Consolidated Balance Sheets

Olympus Corporation and Consolidated Subsidiaries
As of March 31, 2016 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2017	2017
ASSETS			
CURRENT ASSETS:			
Cash and time deposits (Notes 3 and 24)	¥ 166,554	¥ 199,431	$ 1,780,634
Notes and accounts receivable (Notes 3 and 5)	140,666	137,924	1,231,464
Allowance for doubtful accounts	(6,590)	(5,720)	(51,071)
Lease receivables and leased investment assets (Note 26)	33,565	35,338	315,518
Inventories (Note 6)	111,558	124,064	1,107,714
Deferred income taxes (Note 13)	38,461	36,729	327,938
Other current assets	36,478	25,226	225,232
Total current assets	520,692	552,992	4,937,429
PROPERTY, PLANT AND EQUIPMENT:			
Land	22,832	22,966	205,054
Buildings and structures	136,344	149,131	1,331,527
Machinery and equipment	259,888	258,325	2,306,473
Leased assets	19,200	21,133	188,688
Construction in progress	9,799	4,761	42,509
	448,063	456,316	4,074,250
Less–Accumulated depreciation	(281,999)	(284,964)	(2,544,321)
Net property, plant and equipment	166,064	171,352	1,529,929
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 3 and 4)	71,141	28,946	258,446
Deferred income taxes (Note 13)	11,421	24,942	222,696
Goodwill	97,190	86,664	773,786
Net defined benefit assets (Note 10)	24,749	24,762	221,089
Other assets (Note 26)	118,411	111,420	994,821
Allowance for doubtful accounts (Note 11)	(9,054)	(10,016)	(89,428)
Total investments and other assets	313,858	266,718	2,381,410
Total assets	¥1,000,614	¥ 991,062	$ 8,848,768

See accompanying notes to consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	**2017**	**2017**
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES:			
Short-term borrowings (Notes 3 and 7)	¥ 6,656	**¥ 2,409**	**$ 21,509**
Current maturities of long-term debt (Notes 3 and 8)	50,000	**66,443**	**593,241**
Notes and accounts payable (Notes 3 and 9)	40,597	**41,596**	**371,393**
Other payables	36,762	**32,595**	**291,027**
Income taxes payable (Note 13)	9,120	**11,657**	**104,080**
Accrued expenses	90,438	**80,944**	**722,714**
Provision for warranty costs	6,314	**8,474**	**75,661**
Provision for loss on business liquidation	298	**190**	**1,696**
Provision for customer points program	207	**223**	**1,991**
Provision for loss on litigation	567	**217**	**1,938**
Other current liabilities	25,666	**29,981**	**267,687**
Total current liabilities	266,625	**274,729**	**2,452,937**
NON-CURRENT LIABILITIES:			
Long-term debt, less current maturities (Notes 3 and 8)	264,482	**217,505**	**1,942,009**
Deferred income taxes (Note 13)	28,386	**18,895**	**168,705**
Liabilities for retirement benefits (Note 10)	38,683	**37,758**	**337,125**
Other non-current liabilities	18,155	**11,295**	**100,849**
Total non-current liabilities	349,706	**285,453**	**2,548,688**
Total liabilities	616,331	**560,182**	**5,001,625**
CONTINGENT LIABILITIES (Note 15)			
NET ASSETS (Note 14):			
Common stock:			
Authorized—1,000,000,000 shares			
Issued—342,671,508 shares as of March 31, 2016 and 2017	124,520	**124,520**	**1,111,786**
Capital surplus	90,940	**91,225**	**814,509**
Retained earnings	172,989	**245,362**	**2,190,732**
Treasury stock, at cost	(1,122)	**(1,122)**	**(10,018)**
Total shareholders' equity	387,327	**459,985**	**4,107,009**
Net unrealized holding gains on available-for-sale securities, net of taxes	24,947	**9,556**	**85,321**
Net unrealized losses on hedging derivatives, net of taxes	(7)	**—**	**—**
Foreign currency translation adjustments	(8,686)	**(20,681)**	**(184,652)**
Remeasurements of defined benefit plan	(21,222)	**(20,053)**	**(179,044)**
Total accumulated other comprehensive income (loss)	(4,968)	**(31,178)**	**(278,375)**
Stock subscription rights	428	**554**	**4,946**
Non-controlling interests	1,496	**1,519**	**13,563**
Total net assets	384,283	**430,880**	**3,847,143**
Total liabilities and net assets	¥1,000,614	**¥991,062**	**$8,848,768**

Consolidated Statements of Operations

Olympus Corporation and Consolidated Subsidiaries
For the years ended March 31, 2016 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	**2017**	**2017**
Net sales	¥804,578	**¥748,050**	**$6,679,018**
Cost of sales (Note 6)	269,341	**256,708**	**2,292,036**
Gross profit	535,237	**491,342**	**4,386,982**
Selling, general and administrative expenses (Note 16)	430,773	**414,855**	**3,704,062**
Operating income	104,464	**76,487**	**682,920**
Other income (expenses):			
Interest expense, net	(6,871)	**(6,836)**	**(61,036)**
Gain on available-for-sale securities, net	3,455	**25,057**	**223,723**
Foreign currency exchange loss, net	(3,704)	**(2,480)**	**(22,143)**
Equity in losses of affiliates, net	(2,675)	**(1,254)**	**(11,196)**
Net gain on sales of investment securities in subsidiaries and affiliates	—	**3,084**	**27,536**
Legal settlement compensation received (Note 17)	72	**34**	**304**
Impairment loss on fixed assets (Note 18)	—	**(230)**	**(2,054)**
Loss on liquidation of business (Note 19)	(189)	**—**	**—**
Business restructuring expenses (Note 20)	(1,209)	**—**	**—**
Loss related to securities litigation (Note 21)	(2,072)	**(6,922)**	**(61,804)**
Loss related to the investigation under U.S. Anti-kickback Act and the related Act (Note 22)	(18,814)	**—**	**—**
Loss on step acquisition	—	**(308)**	**(2,750)**
Other, net	(1,657)	**(4,946)**	**(44,160)**
Total	(33,664)	**5,199**	**46,420**
Income before provision for income taxes	70,800	**81,686**	**729,340**
Income taxes (Note 13):			
Current	10,944	**16,992**	**151,714**
For prior periods (Note 23)	3,172	**1,332**	**11,893**
Deferred	(5,967)	**(14,853)**	**(132,616)**
Total	8,149	**3,471**	**30,991**
Net income	62,651	**78,215**	**698,349**
Net income attributable to non-controlling interests	(57)	**(24)**	**(214)**
Net income attributable to shareholders of Olympus Corporation	¥ 62,594	**¥ 78,191**	**$ 698,135**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

Olympus Corporation and Consolidated Subsidiaries
For the years ended March 31, 2016 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2017	2017
Net income	¥ 62,651	¥ 78,215	$ 698,349
Other comprehensive income (loss) (Note 27):			
Net unrealized holding gains (losses) on available-for-sale securities, net of taxes	183	(15,391)	(137,420)
Net unrealized gains on hedging derivatives, net of taxes	1	7	63
Foreign currency translation adjustments	(24,008)	(12,020)	(107,321)
Retirement benefits liability adjustments	(8,477)	1,169	10,438
Share of other comprehensive (loss) income of affiliates accounted for by the equity method	(4)	14	125
Total other comprehensive loss	(32,305)	(26,221)	(234,115)
Comprehensive income	¥ 30,346	¥ 51,994	$ 464,232
Total comprehensive income attributable to:			
Shareholders of Olympus Corporation	¥ 30,330	¥ 51,981	$ 464,116
Non-controlling interests	¥ 16	¥ 13	$ 116

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, 2016 and 2017

	Millions of yen				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at April 1, 2015	¥124,520	¥90,940	¥113,817	¥(1,111)	¥328,166
Dividends from surplus			(3,422)		(3,422)
Net income attributable to owners of the parent			62,594		62,594
Acquisition of treasury stock				(12)	(12)
Disposal of treasury stock				1	1
Net change in items other than those in shareholders' equity					—
Net changes during the year	—	—	59,172	(11)	59,161
Balance at April 1, 2016	¥124,520	¥90,940	¥172,989	¥(1,122)	¥387,327
Dividends from surplus			**(5,818)**		**(5,818)**
Net income attributable to owners of the parent			**78,191**		**78,191**
Acquisition of treasury stock				**(8)**	**(8)**
Disposal of treasury stock		**3**		**8**	**11**
Change in ownership interest of Olympus Corporation resulting from transactions with owners of non-controlling interests		**282**			**282**
Net change in items other than those in shareholders' equity					**—**
Net changes during the year	**—**	**285**	**72,373**	**0**	**72,658**
Balance at March 31, 2017	**¥124,520**	**¥91,225**	**¥245,362**	**¥(1,122)**	**¥459,985**

