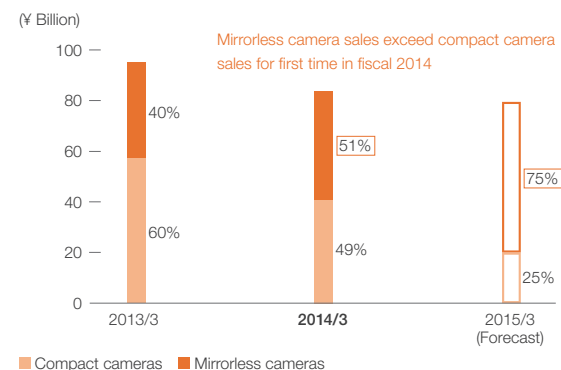
Minimize Risks

The mirrorless camera market is expanding on a monetary basis. However, risks in the Imaging Business are increasing due to such factors as the shrinking compact camera market and changes in the distribution environment. To address these risks, we will step up the implementation of risk management measures while revising our business strategies as deemed necessary.

In the rapidly contracting compact camera market, we have reduced our sales volume targets, and we are only targeting sales volumes of 1 million units in fiscal 2015, approximately 60% less than was recorded in fiscal 2014. Compact camera risk management measures are advancing in line with plans, as demonstrated by the near completion of the elimination of low-priced compact camera inventories, which were a major factor behind profitability declines. At the same time, we are pursuing further profitability improvements through more exhaustive cost-cutting measures. For example, we are increasing manufacturing efficiency, reducing inventory costs, decreasing R&D expenditures by curtailing the development of models, and utilizing sales channels in a more efficient manner.

However, when looked at from a long-term perspective, there is a risk that the mirrorless camera market will contract. For this reason, we are revising the business portfolio of the Imaging Business so as to have a greater proportion of BtoB operations supplement its traditional business-to-customer operations. Over the long term, we will work to build a stable earnings foundation in the Imaging Business by fully leveraging the technologies born out of digital camera development and gradually increasing the ratio of BtoB operations in our business portfolio.

Share of Net Sales for Mirrorless and Compact Cameras

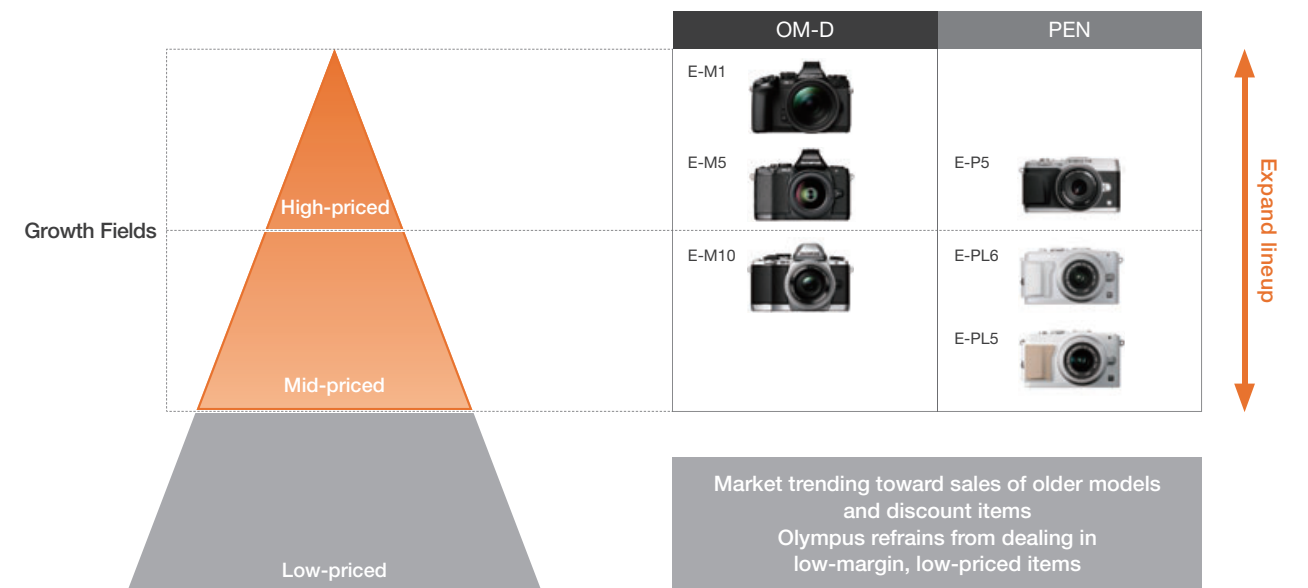


Expand Sales of High-Margin Mirrorless Cameras

In mirrorless cameras, we are shifting our focus toward the OM-D series. This series of high-value-added models is core to our mirrorless camera lineup and will be a priority target for sales promotion investments going forward. By utilizing the flagship OM-D E-M1 model and the accessibly priced OM-D E-M10 model, we aim to expand our market

share by syphoning business from the conventional digital SLR camera market. In addition, we have nearly completed the elimination of low-priced compact camera inventories. We are now positioned to concentrate our sales force on mirrorless cameras and thereby boost sales of OM-D and PEN series cameras.

Mirrorless Camera Portfolio by Price Range



TOPICS

Pursue Expansion of BtoB Operations

To respond to the risk of the mirrorless camera market shrinking, we will pursue the expansion of BtoB operations over the long term. We have already established many business relationships in which we sell Olympus lens modules directly to other companies. In addition, we believe there are latent customers for such transactions in the Scientific Solutions Business and the Medical Business. Furthermore, the Company's sophisticated optical technologies and manufacturing technologies have the potential to be adapted to a variety of products and systems. By adapting these technologies to meet market needs, Olympus will be able to take advantage of a wider range of business opportunities.

In fiscal 2015, we will conduct upfront investments totaling ¥3.5 billion in our BtoB operations, which we hope to grow into a business with sales to the extent of ¥20 billion. A specialized BtoB sales force has already been created, and

we plan to strengthen these operations into the future, with businesses involving automobile-mounted cameras and security cameras being considered as possible options.



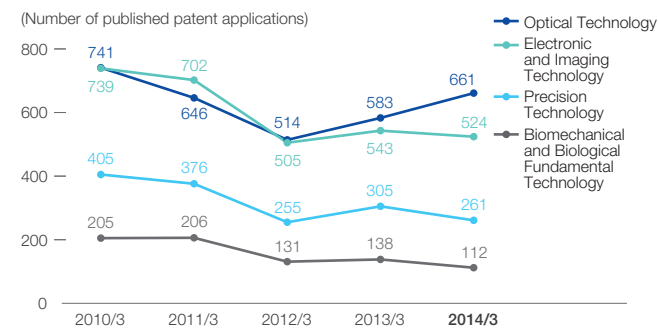
Overview of Intellectual Property Activities in Core Competence Areas

1. Number of Patent Applications Published in Japan and Overseas in Core Competence Areas

(1) Japan

The number of patent applications published in Japan increased from the previous fiscal year in Optical Technology, whereas patent applications declined slightly in Electronic and Imaging Technology, Precision Technology, and Biomechanical and Biological Fundamental Technology. Overall domestic patent applications, however, were largely unchanged from the previous fiscal year.

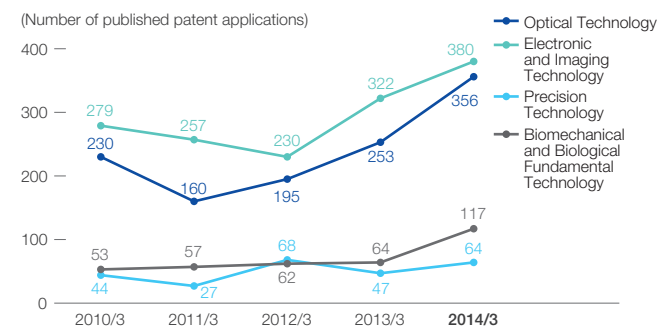
Number of Patent Applications Published in Japan in Core Competence Areas



(2) Overseas

Following measures to increase overseas patent applications, the number of patent applications published overseas rose year on year in Optical Technology, Electronic and Imaging Technology, Precision Technology, and Biomechanical and Biological Fundamental Technology. The Company will continue to build its global patent portfolio going forward, with a particular focus on the United States and China.

Number of Patent Applications Published Overseas in Core Competence Areas

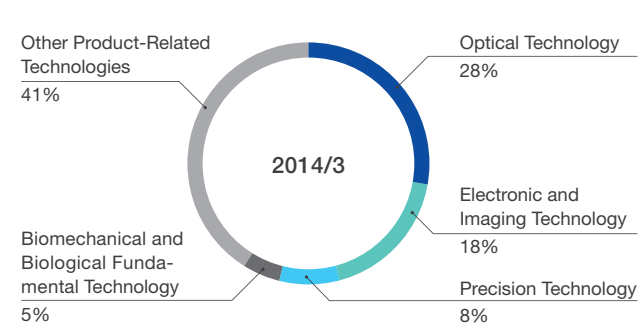


2. Breakdown of Patents in Core Competence Areas as Part of All Patents Held

The core competence areas account for 59% of the total patents held, which is unchanged from the previous fiscal year.

The percentage of each core competence area to the total did not change significantly, and Optical Technology and Electronic and Imaging Technology accounted for 46% of the total.

Core Competence Area Ratios as Part of All Patents Held

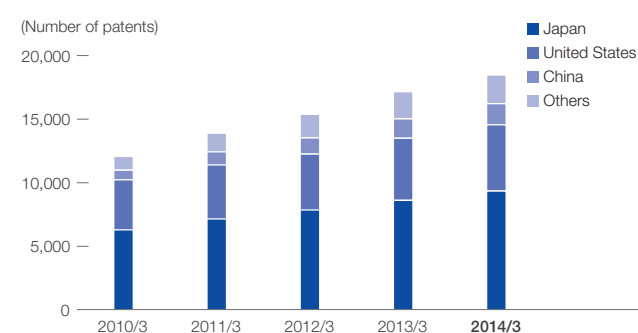


Number of Patents Held by Country

Change in the number of patents held by country over the past five years is shown in the graph. As with the previous year, the Company is working to acquire rights under its policy of increasing the number of patents acquired overseas.

In fiscal 2014, the number of patents held in Japan increased by 8% and the number of patents held overseas increased by 5%.

Number of Patents Held by Country



Foundation for Supporting Growth

Olympus is fully aware of the severity of the issues regarding the deferral of losses on past investments that were discovered in 2011, and it is pushing forward with measures to reconstruct the Company and prevent the reoccurrence of such issues. Going forward, Olympus will continue to position highly appropriate and transparent corporate governance as the foundation for its activities. With this as our base, we will work to give form to the "Social IN" philosophy, the point of origin for our business, by being an integral member of society, sharing common values, and proposing new values through our business activities.

Reliable Support

Corporate Governance Structure of Olympus

▶ Establishment of Independent Committees (Nominating and Compensation Committees)

We have established the Nominating Committee and the Compensation Committee, which are comprised primarily of highly independent outside officers, effectively separating authority related to corporate officer nomination and compensation from management.

▶ Clear Segregation of Business Execution and Supervisory Functions

The Board of Directors now consists of a majority of outside directors, and these and other corporate officers are appointed based on the nominations of the Nominating Committee, ensuring complete independence from management. This system also allows for clear segregation of the business execution function and the decision-making function.