	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	Remeasurements of defined benefit plan	Total accumulated other comprehensive income (loss)	Stock acquisition rights	Non-controlling interests	Total net assets
Balance at April 1, 2015	¥ 24,764	¥ (8)	¥ 15,285	¥(12,745)	¥ 27,296	¥260	¥1,532	¥357,254
Dividends from surplus								(3,422)
Net income attributable to owners of the parent					—			62,594
Acquisition of treasury stock					—			(12)
Disposal of treasury stock					—			1
Net change in items other than those in shareholders' equity	183	1	(23,971)	(8,477)	(32,264)	168	(36)	(32,132)
Net changes during the year	183	1	(23,971)	(8,477)	(32,264)	168	(36)	27,029
Balance at April 1, 2016	¥ 24,947	¥ (7)	¥ (8,686)	¥(21,222)	¥ (4,968)	¥428	¥1,496	¥384,283
Dividends from surplus								**(5,818)**
Net income attributable to owners of the parent					**—**			**78,191**
Acquisition of treasury stock					**—**			**(8)**
Disposal of treasury stock					**—**			**11**
Change in ownership interest of Olympus Corporation resulting from transactions with owners of non-controlling interests					**—**			**282**
Net change in items other than those in shareholders' equity	**(15,391)**	**7**	**(11,995)**	**1,169**	**(26,210)**	**126**	**23**	**(26,061)**
Net changes during the year	**(15,391)**	**7**	**(11,995)**	**1,169**	**(26,210)**	**126**	**23**	**46,597**
Balance at March 31, 2017	**¥ 9,556**	**¥—**	**¥(20,681)**	**¥(20,053)**	**¥(31,178)**	**¥554**	**¥1,519**	**¥430,880**

	Thousands of U.S. dollars (Note 1)				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at April 1, 2016	$1,111,786	$811,964	$1,544,543	$(10,018)	$3,458,275
Dividends from surplus			(51,946)		(51,946)
Net income attributable to owners of the parent			698,135		698,135
Acquisition of treasury stock				(71)	(71)
Disposal of treasury stock		27		71	98
Change in ownership interest of Olympus Corporation resulting from transactions with owners of non-controlling interests		2,518			2,518
Net change in items other than those in shareholders' equity					—
Net changes during the year	—	2,545	646,189	0	648,734
Balance at March 31, 2017	$1,111,786	$814,509	$2,190,732	$(10,018)	$4,107,009

	Thousands of U.S. dollars (Note 1)							
	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	Remeasurements of defined benefit plan	Total accumulated other comprehensive income (loss)	Stock acquisition rights	Non-controlling interests	Total net assets
Balance at April 1, 2016	$ 222,741	$(63)	$ (77,554)	$(189,482)	$ (44,358)	$3,821	$13,358	$3,431,096
Dividends from surplus								(51,946)
Net income attributable to owners of the parent					—			698,135
Acquisition of treasury stock					—			(71)
Disposal of treasury stock					—			98
Change in ownership interest of Olympus Corporation resulting from transactions with owners of non-controlling interests					—			2,518
Net change in items other than those in shareholders' equity	(137,420)	63	(107,098)	10,438	(234,017)	1,125	205	(232,687)
Net changes during the year	(137,420)	63	(107,098)	10,438	(234,017)	1,125	205	416,047
Balance at March 31, 2017	$ 85,321	$ —	$(184,652)	$(179,044)	$(278,375)	$4,946	$13,563	$3,847,143

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Olympus Corporation and Consolidated Subsidiaries
For the years ended March 31, 2016 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	**2017**	**2017**
CASH FLOWS FROM OPERATING ACTIVITIES:			
Income before provision for income taxes	¥ 70,800	**¥ 81,686**	**$ 729,340**
Adjustments to reconcile income before income taxes and non-controlling interests to net cash provided by operating activities:			
Depreciation and amortization	39,912	**44,658**	**398,732**
Impairment loss on fixed assets (Note 18)	—	**230**	**2,054**
Amortization of goodwill	9,867	**8,642**	**77,161**
Loss on step acquisitions	—	**308**	**2,750**
Legal settlement compensation received	—	**(34)**	**(304)**
Loss related to securities litigation	2,072	**6,922**	**61,804**
Loss related to the investigation under U.S. Anti-kickback Act and the related Act (Note 22)	18,814	**—**	**—**
Increase (decrease) in net defined benefit liabilities	2,712	**(511)**	**(4,563)**
Decrease (increase) in net defined benefit assets	(5,500)	**798**	**7,125**
Increase in provision for product warranties	1,420	**2,438**	**21,768**
Interest income	(1,021)	**(774)**	**(6,911)**
Interest expense	7,892	**7,610**	**67,946**
Equity in losses of affiliates, net	2,675	**1,254**	**11,196**
Gain on available-for-sale securities, net	(3,455)	**(25,057)**	**(223,723)**
Decrease in provision for loss on business liquidation	(177)	**(107)**	**(955)**
Net gain on sales of investment securities in subsidiaries and affiliates	—	**(3,084)**	**(27,536)**
Decrease (increase) in accounts receivable	2,006	**(660)**	**(5,893)**
Increase in inventories	(7,008)	**(14,801)**	**(132,152)**
Increase in accounts payable	1,965	**1,204**	**10,750**
Decrease in other payables	(1,572)	**(353)**	**(3,152)**
Increase (decrease) in accrued expenses	5,179	**(2,904)**	**(25,929)**
Increase in fixed lease receivables	(5,083)	**(1,517)**	**(13,545)**
Other, net	12,011	**9,615**	**85,848**
Sub-total	153,509	**115,563**	**1,031,811**
Interest and dividends received	2,362	**1,952**	**17,429**
Interest paid	(7,987)	**(7,648)**	**(68,286)**
Legal settlement compensation received	—	**106**	**946**
Loss related to securities litigation paid (Note 21)	(13,975)	**(7,902)**	**(70,554)**
Loss related to the investigation under U.S. Anti-kickback Act and the related Act paid (Note 22)	(72,455)	**(4,714)**	**(42,089)**
Income taxes paid	(12,833)	**(7,163)**	**(63,955)**
Net cash provided by operating activities	48,621	**90,194**	**805,302**
CASH FLOWS FROM INVESTMENT ACTIVITIES:			
Deposits in time deposits	(217)	**(46)**	**(411)**
Withdrawals from time deposits	35	**192**	**1,714**
Purchases of property, plant and equipment	(50,422)	**(43,542)**	**(388,768)**
Purchases of intangible assets	(5,987)	**(3,708)**	**(33,107)**
Purchases of investment securities	(271)	**(8)**	**(71)**
Sales of investment securities	3,214	**42,239**	**377,134**
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	**(41)**	**(366)**
Net proceeds from sales of investments in subsidiaries resulting in changes in scope of consolidation (Note 25)	—	**3,443**	**30,741**
Repayments of loans receivable	—	**(7,358)**	**(65,696)**
Proceeds from loans receivable	25	**19**	**170**
Other, net	726	**505**	**4,508**
Net cash used in investing activities	(52,897)	**(8,305)**	**(74,152)**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Decrease in short-term borrowings	(23,820)	**(3,933)**	**(35,116)**
Proceeds from long-term borrowings	73,886	**20,000**	**178,571**
Repayments of long-term borrowings	(78,240)	**(20,217)**	**(180,509)**
Redemption of bonds	—	**(30,000)**	**(267,857)**
Payments for acquisition of treasury stock	(13)	**(8)**	**(71)**
Payments resulting from transactions with owners of non-controlling interests	—	**(86)**	**(768)**
Dividends paid to shareholders	(3,422)	**(5,818)**	**(51,946)**
Dividends paid to non-controlling shareholders	(53)	**(59)**	**(527)**
Other, net	(2,208)	**(4,123)**	**(36,813)**
Net cash used in financing activities	(33,870)	**(44,244)**	**(395,036)**
Effect of exchange rate changes on cash and cash equivalents	(5,340)	**(4,537)**	**(40,509)**
Net (decrease) increase in cash and cash equivalents	(43,486)	**33,108**	**295,605**
Cash and cash equivalents at beginning of year	209,809	**166,323**	**1,485,029**
Cash and cash equivalents at end of year (Note 24)	¥166,323	**¥199,431**	**$1,780,634**

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 the 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 11 "Allowance for Doubtful Accounts").
- As an indirect consequence of these events, the Company has been investigated by various authorities and received various claims in connection with various lawsuits brought against the Company (Note 15 "Contingent Liabilities").

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 ¥112 to US$1.00, the approximate rate of exchange prevailing at March 31, 2017. 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, 2017, the accounts of 105 (118 in 2016) subsidiaries have been included in the consolidated financial statements.

The Company consolidates all significant investees that 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 the 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, 2016, four affiliates were accounted for by the equity method and for the year ended March 31, 2017, two affiliates were accounted for by the equity method. Investments in subsidiaries and affiliates that 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 five 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 computed by the straight-line 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, 2016 and 2017 were as follows:

	2016	**2017**
Buildings and structures	6.9%	**10.7%**
Machinery and equipment	26.7%	**36.5%**

(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 Bond Issuance Expenses

Common stock and bond 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 five years) that 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 five years) that 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, 2016 and 2017.

(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 Customer Points Program

Provision for customer points program represents sales allowances for redemption of points granted to customers, which is recognized at the amount expected to be incurred in the future.

(n) Provision for Loss on Litigation

Provision for loss on litigation is recorded for estimated losses on pending litigation.

(o) Research and Development

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

(p) Lease Transactions

Non-cancelable 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 related 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 the lessee that commenced on or before March 31, 2008, follows the same method as for operating lease transactions.

(q) 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 that 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.

(r) Consumption Taxes

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

(s) 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. Additional Information

Revised “Implementation Guidance on Recoverability of Deferred Tax Assets”

From the fiscal year ended March 31, 2017, the Company applied the revised “Implementation Guidance on Recoverability of Deferred Tax Assets” (Accounting Standards Board of Japan (“ASBJ”) Guidance No. 26, March 28, 2016).

3. Financial Instruments

Overview

(1) Policy for financial instruments

In consideration of plans for capital investment, the Company and its consolidated subsidiaries (collectively, the "Group") raise funds through bank borrowings and the issuance of bonds. The Group manages temporary cash surpluses through low-risk financial assets. Furthermore, 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 the creditworthiness 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 including equity participation 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 for the purpose of making capital investments. The repayment dates of these debts extend up to eight years and six 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 interest rate 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 28 "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 trade receivables, each related division monitors the creditworthiness 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, 2017, the carrying values of the financial assets represent the maximum credit risk exposures of the Group.

(b) Monitoring of market risk (the risk 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 the 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 28 “Derivative Financial Instruments” are not necessarily indicative of the actual market risk involved in derivative transactions.

Estimated Fair Value of Financial Instruments

The carrying value of financial instruments on the consolidated balance sheets as of March 31, 2016 and 2017 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	
As of March 31, 2016	Carrying value	Estimated fair value	Difference
Assets:			
1) Cash and deposits	¥166,554	¥166,554	¥ —
2) Notes and accounts receivable	140,666	140,666	—
3) Investment securities	67,871	67,871	—
Total	¥375,091	¥375,091	¥ —
Liabilities:			
1) Notes and accounts payable	¥ 40,597	¥ 40,597	¥ —
2) Short-term borrowings	6,656	6,656	—
3) Bonds, including current maturities	55,000	55,614	614
4) Long-term borrowings, including current maturities	259,482	268,603	9,121
Total	¥361,735	¥371,470	¥9,735
Derivatives*	¥ 217	¥ 217	¥ —

		Millions of yen	
As of March 31, 2017	Carrying value	Estimated fair value	Difference
Assets:			
1) Cash and deposits	**¥199,431**	**¥199,431**	**¥ —**
2) Notes and accounts receivable	**137,924**	**137,924**	**—**
3) Investment securities	**27,835**	**27,835**	**—**
Total	**¥365,190**	**¥365,190**	**¥ —**
Liabilities:			
1) Notes and accounts payable	**¥ 41,596**	**¥ 41,596**	**¥ —**
2) Short-term borrowings	**2,409**	**2,409**	**—**
3) Bonds, including current maturities	**25,000**	**25,094**	**94**
4) Long-term borrowings, including current maturities	**258,948**	**260,112**	**1,164**
Total	**¥327,953**	**¥329,211**	**¥1,258**
Derivatives*	**¥ (603)**	**¥ (603)**	**¥ —**

		Thousands of U.S. dollars	
As of March 31, 2017	Carrying value	Estimated fair value	Difference
Assets:			
1) Cash and deposits	**$1,780,634**	**$1,780,634**	**$ —**
2) Notes and accounts receivable	**1,231,464**	**1,231,464**	**—**
3) Investment securities	**248,527**	**248,527**	**—**
Total	**$3,260,625**	**$3,260,625**	**$ —**
Liabilities:			
1) Notes and accounts payable	**$ 371,393**	**$ 371,393**	**$ —**
2) Short-term borrowings	**21,509**	**21,509**	**—**
3) Bonds, including current maturities	**223,214**	**224,054**	**840**
4) Long-term borrowings, including current maturities	**2,312,036**	**2,322,429**	**10,393**
Total	**$2,928,152**	**$2,939,385**	**$11,233**
Derivatives*	**$ (5,384)**	**$ (5,384)**	**$ —**

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

Notes:

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

Cash and deposits and Notes and accounts receivable

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

Investment securities

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

Notes and accounts payable and Short-term borrowings

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

Bonds

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

Long-term borrowings

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

Derivative transactions

Please refer to Note 28 “Derivative Financial Instruments.”

2) Financial instruments for which it is extremely difficult to determine the fair value as of March 31, 2016 and 2017

	Millions of yen		Thousands of U.S. dollars
	2016	**2017**	**2017**
1) Non-listed equity securities	¥ 177	**¥ 70**	**$ 625**
2) Others	1,147	**970**	**8,661**
Total	¥1,324	**¥1,040**	**$9,286**

Because no quoted market price is available and estimating their future cash flow is deemed to be prohibitively expensive, it is extremely difficult to determine the fair value, and therefore the above financial instruments are not included in the above table.

3) Redemption schedule for receivables and marketable securities with maturities at March 31, 2016 and 2017

	Millions of yen			
As of March 31, 2016	Within a year	Over a year but within five years	Over five years but within 10 years	Over 10 years
Cash and deposits	¥166,516	¥ —	¥—	¥—
Notes and accounts receivable	140,666	—	—	—
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	648	308	—	—
Total	¥307,830	¥308	¥—	¥—

As of March 31, 2017	Within a year	Over a year but within five years	Over five years but within 10 years	Over 10 years
	Millions of yen			
Cash and deposits	¥199,408	¥ —	¥—	¥—
Notes and accounts receivable	137,924	—	—	—
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	591	187	—	—
Total	¥337,923	¥187	¥—	¥—

As of March 31, 2017	Within a year	Over a year but within five years	Over five years but within 10 years	Over 10 years
	Thousands of U.S. dollars			
Cash and deposits	$1,780,429	$ —	$—	$—
Notes and accounts receivable	1,231,464	—	—	—
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	5,277	1,670	—	—
Total	$3,017,170	$1,670	$—	$—

4) Repayment schedule for bonds, long-term borrowings, lease payables, and other interest-bearing debt with maturities at March 31, 2016 and 2017

As of March 31, 2016	Within a year	Over a year but within two years	Over two years but within three years	Over three years but within four years	Over four years but within five years	Over five years
	Millions of yen					
Short-term borrowings	¥ 6,656	¥ —	¥ —	¥ —	¥ —	¥ —
Bonds	30,000	—	25,000	—	—	—
Long-term borrowings	20,000	55,000	53,663	81,804	—	49,015
Lease payables	3,253	2,742	1,972	1,225	409	18
Total	¥59,909	¥57,742	¥80,635	¥83,029	¥409	¥49,033

As of March 31, 2017	Within a year	Over a year but within two years	Over two years but within three years	Over three years but within four years	Over four years but within five years	Over five years
	Millions of yen					
Short-term borrowings	¥ 2,409	¥ —	¥ —	¥ —	¥ —	¥ —
Bonds	—	25,000	—	—	—	—
Long-term borrowings	66,443	64,431	59,219	11,219	26,219	31,417
Lease payables	3,448	2,672	1,896	1,062	313	63
Total	¥72,300	¥92,103	¥61,115	¥12,281	¥26,532	¥31,480

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

As of March 31, 2017	Within a year	Over a year but within two years	Over two years but within three years	Over three years but within four years	Over four years but within five years	Over five years
	Thousands of U.S. dollars					
Short-term borrowings	$ 21,509	$ —	$ —	$ —	$ —	$ —
Bonds	—	223,214	—	—	—	—
Long-term borrowings	593,241	575,277	528,741	100,170	234,098	280,509
Lease payables	30,786	23,857	16,929	9,482	2,795	563
Total	$645,536	$822,348	$545,670	$109,652	$236,893	$281,072

4. Securities

The following tables summarize acquisition cost and book value of securities with fair value as of March 31, 2016 and 2017:

Available-for-sale securities

Securities with book value exceeding acquisition cost

	Millions of yen						Thousands of U.S. dollars		
	2016			2017			2017		
	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Equity securities	¥27,787	¥62,112	¥34,325	**¥15,284**	**¥26,789**	**¥11,504**	**$136,464**	**$239,188**	**$102,714**
Others	—	—	—	**—**	**—**	**—**	**—**	**—**	**—**
Total	¥27,787	¥62,112	¥34,325	**¥15,284**	**¥26,789**	**¥11,504**	**$136,464**	**$239,188**	**$102,714**

Securities with book value not exceeding acquisition cost

	Millions of yen						Thousands of U.S. dollars		
	2016			2017			2017		
	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Equity securities	¥6,700	¥5,759	¥(941)	**¥1,143**	**¥1,046**	**¥(97)**	**$10,205**	**$9,339**	**$(866)**
Others	—	—	—	**—**	**—**	**—**	**—**	**—**	**—**
Total	¥6,700	¥5,759	¥(941)	**¥1,143**	**¥1,046**	**¥(97)**	**$10,205**	**$9,339**	**$(866)**

Note: No impairment loss was recorded on available-for-sale securities for the years ended March 31, 2016 and 2017.
The Company recognizes an 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, 2016 and 2017:

	Millions of yen						Thousands of U.S. dollars		
	2016			2017			2017		
	Sales proceeds	Aggregate gain	Aggregate loss	Sales proceeds	Aggregate gain	Aggregate loss	Sales proceeds	Aggregate gain	Aggregate loss
Equity securities	¥3,152	¥2,296	¥ —	**¥41,331**	**¥23,879**	**¥ —**	**$369,027**	**$213,205**	**$ —**
Others	33	1	183	**—**	**—**	**—**	**—**	**—**	**—**
Total	¥3,185	¥2,297	¥183	**¥41,331**	**¥23,879**	**¥ —**	**$369,027**	**$213,205**	**$ —**

Investments in unconsolidated subsidiaries and affiliates included in investment securities as of March 31, 2016 and 2017 were as follows:

	Book value		
	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Investments in unconsolidated subsidiaries and affiliates	¥1,946	**¥71**	**$634**
Total	¥1,946	**¥71**	**$634**

5. Notes and Accounts Receivable

Notes and accounts receivable as of March 31, 2016 and 2017 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Unconsolidated subsidiaries and affiliates	¥ 24	**¥ 5**	**$ 45**
Trade	140,642	**137,919**	**1,231,419**
Total	¥140,666	**¥137,924**	**$1,231,464**

6. Inventories

Inventories as of March 31, 2016 and 2017 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	**2017**	**2017**
Finished goods	¥ 54,245	**¥ 51,257**	**$ 457,652**
Work in process and raw materials	57,313	**72,807**	**650,062**
Total	¥111,558	**¥124,064**	**$1,107,714**

Write-downs of inventories for the years ended March 31, 2016 and 2017, net of the amount of the reversal, were included in the following account:

	Millions of yen		Thousands of U.S. dollars
	2016	**2017**	**2017**
Cost of sales	¥5,230	**¥6,386**	**$57,018**

7. Short-Term Borrowings

Short-term borrowings consisted principally of bank loans. The annual interest rate ranged from 0.82% to 1.72% as of March 31, 2016. For the year ended March 31, 2017, the annual interest rate was 0.00%.

8. Long-Term Debt

Long-term debt as of March 31, 2016 and 2017 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	**2017**	**2017**
(Unsecured long-term debt)			
2.15% yen bonds, due July 2018	¥ 25,000	**¥ 25,000**	**$ 223,214**
1.94% yen bonds, due March 2017	20,000	**—**	**—**
1.98% yen bonds, due September 2016	10,000	**—**	**—**
2.53% loan from a Japanese bank, due September 2017	35,000	**35,000**	**312,500**
2.45% loan from a Japanese bank, due July 2018	33,100	**33,100**	**295,536**
2.65% loan from a Japanese bank, due September 2018	20,000	**20,000**	**178,571**
2.49% loan from a Japanese bank, due September 2016	10,000	**—**	**—**
1.99% loan from a Japanese bank, due September 2016	10,000	**—**	**—**
2.39% loan from a Japanese bank, due August 2017	2,000	**2,000**	**17,857**
2.14% loan from a Japanese bank, due August 2017	18,000	**18,000**	**160,714**
2.25% loan from a Japanese bank, due September 2019	20,000	**9,000**	**80,357**
1.75% loan from a Japanese bank, due September 2019	—	**11,000**	**98,214**
2.03% loan from a Japanese bank, due May 2019	18,000	**18,000**	**160,714**
1.75% loan from a Japanese bank, due May 2019	10,000	**10,000**	**89,286**
2.04% loan from a Japanese bank, due May 2021	15,000	**15,000**	**133,929**
1.38% loan from a Japanese bank, due September 2025	—	**10,000**	**89,286**
1.34% loan from a Japanese bank, due September 2025	—	**10,000**	**89,286**
2.82% loan from a foreign bank, due March 2023	16,902	**16,829**	**150,259**
2.91% loan from a foreign bank, due February 2023	16,902	**16,829**	**150,259**
2.78% loan from a foreign bank, due March 2020	23,663	**23,559**	**210,348**
2.70% loan from a foreign bank, due March 2020	10,141	**10,096**	**90,143**
Other loans from foreign banks	211	**198**	**1,768**
Other loans from Japanese banks	563	**337**	**3,009**
(Secured long-term debt)			
Other loans from Japanese banks	—	**—**	**—**
	314,482	**283,948**	**2,535,250**
Less–current maturities	(50,000)	**(66,443)**	**(593,241)**
	¥264,482	**¥217,505**	**$1,942,009**

As of March 31, 2017, the aggregate annual maturities of long-term debt were as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars
2018	¥ 66,443	$ 593,241
2019	89,431	798,491
2020	59,219	528,741
2021	11,219	100,170
2022	26,219	234,098
2023 and thereafter	31,417	280,510
Total	¥283,948	$2,535,250

9. Notes and Accounts Payable

Notes and accounts payable as of March 31, 2016 and 2017 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	**2017**	**2017**
Unconsolidated subsidiaries and affiliates	¥ 1,749	**¥ 1,125**	**$ 10,045**
Trade	38,848	**40,471**	**361,348**
Total	¥40,597	**¥41,596**	**$371,393**

10. Retirement Benefit Plans

Employees of the Company and certain consolidated subsidiaries have 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 defined benefit 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 years ended March 31, 2016 and 2017 were as follows (excluding retirement benefit obligation for the consolidated subsidiaries adopting the simplified method):

	Millions of yen		Thousands of U.S. dollars
	2016	**2017**	**2017**
Retirement benefit obligation at April 1	¥192,261	**¥197,036**	**$1,759,251**
Service cost	6,626	**7,212**	**64,393**
Interest cost	4,913	**3,650**	**32,589**
Actuarial loss	7,605	**7,224**	**64,500**
Retirement benefit paid	(6,282)	**(10,898)**	**(97,304)**
Effect of foreign exchange translation	(8,220)	**(3,791)**	**(33,848)**
Effect of changing from simplified method to standard method	88	**—**	**—**
Other	45	**(101)**	**(902)**
Retirement benefit obligation at March 31	¥197,036	**¥200,332**	**$1,788,679**

The changes in plan assets during the years ended March 31, 2016 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Plan assets at April 1	¥191,399	¥184,213	$1,644,759
Expected return on plan assets	8,433	7,904	70,571
Actuarial gain (loss)	(8,987)	5,206	46,482
Contributions by the Company	5,276	5,662	50,554
Retirement benefit paid	(5,757)	(8,924)	(79,679)
Effect of foreign exchange translation	(6,128)	(5,776)	(51,571)
Other	(23)	(4)	(36)
Retirement benefit obligation at March 31	¥184,213	¥188,281	$1,681,080

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
	2016	2017	2017
Provision for retirement benefits at April 1	¥1,019	¥1,073	$ 9,580
Retirement benefit expense	205	89	795
Retirement benefit paid	(63)	(25)	(223)
Effect of changing from simplified method to standard method	(88)	—	—
Other	—	(213)	(1,902)
Liability for retirement benefits at March 31	¥1,073	¥ 924	$ 8,250

The following table sets forth the funded status of the plans and the amounts recognized on the consolidated balance sheets as of March 31, 2016 and 2017 for the Company's and the consolidated subsidiaries' defined benefit plans:

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Funded retirement benefit obligation	¥ 183,471	¥ 188,090	$ 1,679,375
Plan assets at fair value	(184,213)	(188,281)	(1,681,080)
	(742)	(191)	(1,705)
Unfunded retirement benefit obligation	14,638	13,166	117,554
Net liability for retirement benefits on the balance sheet	13,896	12,975	115,848
Liability for retirement benefits	38,645	37,737	336,937
Net defined benefit assets	(24,749)	(24,762)	(221,089)
Net amount	¥ 13,896	¥ 12,975	$ 115,848

Liabilities for retirement benefits presented on the consolidated balance sheets included liabilities related to employees, directors, and corporate auditors.