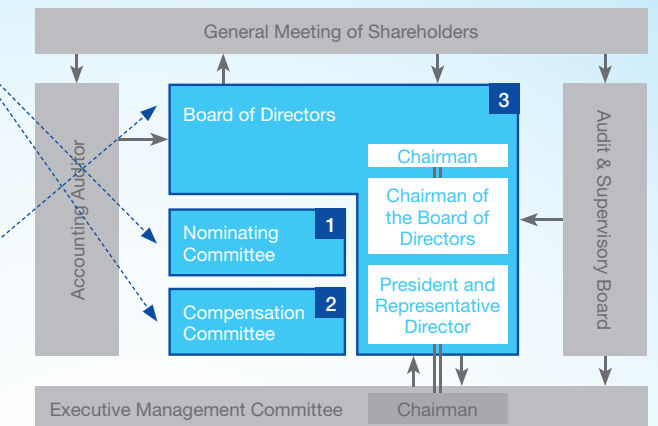
▶ Improvement in Compliance Awareness

We have appointed a chief compliance officer (CCO) to promote compliance in a managerial capacity and established the Compliance Committee, which is chaired by an outside director.

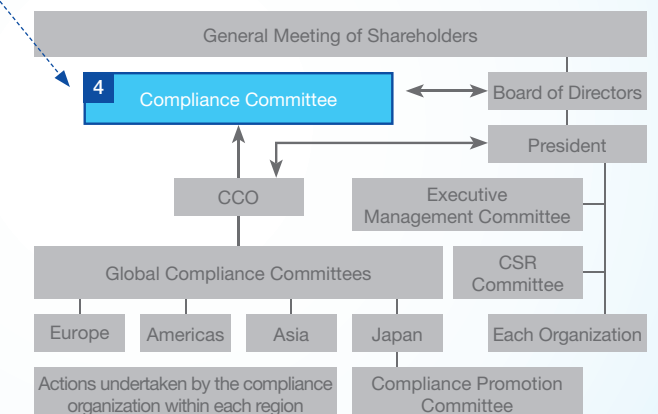
▶ Active Disclosure of Information

The Company's internal information disclosure rules have been made more stringent, and we have developed unique disclosure standards that are even stricter than those of the Tokyo Stock Exchange.

Corporate Governance Structure (Summary)



Compliance Promotion System (Summary)



To Our Stakeholders (Message from the Chairman)



Olympus remains devoted to further enhancing corporate governance while laying the foundations for effective governance to be practiced worldwide and in accordance with changes in the operating environment and other future developments.

United under the mantra of “One Olympus,” the Group will push forward with its quest to raise shareholder value.

Looking Back at the Board of Directors and Corporate Governance over the Past Two Years

March 2014 marked the end of my second year as chairman and the start of my third. Most of the members of the Company’s Board of Directors are outside directors, and I think this type of membership composition is rare among Japanese companies. During my first year as chairman, the issues that resulted from the scandal and the subsequent replacement of the management team left us struggling to find the appropriate path for Olympus. I am sure that all the Company’s directors felt the heavy weight of this responsibility, and this pressure sparked heated discussions among the board members. In my second year as well, many frank opinions were voiced at meetings of the Board of Directors, all based on a clear understanding of the issues faced by Olympus coupled with a strong sense of responsibility. Reflecting on such factors as the consistently lively debates conducted at board meetings, I feel confident in saying that the Company’s management is appropriately monitored and supervised.

In fiscal 2014, I believe that management progressed smoothly for the most part. This was also a year in which we gained a clearer understanding of the challenges we will have to overcome in the future and the goals we will need to target. Up until now, we have focused on very stringent management, turning a discerning eye to all areas of operations to restore order within the Company. We are now at a stage, however, where we will need to determine the future course for governance systems. Matters that must be discussed include how to enhance the functionality of the Board of Directors and how to lay the foundations that will allow for effective governance to be practiced worldwide. The latter will also have to be considered from the perspective of responding to operating environment changes and other dynamic future developments. Such evolution in our governance will not occur without effort on our part, nor will we be able to establish a framework that society expects by acting entirely on our own. For these reasons, we will need to create an open organization that actively incorporates external feedback. One of my duties is therefore to remind others in the Company about the world that exists outside of Olympus and suggest that they “open the window,” so to speak. This “window” is something that employees must open for themselves. It is only when our employees begin opening the “window” that Olympus will be ready to change.

Communication with Stakeholders

I believe that the coming era will be characterized by a new type of relationship between a company and its stakeholders. Each of our stakeholders has different expectations for Olympus, and this diverse range of perspectives is of immense value to us. The precious feedback of our stakeholders is incredibly valuable in setting the future course for management, and I therefore hope they will continue to offer us their input, particularly with regard to their long-term views of the Company. However, we have no intention of making communication a one-way street. By practicing reciprocal communication with its stakeholders, Olympus will work to foster mutually beneficial win-win relationships.

Olympus is still in the process of being reborn, and I hope we can expect the continued support and understanding of all our stakeholders as we undergo this transformation.

August 2014

Yasuyuki Kimoto
Chairman

Corporate Governance

Basic Policy on Corporate Governance

The Olympus Group strives to realize better health and happiness for people by being an integral member of society, sharing common values, and proposing new values through its business activities. We call this aim "Social IN" and make it the core philosophy that underlies all of our

activities. In accordance with this philosophy, the Board of Directors seeks to develop, operate, and continuously improve the corporate governance structure to ensure the appropriateness and reliability of financial reporting and the effectiveness and efficiency of business operations.

Corporate Governance Structure

The Board of Directors consists of 13 members, including a majority of 8 outside directors. In principle, the Board of Directors meets once per month and strives to make timely decisions regarding the Company's business strategies and other important management matters and to exercise appropriate oversight of business execution. A corporate officer other than the president (the chairman of the board) chairs meetings of the Board of Directors. Olympus expects the 8 outside directors to apply their specialized expertise in management by engaging in decision making and oversight over the Board of Directors from an independent perspective. Furthermore, the Board of Directors requests reports on matters that are decided by the Executive Management Committee or by the president. In this manner, the Company is strengthening governance from the perspectives of sharing information and monitoring, thereby creating systems for better ensuring the soundness of management.

Olympus has adopted an executive officer system, which segregates the decision-making function and supervisory function of the Board of Directors from the business execution function of the executive officers. In addition, the Company has set a maximum tenure period for the president and a maximum age for directors and executive officers. These restraints are in place to prevent inappropriate activities from occurring due to extended tenures of corporate officers.

Overview of the Corporate Governance Structure

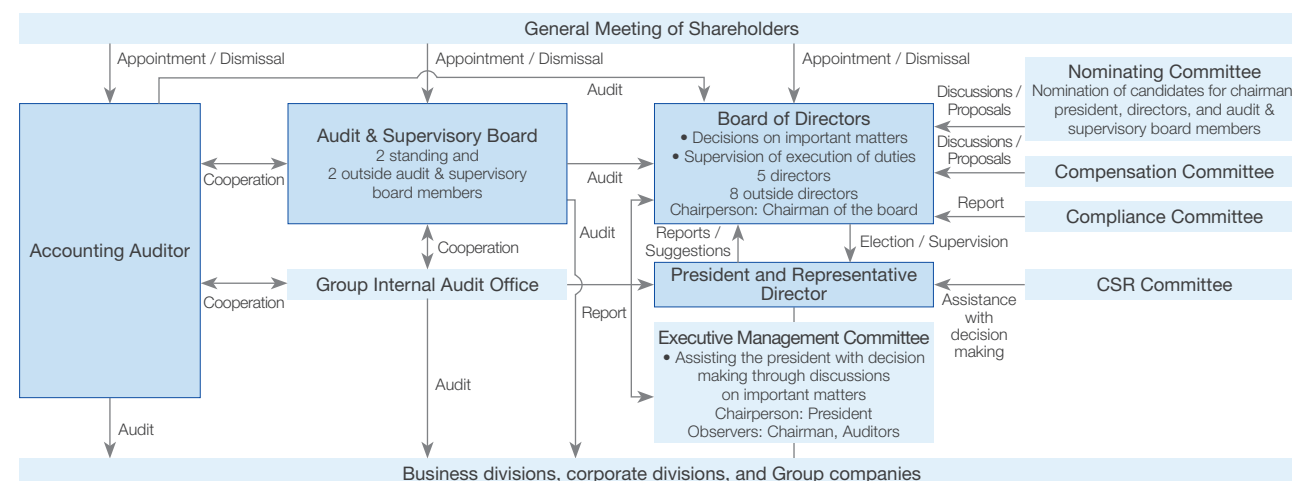
(As of June 26, 2014)

Format	Audit & Supervisory Board system
Adoption of executive officer system	Yes
Directors	13
Of whom outside directors	8
Term of directors	1 year
Audit & supervisory board members	4
Of whom outside audit & supervisory board members	2
Independent officers	9
Participation of outside directors in determination of remuneration	Yes
Board of Directors convened	19 times
Results-linked remuneration	Yes

Major Management Decisions Made in Fiscal 2014

Decisions	Details
Establishment of Sony Olympus Medical Solutions Inc.	Establishment of Medical Business joint venture company as part of business and capital alliance with Sony Corporation
Introduction of stock option system for corporate officer compensation	Provision of stock options to directors, excluding outside directors, and executive officers
Issuance of new shares through public offering and disposal of treasury stock	Procurement of capital to extent of ¥112.6 billion from overseas markets
Dissolution of Olympus Biotech Corporation	Withdrawal from biologics business

Corporate Governance Structure



Composition of Committees and Position of the Chairman

	Number of Members	Internal Directors	Outside Directors	Chairman (of the Committee)
Board of Directors	13	5	8 (7 independent directors)	Chairman
Nominating Committee	3	1	2	Outside Director
Compensation Committee	3	1	2	Outside Director
Compliance Committee	5	—	3	Outside Director

Outside Directors and Audit & Supervisory Board Members

Olympus has strengthened the corporate governance structure by appointing 8 outside directors, representing a majority of its 13 directors, and utilizing their objective standpoint, wealth of experience, and extensive knowledge of management. Furthermore, Olympus has increased the objectivity and fairness of management oversight by appointing 2 outside audit & supervisory board members out of the 4 audit & supervisory board members.

Olympus has designated 7 outside directors, representing a majority of the members of the Board of Directors, and 2 outside audit & supervisory board members as independent officers pursuant to the rules for listed companies stipulated by the Tokyo Stock Exchange.