The components of retirement benefit expense for the years ended March 31, 2016 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Service cost	¥ 6,626	¥ 7,212	$ 64,393
Interest cost on projected benefit obligation	4,913	3,650	32,589
Expected return on plan assets	(8,433)	(7,904)	(70,571)
Amortization of actuarial loss	1,185	3,335	29,777
Amortization of prior service cost	(930)	23	205
Retirement benefit expense for consolidated subsidiaries adopting the simplified method	205	89	795
Amortization of changing from simplified method to standard method	—	—	—
Other	157	98	875
Retirement benefit expense	¥ 3,723	¥ 6,503	$ 58,063

The components of retirement benefit liability adjustments included in other comprehensive income (before tax effect) for the years ended March 31, 2016 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	**2017**	**2017**
Prior service cost (benefit)	¥ 921	**¥ (25)**	**$ (223)**
Actuarial loss (gain)	14,385	**(1,201)**	**(10,723)**
Total	¥15,306	**¥(1,226)**	**$(10,946)**

The components of retirement benefit liability adjustments included in accumulated other comprehensive income (before tax effect) as of March 31, 2016 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	**2017**	**2017**
Unrecognized prior service cost	¥ 130	**¥ 105**	**$ 938**
Unrecognized actuarial loss	27,488	**26,287**	**234,705**
Total	¥27,618	**¥26,392**	**$235,643**

The fair values of plan assets, by major category, as a percentage of total plan assets as of March 31, 2016 and 2017 were as follows:

	2016	**2017**
Bonds	36%	**39%**
Stocks	22%	**26%**
General accounts	33%	**32%**
Other	9%	**3%**
Total	100%	**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:

	2016	**2017**
Discount rate	mainly 0.4%	**mainly 0.7%**
Expected rate of return on plan assets	mainly 4.0%	**mainly 4.0%**

The contributions to the defined contribution plans by the Company and its consolidated subsidiaries were ¥5,150 million and ¥4,977 million ($44,438 thousand) in the years ended March 31, 2016 and 2017, respectively.

11. Allowance for Doubtful Accounts

The non-current allowance for doubtful accounts primarily represents an allowance recorded upon restatement and consolidation of the Funds 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 and ¥7,211 million ($64,384 thousand) were recorded as a non-current receivable and included in non-current other assets on the balance sheets as of March 31, 2016 and 2017, respectively. 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 a full allowance was recorded against the non-current receivable.

12. Stock Option Plans

A summary of information regarding the consolidated subsidiaries' stock option plans for the years ended March 31, 2016 and 2017 is as follows:

	First series of stock subscription rights	Second series of stock subscription rights	Third series of stock subscription rights	Fourth series of stock subscription rights
Qualified beneficiaries	Five directors, 20 executive officers	Five directors, 20 executive officers	Five directors, 19 executive officers	Five directors, 19 executive officers
Class and number of shares for which new subscription rights were offered	Common stock	Common stock	Common stock	Common stock
	40,100	41,000	38,700	39,500
Grant date	August 26, 2013	July 11, 2014	July 13, 2015	July 13, 2016
Exercise period	From August 27, 2013 to August 26, 2043	From July 12, 2014 to July 11, 2044	From July 14, 2015 to July 13, 2045	From July 14, 2016 to July 13, 2046
Number of unvested stock options:				
As of March 31, 2016	—	—	—	—
Granted	—	—	—	39,500
Forfeited	—	—	—	—
Vested	—	—	—	39,500
As of March 31, 2017	—	—	—	—
Number of vested stock options:				
As of March 31, 2016	38,700	40,000	38,400	—
Vested	—	—	—	39,500
Exercised	2,100	1,200	—	—
Forfeited	—	—	—	39,500
As of March 31, 2017	36,600	38,800	38,400	38,000
For stock options exercised during the year:				
Exercise price (yen)	¥1	¥1	¥1	¥1
Average price of common stock at the date of exercise (yen)	¥3,710	¥3,550	¥—	¥—
Fair value per share at the grant date:				
Exercise price (yen)	¥2,940	¥3,625	¥4,490	¥3,581

The assumptions used to measure the fair value of stock options granted for the years ended March 31, 2016 and 2017 were as follows:

	Third series of stock subscription rights	Fourth series of stock subscription rights
Estimate method	Black-Scholes option pricing model	Black-Scholes option pricing model
Expected volatility (Note 1)	47.44%	47.49%
Expected life (Note 2)	15 years	15 years
Expected dividend (Note 3)	¥5 per share	¥13.5 per share
Risk-free interest rate (Note 4)	0.82%	(0.12)%

Notes:
1. Expected volatility for Third series of stock subscription rights was estimated based on the stock price data of the Company for 15 years from July 2000 to July 2015. Expected volatility for Fourth series of stock subscription rights was estimated based on the stock price data of the Company for 15 years from July 2001 to July 2016.
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 exercised at the midpoint of the exercise period.
3. Expected dividend for Third series of stock subscription rights was based on the dividend paid over the last two terms. Expected dividend for Fourth series of stock subscription rights was based on the dividend paid over the last two terms.
4. Risk-free interest rate represented the interest rate of Japanese Government Bonds (JGBs) corresponding to the expected life of the options.

13. Income Taxes

Income taxes applicable to the Company and its domestic consolidated subsidiaries consist of corporate tax, inhabitants' tax and enterprise tax, which in the aggregate resulted in normal statutory tax rates of approximately 33.1% and 30.9% for the years ended March 31, 2016 and 2017, 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, 2016 and 2017:

	2016	**2017**
Normal statutory tax rates	33.1%	**30.9%**
Non-deductible expenses	2.5	**1.5**
Non-taxable income	(0.6)	**(0.1)**
R&D tax credits	(2.2)	**(3.6)**
Effect of lower tax rates applied for foreign subsidiaries	(4.2)	**(3.0)**
Decrease in valuation allowance	(43.3)	**(20.0)**
Amortization of goodwill	4.6	**3.3**
Effect of reorganization of Group structure	17.0	**—**
Decrease in deferred tax assets and liabilities due to tax rate change	(0.2)	**(1.8)**
Other, net	4.8	**(3.0)**
Effective tax rates	11.5%	**4.2%**

Significant components of deferred tax assets and liabilities as of March 31, 2016 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	**2017**	**2017**
Deferred tax assets:			
Inventories	¥ 7,722	**¥ 8,230**	**$ 73,482**
Prepaid expenses	6,972	**5,423**	**48,420**
Accrued bonuses	6,339	**5,831**	**52,063**
Investments in consolidated subsidiaries	1,707	**1,670**	**14,911**
Unrealized intercompany profits	4,380	**6,583**	**58,777**
Depreciation of property, plant and equipment	5,297	**6,493**	**57,973**
Amortization of intangible assets	4,710	**4,044**	**36,107**
Liability for retirement benefits	12,759	**11,753**	**104,938**
Securities	4,526	**3,627**	**32,384**
Loss carryforwards	28,710	**37,015**	**330,491**
Other	33,129	**31,030**	**277,052**
Sub-total	116,251	**121,699**	**1,086,598**
Valuation allowance	(50,403)	**(37,264)**	**(332,714)**
Total deferred tax assets	65,848	**84,435**	**753,884**
Net defined benefit assets	(7,398)	**(6,952)**	**(62,071)**
Basis differences in assets acquired and liabilities assumed upon acquisition	(12,545)	**(9,750)**	**(87,054)**
Other	(25,747)	**(25,654)**	**(229,054)**
Total deferred tax liabilities	(45,690)	**(42,356)**	**(378,179)**
Net deferred tax assets	¥ 20,158	**¥ 42,079**	**$ 375,705**

The "Act to partially amend the Act of Partial Amendment of the Consumption Tax Act for the Drastic Reform of the Taxation System for Ensuring Stable Financial Resources for Social Security" (Act No. 85 of 2016) and the "Act to partially amend the Act of Partial Amendment of the Local Tax Act and Local Allocation Tax Act for the Drastic Reform of the Taxation System for Ensuring Stable Financial Resources for Social Security" (Act No. 86 of 2016) were enacted in the Japanese Diet session on November 18, 2016, and as a consequence, the timing to raise the consumption tax rate to 10% was postponed from April 1, 2017 to October 1, 2019.

In step with this, the timing of implementation to abolish the special local corporation tax and, as a result, the timing of implementation to restore the corporation business tax and revise the local corporation tax rate and the corporate inhabitant tax rate (on a corporation tax basis) were postponed from the fiscal years beginning on or after April 1, 2017 to the fiscal years beginning on or after October 1, 2019, respectively.

Although there is no change in the statutory effective tax rate used to measure deferred tax assets and deferred tax liabilities, as a result of the reclassification of tax rates between the national tax and local tax, the amount of deferred tax assets (after deducting deferred tax liabilities) increased ¥1,359 million and deferred income taxes expense decreased by the same amount.

14. Net Assets

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

Under the Law, in cases where a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. Legal earnings reserve is included in retained earnings on 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, 2016

A summary of information regarding the consolidated statement of changes in net assets for the year ended March 31, 2016 was as follows:

Total number and class of shares issued and treasury stock

Class of shares	As of April 1, 2015 (Number of shares)	Increase (Number of shares)	Decrease (Number of shares)	As of March 31, 2016 (Number of shares)
Shares issued:				
Common stock	342,671,508	—	—	342,671,508
Treasury stock:				
Common stock (Notes 1 and 2)	434,236	2,771	400	436,607

Notes:
1. The increase in the number of common stock in treasury stock includes 2,771 shares through the purchase of stock of less than one trading unit.
2. The decrease in the number of common stock in treasury stock includes 400 shares through the exercise of stock options.

Share subscription rights

Please refer to Note 12 "Stock Option Plans."

Dividends paid

Resolution	Class of shares	Amount of dividends paid (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
General Shareholders' Meeting (June 26, 2015)	Common stock	¥3,422	¥10.00	March 31, 2015	June 29, 2015

Dividends resolved during the year ended March 31, 2016 that will be effective after March 31, 2016

Resolution	Class of shares	Amount of dividends paid (Millions of yen)	Funds of distribution	Dividend per share (Yen)	Record date	Effective date
General Shareholders' Meeting (June 28, 2016)	Common stock	¥5,818	Retained earnings	¥17.00	March 31, 2016	June 29, 2016

(2) March 31, 2017

A summary of information regarding the consolidated statement of changes in net assets for the year ended March 31, 2017 was as follows:

Total number and class of shares issued and treasury stock

Class of shares	As of April 1, 2016 (Number of shares)	Increase (Number of shares)	Decrease (Number of shares)	As of March 31, 2017 (Number of shares)
Shares issued:				
Common stock	**342,671,508**	**—**	**—**	**342,671,508**
Treasury stock:				
Common stock (Notes 1 and 2)	**436,607**	**1,982**	**3,300**	**435,289**

Notes:
1. The increase in the number of common stock in treasury stock includes 1,982 shares through the purchase of stock of less than one trading unit.
2. The decrease in the number of common stock in treasury stock includes 3,300 shares through the exercise of stock options.

Share subscription rights

Please refer to Note 12 "Stock Option Plans."

Dividends paid

Resolution	Class of shares	Amount of dividends paid (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
General Shareholders' Meeting (June 28, 2016)	Common stock	¥5,818 ($51,946 thousand)	¥17.00 ($0.152)	March 31, 2016	June 29, 2016

Dividends resolved during the year ended March 31, 2017 that will be effective after March 31, 2017

Resolution	Class of shares	Amount of dividends paid (Millions of yen)	Funds of distribution	Dividend per share (Yen)	Record date	Effective date
General Shareholders' Meeting (June 28, 2017)	Common stock	¥9,583 ($85,563 thousand)	Retained earnings	¥28.00 ($0.250)	March 31, 2017	June 29, 2017

15. Contingent Liabilities

The Company and its consolidated subsidiaries were contingently liable for notes and bills discounted in the amounts of ¥123 million and ¥148 million ($1,321 thousand) as of March 31, 2016 and 2017, respectively. The Company and its consolidated subsidiaries were also contingently liable as guarantors of borrowings, primarily for housing loans to employees, amounting to ¥34 million and ¥22 million ($196 thousand), respectively, and as guarantors of third-party borrowings from banks, amounting to ¥5,915 million as of March 31, 2016.

Concerning the Company's deferral of recognition of losses on securities investments, etc., lawsuits have been filed against it mainly by shareholders. Provisions for loss on litigation were provided as of March 31, 2016 and 2017 at amounts 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.

In March and August 2015, subpoenas were issued to Olympus Medical Systems Corp., a subsidiary of the Company, by the U.S. Department of Justice, seeking information relating to duodenoscopes that the Group manufactures and sells, and the Department of Justice's investigation is ongoing. There is a risk that the outcome may adversely affect the consolidated financial results in the future and a provision for losses related to the investigation may be necessary depending on the progress of the investigation. Currently, it is not possible to make a reasonable estimate.

16. Selling, General and Administrative Expenses

The following table summarizes the major components of selling, general and administrative expenses for the years ended March 31, 2016 and 2017:

	Millions of yen		Thousands of U.S. dollars
	2016	**2017**	**2017**
Advertising and promotion expenses	¥ 40,945	**¥ 30,087**	**$ 268,634**
Salaries and allowance	135,247	**133,825**	**1,194,866**
Bonuses	30,826	**30,202**	**269,661**
Retirement benefit expenses	7,130	**9,823**	**87,705**
Amortization of goodwill	9,867	**8,642**	**77,161**
Research and development expenses	41,753	**39,784**	**355,214**
Depreciation and amortization	30,550	**31,436**	**280,679**

The total of research and development expenses included in "Selling, general and administrative expenses" and "Cost of sales" for the years ended March 31, 2016 and 2017 amounted to ¥81,415 million and ¥79,178 million ($706,946 thousand), respectively.

17. Legal Settlement Compensation Received

(1) March 31, 2016
Concerning the Company's deferral of recognition of losses on securities investments, etc., the Company previously filed lawsuits against 19 former directors, and in the fiscal year ended March 31, 2016, settlement was reached with 13 of the former directors. Accordingly, the Company received legal settlement compensation of ¥72 million as monetary settlement in the case, which was presented as "Legal settlement compensation" in the consolidated statement of operations.

(2) March 31, 2017
Concerning the Company's deferral of recognition of losses on securities investments, etc., the Company previously filed lawsuits against five former corporate auditors, and in the fiscal year ended March 31, 2017, settlement was reached with all five former corporate auditors. Accordingly, the Company received legal settlement compensation of ¥34 million ($304 thousand) as monetary settlement in the case that was presented as "Legal settlement compensation" in the consolidated statement of operations.

18. Impairment Loss on Fixed Assets

The losses on impairment of fixed assets that the Company and its consolidated subsidiaries recorded for the year ended March 31, 2017 were as follows:

Use	Type of assets	Location	Millions of yen	Thousands of U.S. dollars
Assets scheduled for disposal	Other assets	Tokyo	¥230	$2,054
Total			¥230	$2,054

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.

The Company decided to dispose of the above assets with no recoverable value and the carrying amounts of the assets were written down to zero.

19. Loss on Liquidation of Business

Loss on liquidation of business of ¥189 million recorded in the consolidated statement of operations for the year ended March 31, 2016 stems from losses incurred due to the withdrawal from the business concerning Olympus Asset Management Limited, a consolidated subsidiary.

20. Business Restructuring Expenses

Business restructuring expenses of ¥1,209 million for the year ended March 31, 2016 represent expenses incurred in restructuring operations in order to better cope with the shrinking market in which the Imaging Systems Business operates, and other changes in that regard.

21. Loss Related to Securities Litigation

The Company has received claims for compensation for damages from several individual and institutional investors for losses sustained as a result of the Company's false statements for the purpose of postponing recognition of losses in the Annual Securities Reports, Semi-Annual Securities Reports, and Quarterly Securities Reports for the period from the year ended March 31, 2001 through the first quarter of the year ended March 31, 2012. "Loss related to securities litigation" represents losses relating to these claims for compensation for damages.

A breakdown of the losses is as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	**2017**	**2017**
Settlement charge	¥2,072	**¥6,705**	**$59,866**
Compensation for damage	—	**217**	**1,938**
Total	¥2,072	**¥6,922**	**$61,804**

Settlement charge and compensation for damage included the amount of settlements paid for some of the claims for damages and damages and interest on delayed payment based on a court judgment.

22. Loss Related to the Investigation under U.S. Anti-Kickback Act and the Related Act

The Company's U.S. subsidiary, Olympus Corporation of the Americas ("OCA"), had been subject to investigation by the U.S. Department of Justice ("DOJ") relating to potential issues concerning its medical business over the years 2006 to 2011 under the Anti-kickback Act and the False Claims Act in the United States.

On February 29, 2016, OCA entered into a Deferred Prosecution Agreement and a Civil Settlement Agreement in that regard with the DOJ.