Outside Directors	Reason for appointment	Attendance at meetings of the Board of Directors (Met 19 times in fiscal 2014)
Takuya Goto ^(*)	Mr. Goto was appointed so that his extensive experience and diverse knowledge as a business manager at Kao Corporation may be applied to the Company's management.	19/19
Shiro Hiruta ^(*)	Mr. Hiruta was appointed so that his extensive experience and diverse knowledge as a business manager at Asahi Kasei Corporation may be applied to the Company's management.	19/19
Sumitaka Fujita ^(*)	Mr. Fujita was appointed so that his extensive experience and diverse knowledge as a business manager at ITOCHU Corporation may be applied to the Company's management.	19/19
Motoyoshi Nishikawa ^(*)	Mr. Nishikawa was appointed so that his extensive experience and diverse knowledge as a business manager at Nippon Steel Corporation (current Nippon Steel & Sumitomo Metal Corporation) as well as his diverse knowledge as an attorney may be applied to the Company's management.	19/19
Hikari Imai ^(*)	Mr. Imai was appointed so that his extensive experience and diverse knowledge as a business manager at Merrill Lynch Japan Securities Co., Ltd., and RECOF Corporation may be applied to the Company's management.	19/19
Kiyotaka Fujii ^(*)	Mr. Fujii was appointed so that his extensive experience and diverse knowledge as a business manager at Cadence Design Systems, Japan, SAP Japan Co., Ltd., LVJ Group K.K., Eastgate Group, Inc., Better Place Japan Co., Ltd., and Halo Network Japan Co., Ltd., may be applied to the Company's management.	19/19
Keiko Unotoro ^(*)	Ms. Unotoro was appointed so that her extensive experience and diverse knowledge acquired from working at the Japan Fair Trade Commission may be applied to the Company's management.	15/15
Masaru Kato	Mr. Kato was appointed so that his extensive experience and diverse knowledge as a business manager at Sony Corporation may be applied to the Company's management.	Appointed from fiscal 2015 (June, 2014)

Outside Audit & Supervisory Board members	Reason for appointment	Attendance at meetings of the Board of Directors and the Audit & Supervisory Board	
		Board of Directors (Met 19 times in fiscal 2014)	Audit & Supervisory Board (Met 33 times in fiscal 2014)
Nobuo Nagoya ^(*)	Mr. Nagoya was appointed so that his extensive experience and diverse knowledge as a certified public accountant may be applied to the Company's management.	19/19	33/33
Katsuya Natori ^(*)	Mr. Natori was appointed so that his extensive experience and diverse knowledge as a business manager at Sun Microsystems, Inc., Fast Retailing Co., Ltd., and IBM Japan, Ltd., as well as his diverse knowledge as an attorney may be applied to the Company's management.	17/19	28/33

^(*) Independent officers

Strengthening of Audit and Supervisory Functions

Olympus is a company with the Audit & Supervisory Board system. Two of the four audit & supervisory board members are outside audit & supervisory board members. One of the two standing audit & supervisory board members was recruited from outside Olympus to guarantee the strength of supervisory functions. Olympus has established the Corporate Auditors' Office to support audit & supervisory board members and assigned full-time employees to assist with their work. In principle, the Audit

& Supervisory Board, like the Board of Directors, meets once per month.

In accordance with the Rules of the Audit & Supervisory Board and the Audit & Supervisory Board Members' Audit Standard, the audit & supervisory board members attend important meetings, including Board of Directors' meetings, and periodically exchange opinions with directors and executive officers. In principle, they exchange opinions with the representative director four times per year.

Corporate Officer Compensation

The upper limits for the monthly compensation of directors and audit & supervisory board members as well as director bonuses are decided at the general meeting of shareholders.

Director compensation is decided by the Board of Directors in accordance with the Director Compensation Guidelines based on the recommendations of the Compensation

Committee, which is comprised of a majority of highly independent outside directors. Audit & supervisory board member compensation is decided by the Audit & Supervisory Board in the same manner. Bonuses and stock options are not paid to audit & supervisory board members to maintain their standing as independent from business execution.

Position	Total value of remuneration (¥ million)	Total compensation by type (¥ million)				Number of directors / audit & supervisory board members
		Base	Bonuses	Stock options	Retirement benefits	
Directors (excluding outside directors)	379	288	53	38	—	5
Audit & supervisory board members (excluding outside audit & supervisory board members)	56	56	—	—	—	2
Outside officers	105	105	—	—	—	10

• Policies for Determining Corporate Officer Compensation Amount and Calculation Method

Compensation for directors, excluding outside directors, includes monthly salaries, bonuses, and stock options. Outside directors only receive monthly salaries and are not eligible for bonuses or stock options. In fiscal 2015, the Company will introduce income-linked bonuses for directors to build a stronger link between the Company's performance and directors' bonuses.

Calculation Method for Income-Linked Bonuses

The following formulas will be used for calculating the compensation to be paid to directors in fiscal 2015.

- 1 Total value of remuneration
Total value of remuneration =
((Consolidated operating income in fiscal 2015 – ¥15.0 billion) × 0.0658% + (Consolidated net income in fiscal 2015 – ¥1.0 billion) × 0.0655%) × (Total sum of "officer points" for all applicable directors ÷ 96)
(rounded to the nearest ¥10,000)

- 2 Individual compensation
Individual compensation =
Total value of remuneration ÷ Total sum of "officer points" for all applicable directors × "Officer points" of individual director

Each director receives individual compensation as a portion of the total value of remuneration calculated in 1 above that is proportionate to the director's individual score of "officer points" as shown below (rounded to the nearest ¥10,000).

Officer Points

Chairman	President and Representative Director	Director, Vice President	Director, Senior Executive Managing Officer	Director, Executive Managing Officers	Director, Managing Officers
24	28	20	16	12	9

Internal Controls

Framework to ensure compliance with applicable laws and regulations as well as the Articles of Incorporation of directors and employees when performing their duties:

• Compliance Committee

The Company shall establish the Compliance Committee chaired by an outside director as a body to oversee and improve the compliance system.

• CSR Committee

Olympus shall set up the CSR Committee chaired by the president and regularly hold meetings to plan CSR activities for the Olympus Group and set objectives for and evaluate these activities.

• Group Internal Audit Office

Olympus shall establish the Group Internal Audit Office to directly report to the president. The Group Internal Audit Office shall, pursuant to the provisions of the Internal Audit Regulations, periodically conduct internal audits of all business operations with respect to compliance with laws and regulations, the Articles of Incorporation, internal rules and regulations, the appropriateness of business execution procedures and details, and other matters.

Systems and measures to manage risks of losses:

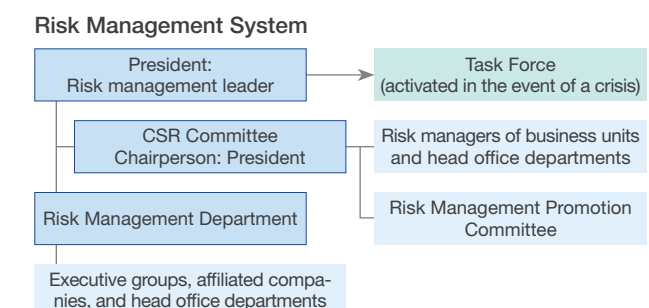
- 1 The Company shall manage its business risks based on thorough discussions held at meetings of the Board of Directors and the Executive Management Committee, among other meetings, and appropriate internal approval procedures.
- 2 The Company shall manage risks, such as those relating to quality, product safety, export control, information security, occupational health and safety, the environment, and disasters, by defining responsible divisions, establishing internal corporate regulations and standards, and implementing related education and training.
- 3 The CSR Committee shall report and deliberate on plans and measures in relation to risk management and make efforts to establish and maintain a risk management system. Moreover, pursuant to the internal rules on risk management, each business division shall be aware of risks and take preventative measures, and the Company shall develop a framework that enables prompt actions in the event of an emergency. In the event of an earthquake, fire, other natural disaster, accident, corporate ethics violation, or occurrence of another high-risk incident, the business divisions shall make immediate reports to the president, members of the CSR Committee, and other relevant individuals through the Risk Management Department. Response measures will then be decided by the president.

Framework to ensure the effective performance of duties by directors:

- 1 The Board of Directors shall develop medium- and long-term corporate strategic plans in order to clarify the Company's business objectives and realize efficient resource allocation based on the yearly business plans. In addition, the Board of Directors shall receive a monthly report on business performance in order to evaluate the progress of the Company's yearly business plan.
- 2 The Board of Directors shall determine the separation of duties among the representative director, other operating directors in charge of business execution, and executive officers and supervise their execution of their duties.
- 3 With the exception of matters deliberated on at meetings of the Board of Directors, the representative director shall only make decisions about significant matters after discussing these matters at meetings of the Executive Management Committee.
- 4 Based on internal corporate regulations, including the internal rules on approval procedures and organizational matters, the Board of Directors shall determine the management organization and the separation of duties, as well as the responsibility and authority of each corporate officer, and establish an appropriate and effective system for the performance of duties.

Risk Management Structure

Olympus has identified one of the functions of the CSR Committee, which is headed by the president, as managing risks, and the committee thus works to reduce exposure to risks and prevent their actualization as part of its normal operations. The Company has also put into place systems for responding to serious risks should they be realized. In addition, to further strengthen the Company's risk management structure, the Risk Management Bureau was revised and renamed the Risk Management Department in October 2012.



Investor Relations Activities

The following investor relations activities were conducted in fiscal 2014.

Activity	Times conducted	Details
Conference on results for institutional investors and analysts	4	Meetings held quarterly (May, August, November, and February) to explain topics from the period, focused on financial performance and forecasts
Facility tours	3	Tours of plants, repair centers, training centers, and other facilities
Conference call for overseas institutional investors	4	Teleconferences with overseas institutional investors held on the day of financial results presentations for each quarter
Overseas IR roadshow	5	Meetings for institutional investors in which the president and other related officers visit overseas sites
Meetings for individual investors	3	Meetings held at branch offices of securities companies
Uploading of IR information to Company website	As required	Posting of financial results and other timely disclosure materials, intellectual property reports, and fact books as well as information on CSR and environmental activities

Conversation between Outside Directors

We will help maximize shareholder value in our capacity of fulfilling the supervisory function for business execution.

Olympus is constructing internal systems to contribute to the maximization of shareholder value, including the Board of Directors, which is membered by a majority of outside directors, and various independent committees. The following is a conversation between Takuya Goto and Shiro Hiruta, both outside directors who have also been appointed to the independent Nominating Committee, about the Company's current corporate governance system and the ideal form for future systems.

Benefits of Committees

Unique "Hybrid" Corporate Governance System

Goto Olympus Corporation is a Company with Auditors, as described by the Companies Act of Japan, but it also has independent committees: namely, the Nominating Committee, the Compensation Committee, and the Compliance Committee. However, Olympus differs from a Company with Committees based on the Companies Act in that decision-making authority with regard to business execution lies with the Board of Directors and that the committees exist for the purpose of making proposals to the board.

Hiruta In the past, the president of Olympus would choose the successor to the position, with the involvement of the Board of Directors in the decision being limited to approving the selection post-fact. This system resulted in an overconcentration of authority on the president. The other extreme would be a Company with Committees, which is highly transparent as the authority for appointment decisions lies with outside committees. However, this system can be problematic when people inside the company are not involved in making appointment decisions. I think that such situations, when officers are selected entirely by people from outside the company who are not properly versed in its business, should be avoided. Taking into consideration the advantages and disadvantages of these systems, Olympus arrived at its current system of corporate governance. Under this system, the appointment process begins with the president recommending candidates to the Nominating Committee. The committee then discusses the candidates to determine if there would be any issues with their appointment. After such discussion, the committee's verdict is submitted to the Board of Directors, which makes the final decision. In this manner, the system adopted by Olympus combines the benefits of both a Company with Auditors and a Company with Committees to form what could be called a "hybrid" corporate governance system.

Goto Today, the Nominating Committee is actively conversing and swapping opinions with the individuals who we anticipate will find positions on the next senior management team. Moreover, when inviting an employee from Sony Corporation to serve as an outside director at Olympus, we met in advance to determine whether or not this individual would be appropriate for the position in terms of career and disposition. I therefore believe that the Nominating Committee is effectively serving its desired purpose as part of the Company's governance system.



Takuya Goto
Outside Director
(Chairman of Nominating Committee)

Shiro Hiruta
Outside Director
(Member of Nominating Committee)

The Company's Board of Directors as Viewed by Outside Directors Evaluation of the Governance System and Issues to Resolve

Hiruta Outside directors represent a majority in the Board of Directors at Olympus. Generally, the role of a board of directors is to supervise business execution and make major decisions regarding the directions a company will take. In the case of Olympus, this responsibility rests firmly in the hands of outside directors. For this reason, outside directors must be incredibly knowledgeable about the Company in order to ensure that decisions about business execution are appropriate. Based on this recognition, the outside directors, myself included, make extra efforts to deepen their understanding of Olympus. For example,

we toured every Olympus plant in Japan immediately after our appointment, and we all attend internal presentations announcing research findings. With this understanding of Olympus as the base, the outside directors call upon their past experience when formulating opinions, and these opinions are made clear. Management actively reflects these opinions in business execution, which I feel is a key characteristic of the Board of Directors at Olympus. Compared with other companies, I believe that the outside directors at Olympus take their participation in management one step further.

Goto The outside directors at Olympus all come from different backgrounds, including accounting and finance, law, manufacturing, and fund-raising. As such, exchanges at

Goto Briefings are held before each meeting of the Board of Directors. If a director raises issue with any of the matters brought up during these briefings, they are revised and re-discussed by the board. Proposals to be brought before the Board of Directors are decided at the Executive Management Committee, which convenes prior to board meetings and consists of representatives from the business execution side of the Company. As we find ourselves unable to approve certain proposals, we sometimes ask the Executive Management Committee about the reasoning behind certain proposals.

Hiruta It is difficult to determine the ideal degree of involvement for outside directors to have in management. It is possible that we are a bit too involved at the moment, a situation that likely arose from concern created by the past scandal. However, I am sure the appropriate level will be found with time, and I believe that the current system is incredibly effective from a governance standpoint. Were I to rate the corporate governance system at Olympus on a scale from 1 to 100, its score would exceed 90.

I do not, however, mean to say that the Company's corporate governance system is without issue. For example, I think that management needs to be more selective with the matters it brings before the board. In Japan, it is rare for a company that is not a Company with Committees to have a majority of outside directors on its board of directors. A more conventional system would entail a board of directors being given responsibility for business execution. If the unique system at Olympus is utilized in the same manner as a conventional system, it will result in matters that could have been entrusted entirely to the business execution side being brought before the Board of Directors for discussion. This situation could cause delays in management decision making, and I therefore believe that this situation needs to be rectified.

Expectations for the Future of Olympus Construction of a New Governance System to Further Business Growth

Goto In recent years, Olympus has been receiving a number of suggestions for its corporate governance system from individuals claiming that their proposals are necessary from a "globalization" standpoint. These critics often make overarching statements about governance systems, like how many outside directors is required, all based on the belief that there is one "right" answer when it comes to governance. Quite the contrary, the best governance system is different for every company. Olympus will need to find its own ideal corporate governance system going forward, and this search should include big-picture discussions on such factors as future business plans.

Hiruta Olympus is currently in the process of restructuring its business centered on the Medical Business. This process is advancing smoothly, and the next steps will be to clarify the direction for future growth strategies and then consider what type of governance system will be ideal for implementing these strategies and realizing their goals. The Medical Business is a field that is demonstrating high growth potential. For this reason, I believe that Olympus will continue to grow if it can find a governance system that suits those future strategies.

CSR Management

The Olympus Group strives to realize better health and happiness for people by being an integral member of society, sharing common values, and proposing new values through its business activities.

Approach to CSR

Through its CSR activities, the Olympus Group responds to the needs and expectations of society and fulfills its obligations and responsibilities. Olympus contributed to society in various ways even before it coined the phrase “Social IN.” However, we believe we should do more. The business environment is constantly changing, and there is also gradual change in the social values that Olympus needs to

share with society and in our management and employees.

Our continuing existence in this environment of constant change and our ability to help people achieve healthy and happy lives depend on the fulfillment of our responsibilities to various stakeholders, namely our employees and their families, customers, business partners, shareholders, local communities, and society.

Establishment of the CSR Committee

Olympus has established the CSR Committee to realize its “Social IN” philosophy by strengthening CSR Companywide.

The task of the CSR Committee is to spread and consolidate CSR activities throughout the Olympus Group by helping the president, who chairs the committee, to make decisions and by promoting and monitoring the application of “the

plan, do, check action” (PDCA) approach to all decisions.

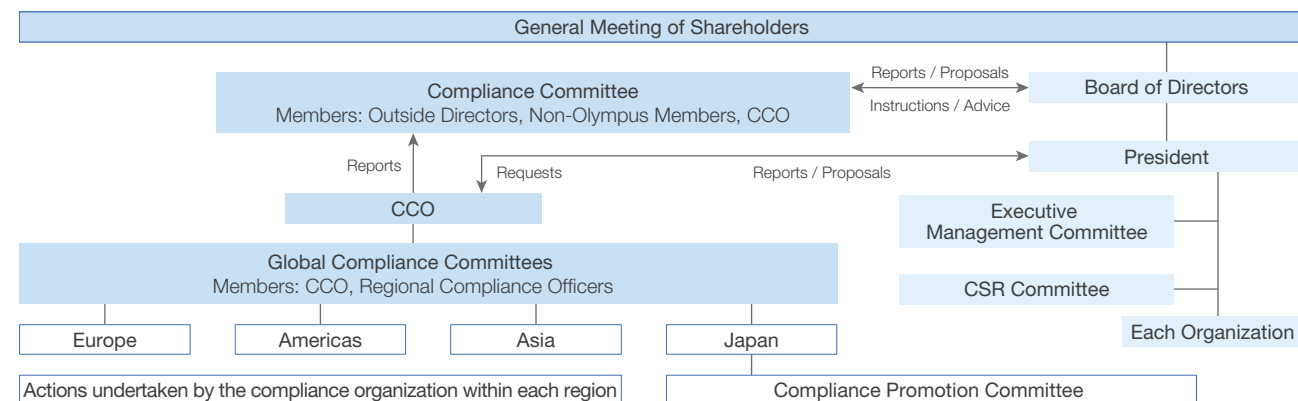
Several promotion committees have been established under the CSR Committee. These work with the CSR Committee to study corporate policies, develop plans, and promote their implementation in the functional areas for which they are responsible.

Compliance Promotion Structure

To clarify compliance-related responsibilities, Olympus has appointed a chief compliance officer (CCO) to manage compliance-related activities. The Company also established the Compliance Committee, chaired by an outside director, to advise the Board of Directors on compliance measures. This committee is membered by the CCO and outside officers and meets quarterly in principle.

In addition, Olympus convenes Global Compliance Committees for compliance officers in regional headquarters worldwide. These committees are convened on a quarterly basis in principle. The purpose of these committees is to examine the global and regional implementation of compliance-related policies and measures as well as to identify issues and institute the necessary improvement initiatives.

Compliance Promotion System



Social Contribution Activities

Japan

Colorectal Cancer Check and Detailed Examination Awareness Campaign in Cooperation with Japanese Government Agencies

In February 2007, Olympus launched the Brave Circle Campaign to eradicate colorectal cancer. The aim of this campaign is to reduce the number of deaths from colorectal cancer by encouraging people in the target age group of 40 years and older to have diagnostic checks and detailed examinations. In July 2009, the Brave Circle Steering Committee, which heads the campaign, was granted the status of special non-profit organization (NPO), and the initiative has evolved into a social contribution activity involving many companies and organizations, including Olympus.

Programs in fiscal 2014 included supplying booklets that explain diagnostic checks and come bundled with information on local check-up opportunities to approximately 1,000 municipalities. In addition, Olympus provided its operational expertise and materials related to holding Colorectal Cancer Quiz Rally events to the cancer inspection departments of 173 municipalities.

Olympus is actively participating in the activities of the Brave Circle Steering Committee as an official sponsor.



Olympus employees volunteering as attendants at an exhibition event held in cooperation with a government agency

North America

Donation of Microscopes to the Smithsonian Museum

In November 2013, Olympus Scientific Solutions Americas Inc. donated a range of equipment to the Smithsonian National Museum of Natural History, a very prominent museum in the United States. The donated equipment included 50 microscopes as well as peripherals, such as digital cameras that attach to the microscopes and related monitors and software. This equipment is used in the new Q?rius wing of the museum, which features a variety of firsthand-experience corners. We hope that the microscopes and other devices will help stimulate children's interest in science.

Q?rius is a facility that allows students and other visitors to interact with scientists and examine more than 6,000 different scientific specimens together with these professionals. The facility enables visitors to experience scientific procedures and learn what skills are necessary to become a scientist in a very hands-on manner. The microscopes donated by Olympus Scientific Solutions Americas are primarily used in exhibits designed to help junior high and high school students have fun in experiencing the link between their daily lives and science firsthand.



Hands-on exhibit at Q?rius

Europe

Donation of 50,000 Euros to Commemorate 50 Years in Hamburg

To commemorate the 50th anniversary of the start of operations in Hamburg, Germany, Olympus donated 50,000 euros to a local cancer center for children. In addition, a charity event was held to celebrate this 50th anniversary, and the proceeds from this event, approximately 4,000 euros, were donated to international non-government organization (NGO) Plan International, which supports children and community growth in developing countries. This donation will be used to support social development and provide care to children afflicted with various illnesses.



Donation of 50,000 euros to a cancer center for children in Hamburg

China

Aid for a Support Facility for Children with Disabilities

Approximately 20 Olympus employees visited a facility in Beijing that supports children with hearing impediments from impoverished families, where they engaged in meaningful interactions with the children. The employees presented gifts of books and stationery, harvested vegetables with the children, and took part in other activities, thereby aiding the rehabilitation of the children's hearing and language skills in a hands-on manner.



Employee volunteers and children at a support facility in Beijing

Environmental Initiatives (Efforts throughout the Life Cycles of Olympus Products)

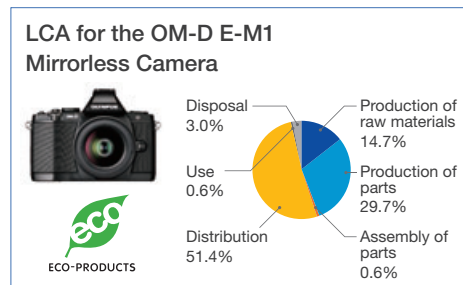
Green Procurement

Olympus has compiled its policies for environmental activities into the Olympus Group Green Procurement Standard, which it provides to all suppliers.

Raw Materials and Auxiliary Materials	
Metals	Steel, aluminum, and brass
Plastics	Optical plastic, acrylonitrile butadiene styrene, polycarbonate, polyethylene, and polypropylene

Product Initiatives

1. Product Life Cycle Assessments
We use the concept of the Olympus Life Cycle Assessment to identify each product's environmental impact.



Energy (total)	Value	% Change
Electric power	1,633TJ	(-6%)
City gas	136.3 million kWh	(-1%)
LPG	2,179 million m ³	(-11%)
LNG	694t	(+6%)
Heavy fuel oil	1,153t	(-3%)
Kerosene	315kl	(-18%)
Diesel fuel	37kl	(-25%)
Gasoline	2,380kl	(-45%)
	30kl	(-16%)

Office Supplies	Value	% Change
Copy paper	121t	(+16%)
Chemical Substances (PRTR substances handled)	39t	(-18%)
Water		
Piped water	0.42 million m ³	(-7%)
Ground water	0.76 million m ³	(-5%)

2. Olympus Eco-Products

Based on its Eco-Products Administration Rules, Olympus certifies products that meet its own standards for environmentally conscious products as "Olympus Eco-Products." Products that make even more significant contributions to the reduction of environmental impacts are classified as "Super Eco-Products." In fiscal 2014, 36 products were added to the list of Olympus Eco-Products, bringing the cumulative total to 503, including 9 Super Eco-Products.