Moreover, beginning in October 2011, OCA had also been subject to investigation by the DOJ relating to alleged violations of the U.S. Foreign Corrupt Practices Act ("FCPA") concerning the medical business of Olympus Latin America, Inc. ("OLA"), an indirect U.S. subsidiary of Olympus Corporation, and Olympus Optical do Brazil, Ltda. ("OBL"), a Brazilian subsidiary of OLA. On February 29, 2016, OLA and subsidiaries of Olympus Corporation (including OCA) entered into a Deferred Prosecution Agreement with the DOJ in that regard.

The Company recorded ¥18,814 million for "Loss related to the investigation under U.S. Anti-kickback Act and the related Act" to reflect criminal penalties, civil fines and interest in that regard in light of the agreements for the year ended March 31, 2016.

23. Income Taxes for Prior Periods

With respect to transactions among Group companies, the Company recorded estimated amounts of additional payment for corporate tax and other such obligations in "Income taxes for prior periods" for the years ended March 31, 2016 and 2017 considering the Advanced Pricing Agreement submitted for approval regarding transfer price taxation.

24. 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, 2016 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	**2017**	**2017**
Cash and deposits	¥166,554	**¥199,431**	**$1,780,634**
Less–time deposits with maturities over three months	(231)	**(0)**	**(0)**
Cash and cash equivalents	¥166,323	**¥199,431**	**$1,780,634**

25. Net Proceeds 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 sales of shares of Nippon Outsourcing Corporation, which has been excluded from the scope of consolidation due to the sale of its shares during the year ended March 31, 2017 were as follows:

	Millions of yen
Current assets	¥ 2,633
Non-current assets	347
Current liabilities	(1,704)
Non-current liabilities	(194)
Gain on transfer of business	3,844
Transaction price	4,926
Cash and cash equivalents	(1,483)
Proceeds from sales of shares of subsidiaries resulting in changes in scope of consolidation	¥ 3,443

26. Lease Transactions

Finance Lease Transactions (Lessee):
The Company and its consolidated subsidiaries lease certain machinery and equipment under the non-cancelable finance and operating leases.

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, 2016 and 2017 were as follows:

	Millions of yen		
As of March 31, 2016	Due within one year	Due after one year	Total minimum lease payments
	¥1,619	¥4,009	¥5,628

	Millions of yen			Thousands of U.S. dollars		
As of March 31, 2017	Due within one year	Due after one year	Total minimum lease payments	Due within one year	Due after one year	Total minimum lease payments
	¥2,632	**¥7,320**	**¥9,952**	**$23,500**	**$65,357**	**$88,857**

Finance Lease Transactions (Lessor):
Leased investment assets recognized in the consolidated balance sheets as of March 31, 2016 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	**2017**	**2017**
Lease receivables and leased investment assets:			
Lease receivables components of leased investment assets	¥26,021	**¥26,643**	**$237,884**
Estimated residual value	2,118	**3,087**	**27,563**
Interest income	(2,596)	**(2,881)**	**(25,724)**
Leased investment assets	¥25,543	**¥26,849**	**$239,723**

	Millions of yen		Thousands of U.S. dollars
	2016	**2017**	**2017**
Other assets:			
Lease receivables components of leased investment assets	¥33,446	**¥32,189**	**$287,402**
Estimated residual value	7,889	**8,730**	**77,946**
Interest income	(3,827)	**(3,538)**	**(31,589)**
Leased investment assets	¥37,508	**¥37,381**	**$333,759**

The following tables set forth amounts of lease receivables and leased investment assets to be collected subsequent to March 31, 2016 and 2017:

	Millions of yen					
As of March 31, 2016	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Lease receivables and leased investment assets:						
Lease receivables	¥ 8,022	¥ —	¥ —	¥ —	¥ —	¥ —
Lease receivable components of leased investment assets	26,021	—	—	—	—	—
Other assets:						
Lease receivables	—	4,255	2,545	1,441	722	11
Lease receivable components of leased investment assets	—	16,557	11,490	4,551	842	6

	Millions of yen					
As of March 31, 2017	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Lease receivables and leased investment assets:						
Lease receivables	**¥ 8,489**	**¥ —**	**¥ —**	**¥ —**	**¥ —**	**¥ —**
Lease receivable components of leased investment assets	**26,643**	**—**	**—**	**—**	**—**	**—**
Other assets:						
Lease receivables	**—**	**5,125**	**3,170**	**1,383**	**474**	**10**
Lease receivable components of leased investment assets	**—**	**17,531**	**9,970**	**3,854**	**792**	**42**

	Thousands of U.S. dollars					
As of March 31, 2017	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Lease receivables and leased investment assets:						
Lease receivables	**$ 75,795**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**
Lease receivable components of leased investment assets	**237,884**	**—**	**—**	**—**	**—**	**—**
Other assets:						
Lease receivables	**—**	**45,759**	**28,304**	**12,348**	**4,232**	**89**
Lease receivable components of leased investment assets	**—**	**156,527**	**89,018**	**34,411**	**7,071**	**375**

Operating Lease Transactions (Lessor):

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

	Millions of yen		
As of March 31, 2016	Due within one year	Due after one year	Total minimum lease payments
	¥5,189	¥5,421	¥10,610

	Millions of yen			Thousands of U.S. dollars		
As of March 31, 2017	Due within one year	Due after one year	Total minimum lease payments	Due within one year	Due after one year	Total minimum lease payments
	¥5,646	**¥5,886**	**¥11,532**	**$50,411**	**$52,553**	**$102,964**

27. Other Comprehensive Income (Loss)

The following table presents reclassification adjustments and corresponding tax effects allocated to each component of other comprehensive income for the years ended March 31, 2016 and 2017:

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Net unrealized holding gains (losses) on available-for-sale securities, net of taxes:			
Amount arising during the year	¥ 2,913	¥ 1,226	$ 10,946
Reclassification adjustments for gains and losses included in net income	(1,883)	(23,913)	(213,509)
Amount before tax effect	1,030	(22,687)	(202,563)
Tax effect	(847)	7,296	65,143
Net unrealized holding gains (losses) on available-for-sale securities, net of taxes	¥ 183	¥(15,391)	$(137,420)
Net unrealized gains (losses) on hedging derivatives, net of taxes:			
Amount arising during the year	¥ (10)	¥ —	$ 0
Reclassification adjustments for gains and losses included in net income	8	10	89
Amount before tax effect	(2)	10	90
Tax effect	3	(3)	(27)
Net unrealized gains (losses) on hedging derivatives, net of taxes	¥ 1	¥ 7	$ 63
Foreign currency translation adjustments:			
Amount arising during the year	¥(24,018)	¥(11,998)	$(107,125)
Reclassification adjustments for gains and losses included in net income	10	(22)	(196)
Foreign currency translation adjustments	¥(24,008)	¥(12,020)	$(107,321)
Retirement benefits liability adjustments:			
Amount arising during the year	¥(13,035)	¥ (2,132)	$ (19,036)
Reclassification adjustments for gains and losses included in net income	249	3,358	29,982
Amount before tax effect	(12,786)	1,226	10,946
Tax effect	4,309	(57)	(508)
Retirement benefits liability adjustments	¥ (8,477)	¥ 1,169	$ 10,438
Share of other comprehensive income (loss) of companies accounted for by the equity method:			
Amount arising during the year	¥ (4)	¥ 14	$ 125
Share of other comprehensive income (loss) of companies accounted for by the equity method	¥ (4)	¥ 14	$ 125
Total other comprehensive income (loss)	¥(32,305)	¥(26,221)	$(234,115)

28. 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 forward foreign exchange 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 that meet specific matching criteria and have been hedged by forward foreign exchange contracts are translated at the foreign exchange rate stipulated in the contracts (special hedge accounting for forward foreign exchange 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 is accrued and included in interest expense or income (special hedge accounting shortcut method for interest rate swaps).