Use of Packaging Materials (total)	Value	% Change
Cardboard	841t	(-55%)
Paper	499t	(-63%)
Plastic	175t	(-39%)
Metal	115t	(-40%)
Glass	1t	(-*)
Others	0t	(0%)
Transportation Fuel	52t	(0%)
Transportation fuel	Gasoline, diesel fuel, etc.	

Eco-Products System

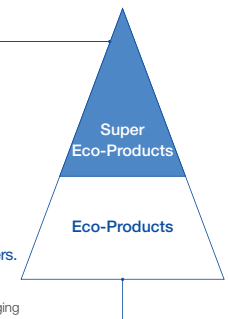
Super Eco-Products Standards

1. Compared to the predecessor as its basis ^(*), the rate of greenhouse gas emissions reduction is 50% or more ^(**).
2. Compared to the predecessor as its basis ^(*), the rate of mass reduction is 30% or more ^(**).
3. Equipped with innovative environmentally conscious technology.
4. Received environment-related awards from outsiders.

*1. Normally in comparison with fiscal 2007 products
*2. Calculated on an LCA basis
*3. Total mass, including the product, accessories, and packaging

Eco-Products Standards

- Safety/Environmental protection
- Energy conservation
- Resource conservation (3Rs)
- Disclosure of environmental information



* Not used in fiscal 2013
● Production facilities in Japan only ■ Global production facilities
Percentage change from previous year in brackets

INPUT

Procurement

Research and Development

Production

Logistics

Sales

Repair and Service

Waste

OUTPUT

Greenhouse Gases (total)	Value	% Change
CO ₂ generated from energy	92,682t-CO ₂	(-7%)
CO ₂ not generated from energy	92,631t-CO ₂	(-7%)
	51t-CO ₂	(+55%)
Substances Emitted		
NOx	90t	(-29%)
SOx	0.4t	(-18%)
Discharge		
Waste discharged	3,859t	(-1%)
Amount recycled	3,684t	(+1%)

Chemical Substances (PRTR substances emitted)	Value	% Change
	26t	(+15%)
Discharge to Water Systems		
Water discharged (public waters)	0.63 million m ³	(-7%)
Water discharged (sewage)	0.54 million m ³	(-3%)
BOD	2t	(+5%)

CO ₂ Emissions during Transportation (total)	Value	% Change
CO ₂ (Japan)	52,560t-CO ₂	(-12%)
CO ₂ (international)	1,898t-CO ₂	(-2%)
	50,662t-CO ₂	(-12%)

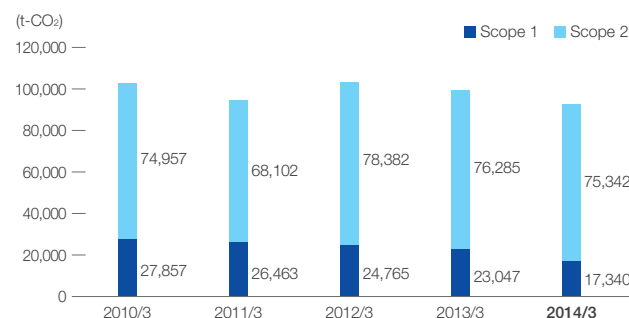
Major Products (total)	Value	% Change
Endoscopes	2,278t	(-33%)
Microscopes	985t	(+19%)
Digital cameras	579t	(+14%)
Recorders	577t	(-69%)
	137t	(-37%)

For more information regarding CSR activities, please refer to the website link below.
<http://www.olympus-global.com/en/csr/>

CO₂ Emissions Reduction

CO₂ emissions volume reduced 7% year on year in fiscal 2014. The majority of the energy consumed by Olympus is in the form of electricity. In order to reduce electricity usage, we are promoting energy-saving activities in daily operations, introducing renewable energy, and developing manufacturing technologies that use less energy and resources. In this manner, the Company is working to reduce the environmental impact of its manufacturing operations.

CO₂ Emissions at Manufacturing Sites ^(*)1, 2)

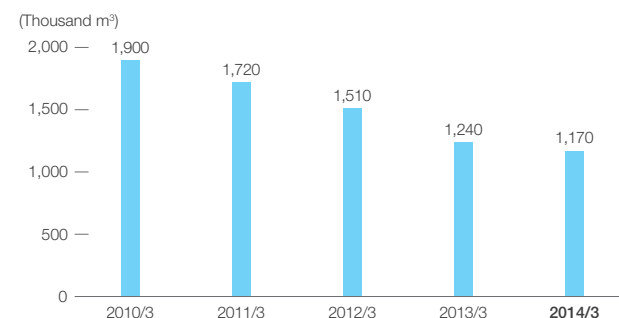


*1 Changes at all domestic and overseas manufacturing sites only *2 Olympus reports in the following categories under the GHG Protocol.
Scope 1: Greenhouse gas emissions resulting from the direct use of fossil fuels Scope 2: Greenhouse gas emissions resulting from secondary utilization, such as the purchase of electric power

Water Resource Preservation

Water usage volume reduced 5% year on year in fiscal 2014. Olympus uses water to wash product components. To reduce water usage, the Company is continually developing production methods that require less water and inspecting equipment to prevent leakage. We are also working to minimize environmental impacts by monitoring wastewater treatment facilities and conducting appropriate maintenance and by managing the quality of wastewater.

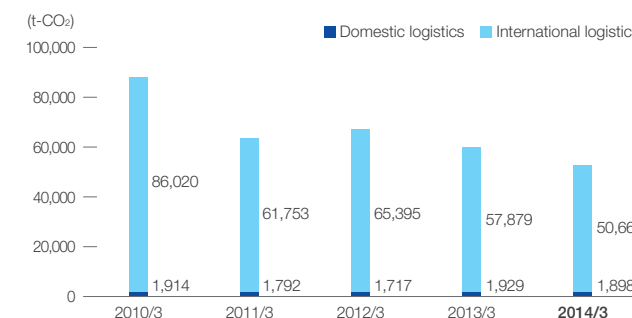
Water Use



Logistics-Related Initiatives

Volume of CO₂ emissions from logistics reduced 12% year on year in fiscal 2014. Olympus is working to reduce CO₂ emissions from logistics by lowering transportation loads through the reduction of product and packaging weights, improving transportation efficiency, and accelerating the modal shift toward transportation methods that produce less CO₂.

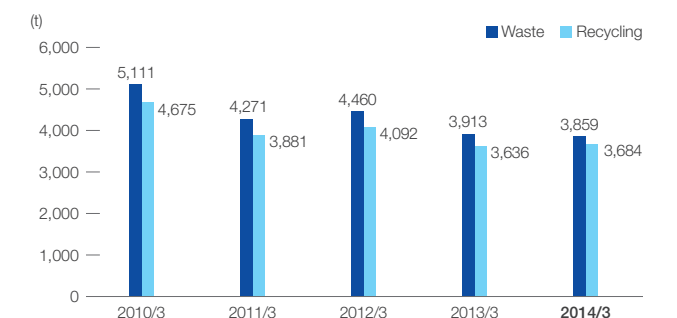
Transportation-Related CO₂ Emissions



Effective Utilization of Resources

Waste emissions volume reduced 1% year on year in fiscal 2014. Olympus continues to pursue higher resource productivity in its manufacturing activities through efforts on various levels. These efforts include the contraction of disposal at landfills, the improvement of recycling ratios, the reduction of processing losses, and the design of products to minimize waste.

Waste Emissions and Recycling



Management Structure (As of June 26, 2014)



Directors

A Chairman

Yasuyuki Kimoto

(Date of birth: February 26, 1949)
 Apr. 1971 Joined The Sumitomo Bank, Limited (current Sumitomo Mitsui Banking Corporation)
 Jun. 1998 Director, The Sumitomo Bank, Limited
 Jun. 1999 Executive Officer, The Sumitomo Bank, Limited
 Jun. 2002 Managing Executive Officer, Sumitomo Mitsui Banking Corporation
 Apr. 2004 Managing Director and Managing Executive Officer, Sumitomo Mitsui Banking Corporation
 Jun. 2005 Senior Managing Director and Senior Managing Executive Officer, Sumitomo Mitsui Banking Corporation
 May 2006 President and CEO, The Japan Research Institute, Limited
 Apr. 2012 Special Advisor, The Japan Research Institute, Limited
 Chairman, Olympus (present)

B President and Representative Director

Hiroyuki Sasa

(Date of birth: September 14, 1955)
 Apr. 1982 Joined the Company
 Apr. 2001 General Manager, Endoscope Business Planning Dept., Olympus
 Apr. 2005 Division Manager, First Development Div., Olympus Medical Systems Corp.
 Apr. 2007 Division Manager, Marketing Div., Olympus Medical Systems Corp.
 Jun. 2007 Executive Officer, Olympus
 Director, Olympus Medical Systems Corp.
 Apr. 2012 President and Representative Director, Olympus (present)

C Director, Senior Executive Managing Officer

Hideaki Fujizuka

(Date of birth: September 1, 1955)
 Apr. 1980 Joined The Mitsubishi Bank, Limited (current The Bank of Tokyo-Mitsubishi UFJ, Ltd.)
 Jun. 2007 Executive Officer, The Bank of Tokyo-Mitsubishi UFJ, Ltd.
 Jun. 2010 President and Director, Chitose Kosan Co., Ltd.
 Apr. 2012 Director, Olympus (present)
 Senior Executive Managing Officer, Olympus (present)
 Group President of the Corporate Center, Olympus (present)
 Apr. 2013 Officer in charge of Olympus Business Creation Corp.

D Director, Senior Executive Managing Officer

Yasuo Takeuchi

(Date of birth: February 25, 1957)
 Apr. 1980 Joined the Company
 Apr. 2005 General Division Manager, Olympus Medical Systems Corp.
 Apr. 2009 Director, Olympus Europa Holding GmbH
 Jun. 2009 Executive Officer, Olympus
 Oct. 2011 Executive Managing Director and Chairman of the Board, Olympus Europa Holding GmbH
 Apr. 2012 Director, Olympus (present)
 Senior Executive Managing Officer, Olympus (present)
 Group President of the Group Management Office, Olympus (present)
 Chairman of the Board, Olympus Corporation of the Americas (present)
 Mar. 2013 Administrative Board and Managing Director, Olympus Europa Holding SE (present)

E Director, Executive Managing Officer

Shigeo Hayashi

(Date of birth: August 21, 1957)
 Apr. 1981 Joined the Company
 Apr. 2003 Production Innovation Manager, Business Strategy Dept., Olympus
 Jan. 2006 General Manager, Production Research Dept., Olympus
 Apr. 2008 Head, Ina Factory, Olympus
 Jun. 2009 Executive Officer, Olympus
 Apr. 2010 Division Manager, Manufacturing Technology Div., Corporate Monozukuri Innovation Center, Olympus
 Oct. 2011 President and Representative Director, Nagano Olympus Co., Ltd.
 Apr. 2012 Director, Olympus (present)
 Executive Managing Officer, Olympus (present)
 Group President of Corporate Monozukuri Innovation Center, Olympus (present)

F Outside Director

Takuya Goto

(Date of birth: August 19, 1940)
 Apr. 1964 Joined Kao Soap Co., Ltd. (current Kao Corporation)
 Jun. 1990 Director, Kao Corporation
 Jul. 1991 Director and Executive Vice President, Kao Corporation
 Jun. 1996 Director and Senior Executive Vice President, Kao Corporation
 Jun. 1997 Representative Director, President and Chief Executive Officer, Kao Corporation
 Jun. 2004 Chairman of the Board, Kao Corporation
 Mar. 2005 Director, Asahi Glass Co., Ltd.
 Jun. 2005 Director, Nagase & Co., Ltd.
 Jun. 2006 Director, Ricoh Company, Ltd.
 Jun. 2008 Advisor, Kao Corporation
 Jun. 2011 Director, JSR Corporation (present)
 Apr. 2012 Director, Olympus (present)

[Important concurrent positions]
 Director, JSR Corporation
 President, Japan Marketing Association
 President, Asia Marketing Federation

G Outside Director

Shiro Hiruta

(Date of birth: December 20, 1941)
 Apr. 1964 Joined Asahi Chemical Industry Co., Ltd. (current Asahi Kasei Corporation)
 Jun. 1997 Director, Asahi Chemical Industry Co., Ltd.
 Jun. 1999 Managing Director, Asahi Chemical Industry Co., Ltd.
 Jun. 2001 Senior Managing Director, Asahi Kasei Corporation
 Jun. 2002 Executive Vice President, Asahi Kasei Corporation
 Apr. 2003 President and Representative Director, Asahi Kasei Corporation
 Apr. 2010 Director and Senior Advisor, Asahi Kasei Corporation
 Jun. 2010 Senior Advisor, Asahi Kasei Corporation
 Mar. 2011 Audit & Supervisory Board Member, Nikkei Inc. (present)
 Apr. 2012 Director, Olympus (present)
 Jun. 2013 Standing Counselor Adviser, Asahi Kasei Corporation (present)

[Important concurrent position]
 Audit & Supervisory Board Member, Nikkei Inc.

H Outside Director

Sumitaka Fujita

(Date of birth: December 24, 1942)
 Apr. 1965 Joined ITOCHU Corporation
 Jun. 1995 Director, ITOCHU Corporation
 Apr. 1997 Managing Director, ITOCHU Corporation
 Apr. 1998 Representative Managing Director, ITOCHU Corporation
 Apr. 1999 Representative Senior Managing Director, ITOCHU Corporation
 Apr. 2001 Representative Executive Vice President, ITOCHU Corporation
 Apr. 2006 Representative Vice Chairman, ITOCHU Corporation
 Jun. 2006 Vice Chairman, ITOCHU Corporation
 Jun. 2007 Director, Orient Corporation
 Jun. 2008 Senior Corporate Adviser, ITOCHU Corporation
 Director, Furukawa Electric Co., Ltd. (present)
 Audit & Supervisory Board Member, NIPPONKOA Insurance Company, Limited
 Jun. 2009 Director, Nippon Sheet Glass Co., Ltd. (present)
 Apr. 2010 Director, NKSJ Holdings, Inc.
 Jul. 2011 Advisory Member, ITOCHU Corporation (present)
 Apr. 2012 Director, Olympus (present)

[Important concurrent positions]
 Director, Furukawa Electric Co., Ltd.
 Director, Nippon Sheet Glass Co., Ltd.
 Chairman, Japan Association for CFOs

I Outside Director

Motoyoshi Nishikawa

(Date of birth: January 1, 1946)
 Apr. 1968 Joined Yawata Iron & Steel Co., Ltd. (current Nippon Steel & Sumitomo Metal Corporation)
 Jun. 1997 Director, Nippon Steel Corporation (current Nippon Steel & Sumitomo Metal Corporation)
 Apr. 2001 Managing Director, Nippon Steel Corporation
 Jun. 2003 Senior Advisor (Chief Legal Counsel), Nippon Steel Corporation
 Jul. 2007 Advisor, Nippon Steel Corporation
 Jun. 2009 Audit & Supervisory Board Member, NITTETSU ELEX Co., Ltd. (current NIPPON STEEL & SUMIKIN TEXENG. CO., LTD.)
 Apr. 2010 Audit & Supervisory Board Member, NKSJ Holdings, Inc. (present)
 Jul. 2011 Registered as attorney-at-law at TOKYO BAR ASSOCIATION
 Joined Nomura & Partners (present)
 Apr. 2012 Director, Olympus (present)

J Outside Director

Hikari Imai

(Date of birth: July 23, 1949)
 Apr. 1974 Joined Yamaichi Securities Co., Ltd.
 Jan. 1986 Joined Morgan Stanley Japan Limited
 Apr. 1993 Joined Merrill Lynch Japan Incorporated
 Jan. 1999 Deputy Chairman, Merrill Lynch Japan Securities Co., Ltd.
 Nov. 2007 Vice-President and Director, RECOF Corporation
 Apr. 2008 President and Representative Director, RECOF Corporation
 Apr. 2012 Director, Olympus (present)

K Outside Director

Kiyotaka Fujii

(Date of birth: February 10, 1957)
 Apr. 1981 Joined McKinsey & Company
 Sep. 1986 Joined The First Boston Corporation
 Jun. 1993 Vice-President and Director, Booz Allen Hamilton Japan Inc.
 Sep. 1997 President and Representative Director, Cadence Design Systems, Japan
 Jan. 2000 President, SAP Japan Co., Ltd.
 May 2006 President and Representative Director, Louis Vuitton Japan Company, LVJ Group K.K.
 May 2008 Representative Director & President, Eastgate Group, Inc. (present)
 Oct. 2008 President, Better Place Japan Co., Ltd.
 Apr. 2012 Director, Olympus (present)
 Aug. 2012 Representative Director & President, Hailo Network Japan Co., Ltd. (present)
 Apr. 2014 Representative Director & President, The RealReal Japan Inc. (present)

[Important concurrent positions]
 Representative Director & President, Eastgate Group, Inc.
 Representative Director & President, Hailo Network Japan Co., Ltd.
 Representative Director & President, The RealReal Japan Inc.

L Outside Director

Keiko Unotoro

(Date of birth: October 26, 1954)
 Apr. 1977 Joined Secretariat of Japan Fair Trade Commission (JFTC)
 Apr. 2000 Part-time teacher, Senshu University Graduate School (present)
 Jun. 2004 Chief Hearing Examiner, General Secretariat, JFTC
 Jan. 2007 Director, Trade Practices Department of Economic Affairs Bureau, JFTC
 Jun. 2008 Senior Deputy Secretary General, Secretariat, JFTC
 Jan. 2011 Director General, Economic Affairs Bureau, JFTC
 Nov. 2012 Advisor, Oh-Ebashi LPC & Partners (present)
 Apr. 2013 Professor, Faculty of Modern Business Administration, Toyo Gakuen University (present)
 Jun. 2013 Director, Olympus (present)

[Important concurrent position]
 Professor, Faculty of Modern Business Administration, Toyo Gakuen University

M Outside Director

Masaru Kato

(Date of birth: February 22, 1952)
 Apr. 1977 Joined Sony Corporation
 Jun. 1997 Corporate Executive Officer, Sony Computer Entertainment Inc.
 Jun. 2000 Member of the Board, Sony Computer Entertainment Inc.
 Jul. 2002 Deputy President and Chief Financial Officer, Sony Computer Entertainment Inc.
 Jul. 2005 Representative Director of the Board, Sony Computer Entertainment Inc.
 Jun. 2009 SVP Corporate Executive, Deputy CFO, Sony Corporation
 Jun. 2010 EVP and CFO, Corporate Executive Officer, Sony Corporation
 Director, Sony Financial Holdings Inc.
 Jun. 2012 Director, Sony Corporation
 Jun. 2013 Representative Corporate Executive Officer, Sony Corporation
 Apr. 2014 Vice Chairman, Sony Corporation (present)
 Jun. 2014 Director, Olympus (present)

[Important concurrent position]
 Vice Chairman, Sony Corporation

Audit & Supervisory Board Members



A Standing Audit & Supervisory Board Member

Takashi Saito

(Date of birth: February 11, 1952)
 Apr. 1976 Joined the Company
 Jun. 2005 Executive Officer
 Apr. 2006 Division Manager, Business Support Div.
 Jun. 2007 President and Representative Director,
 Aizu Olympus Co., Ltd.
 Jun. 2010 Executive Managing Officer, Olympus
 President and Representative Director, Olympus Medical Science Sales Corp.
 Apr. 2012 Standing Audit & Supervisory Board Member, Olympus (present)

B Standing Audit & Supervisory Board Member

Masashi Shimizu

(Date of birth: December 19, 1957)
 Apr. 1982 Joined Nippon Life Insurance Company
 Mar. 2007 General Manager, Credit Department, Nippon Life Insurance Company
 Apr. 2012 Standing Audit & Supervisory Board Member, Olympus (present)

C Outside Audit & Supervisory Board Member

Nobuo Nagoya

(Date of birth: January 30, 1945)
 Oct. 1968 Joined Iwao Goto CPA Office
 Aug. 1970 Registered as certified public accountant
 Jun. 1971 Registered as certified public tax accountant
 Apr. 1978 Partner, Shinko Audit Corporation
 Feb. 1989 Managing Partner, Chuo Shinko Audit Corporation
 Oct. 2006 Chief, Nagoya CPA Office (present)
 Jun. 2009 Auditor, Core Corporation
 Apr. 2012 Audit & Supervisory Board Member, Olympus (present)

[Important concurrent position]
 Chief, Nagoya CPA Office

D Outside Audit & Supervisory Board Member

Katsuya Natori

(Date of birth: May 15, 1959)
 Apr. 1986 Joined Masuda and Ejiri Law Office (current Nishimura & Asahi)
 Jun. 1990 Joined Davis Wright Tremaine LLP
 Jul. 1992 Joined Wilmer, Cutler & Pickering
 Jul. 1993 Joined Esso Petroleum Corporation
 Jan. 1995 Joined Apple Japan, Inc.
 Jan. 1997 Director, Sun Microsystems, Inc.
 Mar. 2002 Senior Vice President, Fast Retailing Co., Ltd.
 Jan. 2004 Vice President, IBM Japan, Ltd.
 Apr. 2010 Executive Officer, IBM Japan, Ltd.
 Feb. 2012 Chief, Natori Law Office (present)
 Apr. 2012 Audit & Supervisory Board Member, Olympus (present)

[Important concurrent position]
 Chief, Natori Law Office

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^(*) (%)	10.7%	13.1%	9.9%	9.5%	10.6%	16.8%
EBITDA margin (Medical Business) ^(**) (%)	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 ^(***)	1,038,253	1,104,528	1,019,160	966,526	960,239	1,027,475
Total net assets ^(***)	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 ^(***) (yen)	387.31	576.63	421.37	167.76	493.30	962.83
Price earnings ratio (PER) ^(***) (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 ^(***)	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.

Message from the Director in Charge of Finance

Financial Strategy: Improve Capital Efficiency

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



Yasuo Takeuchi
Director, Senior Executive
Managing Officer

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, Financial Position, and Cash Flows

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.

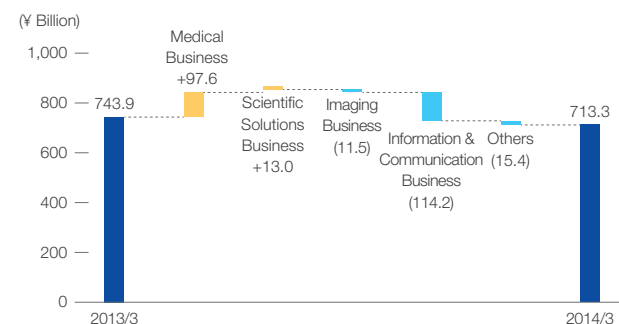
Looking at the Olympus Group’s focus business areas, in the Medical Business, sales of new products in our flagship gastrointestinal endoscope field grew substantially in Japan and overseas, and we strove to strengthen our sales system to achieve further growth in the surgical device field. In the Scientific 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

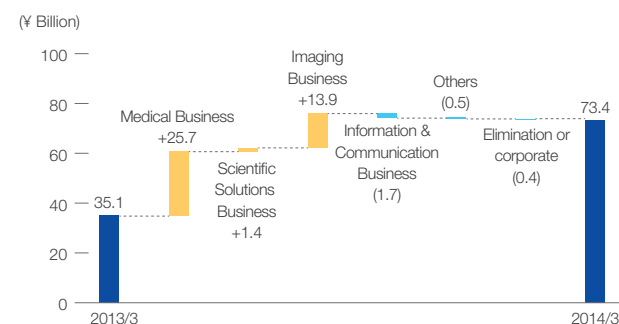
Consolidated net sales decreased 4.1% year on year, to ¥713,286 million, as a result of the transference of the Information & Communication Business in September

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.

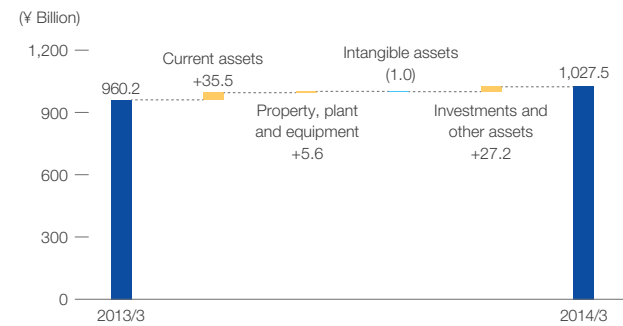
Given this environment, the Olympus Group will steadily advance the four basic strategies geared toward accomplishing the goals of the medium-term vision. We will also prepare for the period after the medium-term vision. As part of this undertaking, we will conduct strategic investment in the core Medical 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.



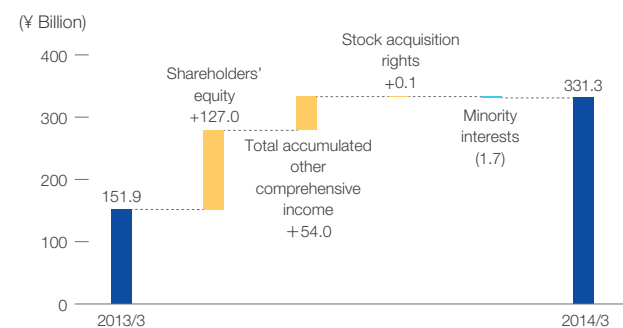
Liabilities

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.

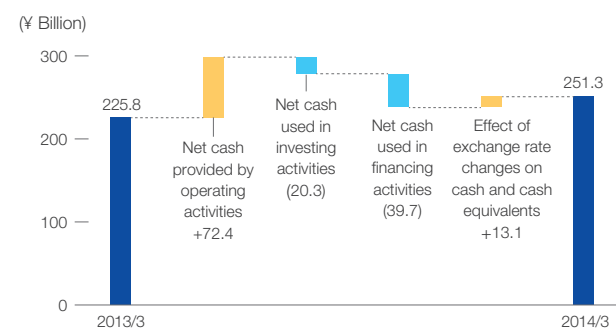
Cash Flows from Investing Activities

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

- 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.
- 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.

- 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

- 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.
- 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.
- 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.
- 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.
- 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

- 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.

Notes to the Consolidated Financial Statements

Olympus Corporation and Consolidated Subsidiaries

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:

	Millions of yen		
	Carrying value	Estimated fair value	Difference
As of March 31, 2013			
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)	¥ —

	Millions of yen		
	Carrying value	Estimated fair value	Difference
As of March 31, 2014			
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)	¥ —

	Thousands of U.S. dollars		
	Carrying value	Estimated fair value	Difference
As of March 31, 2014			
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

	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	¥ —	¥ —

	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	Thousands of U.S. dollars		
		Over a year but within five years	Over five years but within ten years	Over ten years
As of March 31, 2014				
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	Millions of yen				
		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
As of March 31, 2013						
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	Millions of yen				
		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
As of March 31, 2014						
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	Thousands of U.S. dollars				
		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
As of March 31, 2014						
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	2013	2014	2014
	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Equity securities	¥25,262	¥34,386	¥9,124	¥32,898	¥48,850	¥15,952
Others	—	—	—	—	—	—
Total	¥25,262	¥34,386	¥9,124	¥32,898	¥48,850	¥15,952

Securities with book value not exceeding acquisition cost

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

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	2013	2014	2014
	Sales proceeds	Aggregate gain	Aggregate loss	Sales proceeds	Aggregate gain	Aggregate loss
Equity securities	¥5,901	¥2,302	¥1,754	¥931	¥554	¥—
Others	543	340	—	3	2	—
Total	¥6,444	¥2,642	¥1,754	¥931	¥556	¥—

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	2013	2014
Investments in unconsolidated subsidiaries and affiliates	¥2,126	¥2,410	¥2,398
Total	¥2,126	¥2,410	¥2,398

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:

	Millions of yen		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
	2013	2014	U.S. dollars
(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
	2013	2014	U.S. dollars
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	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	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	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	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	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	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, 2014
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:

- 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.
- 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:

- 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).
- 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.
- 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		¥ 200
	Buildings and structures		1,236
	Tools, furniture and fixtures		713
	Machinery and equipment	Tokyo, Guangdong	573
	Construction in process	Province in China	66
	Right of using facilities	and others	47
	Patent		102
	Software, etc.		364
	Long-term prepaid expenses		432
	Assets used for Others Business	Land	
Buildings and structures			579
Tools, furniture and fixtures			8
Machinery and equipment			328
Construction in process			3
Leased assets		Massachusetts in	24
Goodwill		America and others	16
Patent			19
Software, etc.			11
Technology-related assets			1,031
Assets scheduled for disposal	Marketing rights		348
	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		¥2,394	\$23,243
	Tools, furniture and fixtures		137	1,330
	Machinery and equipment	Tokyo,	906	8,796
	Construction in process	Massachusetts in	340	3,301
	Goodwill	America and others	174	1,689
	Long-term prepaid expenses		400	3,883
	Idle properties	Buildings and structures	Fukushima	488
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 (Equivalent amount)	Millions of yen		Thousands of U.S. dollars
	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

(Future lease payments)	Millions of yen		Thousands of U.S. dollars
	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 (Lease payments and pro forma information)	Millions of yen		Thousands of U.S. dollars
	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:

As of March 31, 2013	Millions of yen			Thousands of U.S. dollars		
	Due within one year	Due after one year	Total minimum lease payments	Due within one year	Due after one year	Total minimum lease payments
	¥301	¥258	¥559			
As of March 31, 2014	Millions of yen			Thousands of U.S. dollars		
	Due within one year	Due after one year	Total minimum lease payments	Due within one year	Due after one year	Total minimum lease payments
	¥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					
	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
As of March 31, 2013						
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					
	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
As of March 31, 2014						
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					
	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
As of March 31, 2014						
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			Thousands of U.S. dollars		
	Due within one year	Due after one year	Total minimum lease payments	Due within one year	Due after one year	Total minimum lease payments
As of March 31, 2013						
	¥2,685	¥3,029	¥5,714			
As of March 31, 2014						
	¥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

As of March 31, 2013	Millions of yen			As of March 31, 2014	Thousands of U.S. dollars		
	Notional amount	Fair value	Unrealized gain or (loss)		Notional amount	Fair value	Unrealized gain or (loss)
Foreign exchange forward contracts:							
To buy U.S. dollars	¥ 115	¥ 1	¥ 1	\$ 3,845	\$ 87	\$ 87	
To buy other currencies	17,061	(183)	(183)	196,049	(2,612)	(2,612)	
To sell U.S. dollars	1,354	(26)	(26)	32,155	(301)	(301)	
To sell other currencies	4,391	(74)	(74)	30,379	58	58	
Foreign exchange option contracts:							
Put option	3,967	80	80	34,796	1,495	1,495	
Foreign currency swap contracts:							
Receive British pounds / pay Euro	2,081	(8)	(8)	13,767	3	3	
Receive other currencies / pay other currencies	5,888	7	7	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		As of March 31, 2014	Millions of yen		Thousands of U.S. dollars	
	Notional amount	Fair value		Notional amount	Fair value	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	*	11,243	*	109,155	*	
To buy other currencies	25	*	6	*	58	*	
To sell U.S. dollars	23,834	*	39,765	*	386,068	*	
To sell other currencies	7,531	*	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	347,295	**	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
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
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					Consolidated Total
	Medical	Life Science and Industrial	Imaging	Information and Communication	Others	
2013						
Outstanding balance of goodwill	¥101,534	¥3,919	¥—	¥—	¥893	¥106,346
2014						
Outstanding balance of goodwill	¥103,745	¥3,005	¥—	¥—	¥100	¥106,850
	Thousands of U.S. dollars					Consolidated Total
	Medical	Life Science and Industrial	Imaging	Information and Communication	Others	
2014						
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.

	Yen		U.S. dollars
	2013	2014	2014
For the years ended March 31:			
Net income:			
Basic	¥28.96	¥41.05	\$0.399
Diluted	¥ —	¥41.04	\$0.398
As of March 31:			
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 divestiture

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.

Independent Auditor's Report



Ernst & Young ShinNihon LLC
Hibiya Kokusai Bldg.
2-2-3 Uchisaiwai-cho, Chiyoda-ku
Tokyo, Japan 100-0011
Tel: +81 3 3503 1100
Fax: +81 3 3503 1197
www.shinnihon.or.jp

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.



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

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:

- 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.
- On April 1, 2014, the Life Science & Industrial Business was renamed the Scientific Solutions Business.

Net Sales by Region

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:

- 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.
- On April 1, 2014, the Life Science & Industrial Business was renamed the Scientific Solutions Business.

Net Sales by Product

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:

- 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.
- 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.
- 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.
- In the fiscal year ended March 31, 2010 (on August 3, 2009), the Diagnostic Systems Business was divested.
- On April 1, 2014, the Life Science & Industrial Business was renamed the Scientific Solutions Business.

Olympus Group Companies

(As of June 30, 2014)

Total number of companies: 155 (150 subsidiaries and 5 affiliates)

Principal Business Bases

Olympus Corporation

Olympus Medical Systems Corp.

Olympus Imaging Corp.

Shinjuku Monolith,
3-1 Nishi-Shinjuku 2-chome,
Shinjuku-ku, Tokyo 163-0914, Japan
Tel: +81-3-3340-2111
Fax: +81-3-3340-2062
http://www.olympus-global.com/en/

Olympus Corporation of the Americas

Olympus America Inc.

Olympus Imaging America Inc.

3500 Corporate Parkway,
P.O. Box 610, Center Valley,
PA 18034-0610, U.S.A.
Tel: +1-484-896-5000
http://www.olympusamerica.com/

Olympus Europa SE & Co. KG

Wendenstrasse 14-18,
20097 Hamburg, Germany
Tel: +49-40-23-77-30
http://www.olympus-europa.com/

Olympus Corporation of Asia Pacific Limited

L43, Office Tower, Langham Place,
8 Argyle Street, Mongkok, Kowloon, Hong Kong
Tel: +852-2481-7812

Consolidated Subsidiaries and Affiliated Companies

Domestic

Olympus Medical Systems Corp.

(Tokyo)
Manufacture and sale of medical equipment
and other medical devices

Olympus Imaging Corp.

(Tokyo)
Manufacture and sale of digital cameras
and voice recorders

Nagano Olympus Co., Ltd.

(Nagano)
Development, manufacture, and repair of
products related to industrial videoscopes
Manufacture of products related to images, such
as camera interchangeable lenses, and medical
treatment devices, such as endoscopes

Aizu Olympus Co., Ltd.

(Fukushima)
Manufacture of medical and
industrial endoscopes

Aomori Olympus Co., Ltd.

(Aomori)
Manufacture of medical endoscope
related products

Shirakawa Olympus Co., Ltd.

(Fukushima)
Development and manufacture of medical
endoscopy systems

Olympus Systems Co., Ltd.

(Tokyo)
Information services and system development

Olympus Software Technology Corp.

(Tokyo)
Development of software for Olympus products

Olympus Logitex Co., Ltd.

(Kanagawa)
Distribution center

Olympus Engineering Co., Ltd.

(Tokyo)
Development and manufacture in
Scientific Solutions equipment segments

Olympus Intellectual Property Services Co., Ltd.

(Tokyo)
Search and prosecution support of patents
and trademarks

Olympus Medical Science Sales Corp.

(Tokyo)
Sale and service of optical and medical
equipment

Olympus Terumo Biomaterials Corp.

(Tokyo)
Research and development and manufacture
and sale in the biomaterial field

Olympus Digital System Design Corp.

(Tokyo)
Research and development of sophisticated
digital system design technology

Olympus-Supportmate Corp.

(Tokyo)
Provision of cleaning services
Promotion of employment in the Olympus Group
companies for the disabled

Olympus Memory Works Corp.

(Tokyo)
Planning, manufacture, and sale of
network-related products and services

Sony Olympus Medical Solutions Inc.

(Tokyo)
Development of medical products

(11 others)

Overseas

Olympus Corporation of the Americas

(Pennsylvania, U.S.A.)
Regional business center in U.S., Canada,
and Latin America

Olympus America Inc.

(Pennsylvania, U.S.A.)
Head office operations in U.S.

Olympus Imaging America Inc.

(Pennsylvania, U.S.A.)
Sales and service of imaging products in U.S.

Olympus Latin America, Inc.

(Florida, U.S.A.)
Sale and service of medical endoscopes
and microscopes in Latin America

Gyrus ACMI, Inc.

(Massachusetts, U.S.A.)
Development, manufacture, and sale
of medical devices

Olympus Canada Inc.

(Ontario, Canada)
Sales of product lines except imaging products
and UT and ECT instruments

Olympus NDT Canada Inc.

(Québec, Canada)
Manufacture and service of advanced UT
and ECT instruments and systems

Olympus Europa SE & Co. KG

(Hamburg, Germany)
Regional business center, and marketing and
sales of all product lines in Europe

Olympus Soft Imaging Solution GmbH

(Münster, Germany)
Development, manufacture, and sale of complete
microscope system solutions

Olympus Deutschland GmbH

(Hamburg, Germany)
Sales of all product lines in Germany

Olympus Winter & Ibe GmbH

(Hamburg, Germany)
Development, manufacture, and sale of medical
rigid endoscopes and peripheral instruments

KeyMed (Medical & Industrial Equipment) Ltd.

(Essex, U.K.)
Sales of all product lines, and development
and manufacture of endoscopes and related
equipment

Olympus France S.A.S.

(Rungis Cedex, France)
Sales of all product lines in France

Olympus Moscow Limited Liability Company

(Moscow, Russia)
Sales of all product lines and service
of digital cameras and medical endoscopes
in Russia and CIS

Olympus Corporation of Asia Pacific Limited

(Hong Kong)
Regional business center in Asia and Oceania

Olympus Hong Kong and China Limited

(Hong Kong)
Marketing of imaging and medical products
in Hong Kong region

Olympus (Shenzhen) Industrial Ltd.

(Shenzhen, China)
Manufacture of imaging products

Olympus (China) Co., Ltd.

(Beijing, China)
Head office operations in China, Micro-Imaging
System Division, Industrial Endoscope Dept.

Olympus (Guangzhou) Industrial Co., Ltd.

(Guangzhou, China)
Manufacturing of microscope products and medical
related equipment. Repairs of medical endoscope
related products in southern part of China

Olympus (Beijing) Sales & Service Co., Ltd.

(Beijing, China)
Sale and service of medical equipment in China

Olympus Trading (Shanghai) Limited

(Shanghai, China)
International trading; distribution center in China;
Distribution after sales service of medical
equipment

Olympus Korea Co., Ltd.

(Seoul, South Korea)
Sale of imaging products and medical
endoscopes in South Korea

Olympus Singapore Pte Ltd

(Singapore)
Sales of all product lines in ASEAN,
India, and Pakistan

Olympus Imaging Singapore Pte. Ltd.

(Singapore)
Sale and service of imaging products
in Singapore

Olympus Soft Imaging Solutions Pte. Ltd.

(Singapore)
Sale of complete microscope system solutions
in South East Asia

Olympus (Malaysia) Sdn. Bhd.

(Kuala Lumpur, Malaysia)
Sale of imaging products in Malaysia

Olympus (Thailand) Co., Ltd.

(Bangkok, Thailand)
Import, sale, and service of endoscopes
in Thailand

Olympus Medical Systems Vietnam Co., Ltd.

(Hanoi, Vietnam)
Service of medical endoscope related products
in Vietnam

Olympus Medical Systems India Private Limited

(Haryana, India)
Marketing, sale, and service of medical
equipment in India

Olympus Imaging India Private Limited

(Mumbai, India)
Marketing and service of digital cameras
and digital voice recorders in India

Olympus Australia Pty Ltd

(Victoria, Australia)
Sale and service of medical and industrial
endoscopes, microscopes, and UT and ECT
instruments in Australia, New Zealand, Papua
New Guinea, Tahiti, and the South Pacific region

Olympus Imaging Australia Pty Ltd

(New South Wales, Australia)
Sale and service of imaging products in Australia,
New Zealand, Papua New Guinea, Tahiti, and the
South Pacific region

Olympus New Zealand Limited

(Auckland, New Zealand)
Sale and service of endoscopes and
microscopes in New Zealand

(94 others)

Corporate Information

Company Outline

(As of March 31, 2014)

Company Name:	Olympus Corporation
Established:	October 12, 1919
President / Representative Director:	Hiroyuki Sasa
Head Office:	Shinjuku Monolith, 3-1 Nishi-Shinjuku 2-chome, Shinjuku-ku, Tokyo 163-0914, Japan
Capital:	¥124,520 million
Consolidated Headcount:	30,702 (Excludes temporary employees, average of 2,978 for fiscal 2014)
Non-Consolidated Headcount:	2,838
Website:	http://www.olympus-global.com/en/

Board of Directors, Audit & Supervisory Board Members, and Executive Officers

(As of June 26, 2014)

Chairman	Standing Audit & Supervisory Board Members	Managing Officers
Yasuyuki Kimoto	Takashi Saito	Shinichi Nishigaki
	Masashi Shimizu	Koichi Karaki
		Hitoshi Kawada
		Yoshihiko Masakawa
		Naohiko Kawamata
		Nobuyuki Koga
		Hisao Yabe
		Masamichi Handa
		Nobuhiro Abe
		Ken Yoshimasu
		Masahito Kitamura
		Tetsuo Kobayashi
		Kiichi Hirata
		Toshihiko Okubo
		Mitsuhiro Hikosaka
President and Representative Director	Outside Audit & Supervisory Board Members	
Hiroyuki Sasa	Nobuo Nagoya	
	Katsuya Natori	
Director, Senior Executive Managing Officers	Senior Executive Managing Officer	
Hideaki Fujizuka	Akihiro Taguchi	
Yasuo Takeuchi		
Director, Executive Managing Officer	Executive Managing Officers	
Shigeo Hayashi	Haruo Ogawa	
	Toshiaki Gomi	
	Yasushi Sakai	
	Akira Kubota	
Outside Directors		
Takuya Goto		
Shiro Hiruta		
Sumitaka Fujita		
Motoyoshi Nishikawa		
Hikari Imai		
Kiyotaka Fujii		
Keiko Unotoro		
Masaru Kato		

Stock Information

(As of March 31, 2014)

Securities Identification Code:	7733
Stock Exchange Listing:	Tokyo Stock Exchange
Fiscal Year:	From April 1 to March 31
General Meeting of Shareholders:	June
Share Trading Unit:	100
Number of Shares Issued:	342,671,508
Number of Shareholders:	26,173
Transfer Agent for Common Stock:	Sumitomo Mitsui Trust Bank, Limited 4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8233, Japan

Depository and Transfer Agent for American Depositary Receipts:

The Bank of New York Mellon
101 Barclay Street, New York, NY 10286, U.S.A.
Tel: +1-201-680-6825
U.S. toll free: 888-269-2377 (888-BNY-ADRS)
<http://www.adrbnymellon.com>

Ratio (ADR:ORD): 1:1
Exchange: OTC (Over-the-Counter)
Symbol: OCPNY
CUSIP: 68163W109

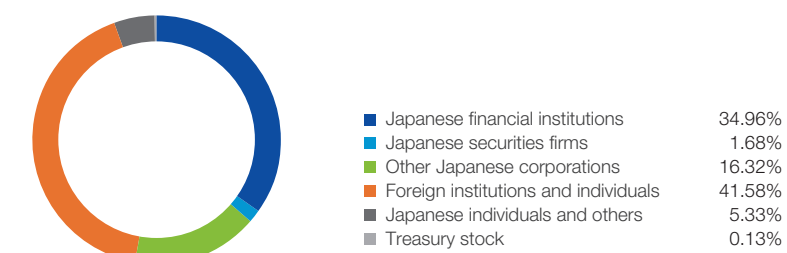
Principal Shareholders

	Number of shares held	Percentage of shares outstanding (%)
Sony Corporation	34,487,900	10.06
State Street Bank and Trust Company 505223	18,637,748	5.44
The Master Trust Bank of Japan, Ltd. (trust accounts)	16,038,100	4.68
Nippon Life Insurance Company	13,286,618	3.88
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	13,286,586	3.88
Japan Trustee Services Bank, Ltd. (trust accounts)	12,172,000	3.55
Japan Trustee Services Bank, Ltd. (The Sumitomo Trust and Banking Company ReTrust Portion, Sumitomo Mitsui Banking Corporation Pension Trust)	11,404,000	3.33
State Street Bank and Trust Company	10,563,272	3.08
Sumitomo Mitsui Banking Corporation	8,350,648	2.44
Terumo Corporation	5,581,000	1.63

Notes:

- On March 4, 2013, the Company received a copy of a notification of changes in the large shareholding report submitted by The Bank of Tokyo-Mitsubishi UFJ, Ltd., and three other entities with regard to their joint holding in the Company. This notification stated that these entities held 22,959,827 shares of the Company's stock (7.51% of shares outstanding) as of February 25, 2013. However, these entities are not included among principal shareholders as the Company was unable to confirm their holdings as of March 31, 2014.
- On August 21, 2013, the Company received a copy of a notification of changes in the large shareholding report submitted by Harris Associates L.P. with regard to its holding in the Company. This notification stated that this company held 19,583,850 shares of the Company's stock (5.72% of shares outstanding) as of August 15, 2013. However, this entity is not included among principal shareholders as the Company was unable to confirm its holdings as of March 31, 2014.

Shareholder Distribution



OLYMPUS®



This report uses environment-friendly ink and paper.

Printed in Japan
2014.08