The counterparties to the derivative financial instruments of the Company and its consolidated subsidiaries are substantial and creditworthy multinational 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 (loss) for outstanding derivative financial instruments by risk category and instrument type as of March 31, 2016 and 2017:

Derivatives for which hedge accounting is not applied

	Millions of yen		
As of March 31, 2016	Notional amount	Fair value	Unrealized gain (loss)
Forward foreign exchange contracts:			
To buy U.S. dollars	¥ 646	¥ 48	¥ 48
To buy other currencies	7,389	193	193
To sell U.S. dollars	6,642	117	117
To sell other currencies	14,301	(238)	(238)
Foreign exchange option contracts:			
Put option	4,869	84	84
Foreign currency swap contracts:			
Receive British pounds / pay euro	3,790	(8)	(8)
Receive other currencies / pay other currencies	6,084	21	21

	Millions of yen			Thousands of U.S. dollars		
As of March 31, 2017	Notional amount	Fair value	Unrealized gain (loss)	Notional amount	Fair value	Unrealized gain (loss)
Forward foreign exchange contracts:						
To buy U.S. dollars	**¥ 507**	**¥ 145**	**¥ 145**	**$ 4,527**	**$ 1,295**	**$ 1,295**
To buy other currencies	**1,844**	**(56)**	**(56)**	**16,464**	**(500)**	**(500)**
To sell U.S. dollars	**12,781**	**(214)**	**(214)**	**114,116**	**(1,911)**	**(1,911)**
To sell other currencies	**10,501**	**(421)**	**(421)**	**93,759**	**(3,759)**	**(3,759)**
Foreign exchange option contracts:						
Put option	**—**	**—**	**—**	**—**	**—**	**—**
Foreign currency swap contracts:						
Receive British pounds / pay euro	**7,958**	**25**	**25**	**71,054**	**223**	**223**
Receive other currencies / pay other currencies	**5,716**	**21**	**21**	**51,036**	**188**	**188**

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

Derivatives for which hedge accounting is applied

	Millions of yen	
As of March 31, 2016	Notional amount	Fair value
Forward foreign exchange contracts, accounted for by special hedge accounting:		
To buy U.S. dollars	¥ 4,992	*
To buy other currencies	—	*
To sell U.S. dollars	44,857	*
To sell other currencies	27,665	*
Interest rate swap contracts, accounted for by special hedge accounting shortcut method:		
Receive floating / pay fixed	148,000	**

	Millions of yen		Thousands of U.S. dollars	
As of March 31, 2017	Notional amount	Fair value	Notional amount	Fair value
Forward foreign exchange contracts, accounted for by special hedge accounting:				
To buy U.S. dollars	**¥ 4,173**	*	**$ 37,259**	*
To buy other currencies	**—**	*	**—**	*
To sell U.S. dollars	**35,502**	*	**316,982**	*
To sell other currencies	**24,996**	*	**223,179**	*
Forward foreign exchange contracts for forecasted transactions:				
To sell other currencies	**—**	**—**	**—**	**—**
Interest rate swap contracts, accounted for by special hedge accounting shortcut method:				
Receive floating / pay fixed	**138,000**	**	**1,232,143**	**

The fair value of forward foreign exchange 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.

* Forward foreign exchange 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.

29. 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 their performance.

Each business division of the Olympus Group 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, Scientific Solutions Business, Imaging Business, and Others.

The "Medical Business" manufactures and sells gastrointestinal endoscopes, surgical endoscopes, endotherapy devices, and other products. The "Scientific Solutions 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.

2. Method of calculating amounts of net sales, profit (loss), assets, liabilities, and other items by reportable segment

The accounting methods for the reportable business segments are generally the same as the methods described in Note 1 "Summary of Significant Accounting Policies." Segment profit is based on operating income. Internal sales or transfers among segments are based on actual market prices.

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

Millions of yen

For the year ended March 31, 2016

	Medical	Scientific Solutions	Imaging	Others	Total	Adjustments	Consolidated total
Net sales:							
Third parties	¥608,927	¥101,608	¥78,284	¥15,759	¥804,578	¥ —	¥ 804,578
Intersegment	0	74	10	445	529	(529)	—
Total	608,927	101,682	78,294	16,204	805,107	(529)	804,578
Segment profit (loss)	140,220	8,482	(2,064)	(5,800)	140,838	(36,374)	104,464
Assets	642,788	80,865	65,741	13,282	802,676	197,938	1,000,614
Depreciation and amortization	30,416	4,472	1,685	517	37,090	2,822	39,912
Amortization of goodwill	9,252	598	—	17	9,867	—	9,867
Increase in segment property, plant and equipment and intangible assets	46,430	5,645	3,091	888	56,054	8,391	64,445

Millions of yen

For the year ended March 31, 2017

	Medical	Scientific Solutions	Imaging	Others	Total	Adjustments	Consolidated total
Net sales:							
Third parties	**¥575,285**	**¥93,227**	**¥65,574**	**¥13,964**	**¥748,050**	**¥ —**	**¥748,050**
Intersegment	**0**	**52**	**3**	**767**	**822**	**(822)**	**—**
Total	**575,285**	**93,279**	**65,577**	**14,731**	**748,872**	**(822)**	**748,050**
Segment profit (loss)	**115,482**	**5,280**	**498**	**(4,621)**	**116,639**	**(40,152)**	**76,487**
Assets	**621,297**	**79,371**	**51,075**	**11,748**	**763,491**	**227,571**	**991,062**
Depreciation and amortization	**33,999**	**4,323**	**1,930**	**854**	**41,106**	**3,552**	**44,658**
Amortization of goodwill	**8,124**	**508**	**—**	**10**	**8,642**	**—**	**8,642**
Increase in segment property, plant and equipment and intangible assets	**32,877**	**5,726**	**2,805**	**1,176**	**42,584**	**6,763**	**49,347**

	Medical	Scientific Solutions	Imaging	Others	Total	Adjustments	Consolidated total
	Thousands of U.S. dollars						
	For the year ended March 31, 2017						
Net sales:							
Third parties	$5,136,473	$832,384	$585,482	$124,679	$6,679,018	$ —	$6,679,018
Intersegment	1	466	25	6,851	7,343	(7,343)	—
Total	5,136,474	832,850	585,507	131,530	6,686,361	(7,343)	6,679,018
Segment profit (loss)	1,031,089	47,143	4,446	(41,259)	1,041,419	(358,500)	682,919
Assets	5,547,292	708,673	456,026	104,892	6,816,883	2,031,887	8,848,770
Depreciation and amortization	303,563	38,598	17,232	7,625	367,018	31,714	398,732
Amortization of goodwill	72,536	4,536	—	89	77,161	—	77,161
Increase in segment property, plant and equipment and intangible assets	293,545	51,125	25,045	10,499	380,214	60,384	440,598

Notes:
1. Segment profit (loss) is adjusted to agree with operating income in the consolidated financial statements.
2. The deduction of ¥(529) million and ¥(822) million ($(7,343) thousand) for the years ended March 31, 2016 and 2017, respectively, in internal sales or transfer among segments represents elimination of transactions among segments.
3. Adjustments for segment profit (loss) include ¥(36,374) million and ¥(40,152) million ($(358,500) thousand) for the years ended March 31, 2016 and 2017, respectively, of corporate general administration, and research and development center expenses, which are not allocable to the reportable segments.
4. Adjustments for segment assets include ¥197,938 million and ¥227,571 million ($2,031,887 thousand) as of March 31, 2016 and 2017, respectively, of corporate assets, which are not allocable to the reportable segments.
5. Adjustments for depreciation and amortization include ¥2,822 million and ¥3,552 million ($31,714 thousand) for the years ended March 31, 2016 and 2017, respectively, of depreciation and amortization of corporate assets, which are not allocable to the reportable segments.
6. Adjustments for increase in segment property, plant and equipment and intangible assets include ¥8,391 million and ¥6,763 million ($60,384 thousand) for the years ended March 31, 2016 and 2017, 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 geographic classification for the years ended March 31, 2016 and 2017 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Japan	¥163,070	¥159,610	$1,425,089
North America	282,108	255,651	2,282,598
Europe	195,606	174,859	1,561,241
Asia	145,986	143,542	1,281,625
Other areas	17,808	14,388	128,465
	¥804,578	¥748,050	$6,679,018

Note: Each destination is determined by geographic 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 countries or geographic areas as of March 31, 2016 and 2017 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Japan	¥ 81,970	¥ 89,615	$ 800,134
America	37,925	39,371	351,527
Europe	28,505	23,854	212,982
Asia	17,664	18,512	165,286
	¥166,064	¥171,352	$1,529,929

Note: Each geographic location is determined by geographic 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, 2016, and 2017 have been omitted due to the absence of a customer with sales volume that exceeds 10% of consolidated net sales.

(d) Impairment losses on fixed assets of ¥230 million for the year ended March 31, 2016 were attributed to Medical.

(e) Outstanding balances of goodwill by reportable segment as of March 31, 2016 and 2017 were as follows:

	Millions of yen				
	2016				
	Medical	Scientific Solutions	Imaging	Others	Consolidated total
Outstanding balance of goodwill	¥95,122	¥2,013	¥—	¥55	¥97,190

	Millions of yen				
	2017				
	Medical	Scientific Solutions	Imaging	Others	Consolidated total
Outstanding balance of goodwill	¥85,276	¥1,388	¥—	¥—	¥86,664

	Thousands of U.S. dollars				
	2017				
	Medical	Scientific Solutions	Imaging	Others	Consolidated total
Outstanding balance of goodwill	$761,393	$12,393	$—	$—	$773,786

(f) Amortization of negative goodwill by reportable segment

There was no amortization of negative goodwill for the years ended March 31, 2016 and 2017.

30. Amounts per Share

Net income (loss) per share is computed by dividing income (loss) available to common shareholders by the average number of common shares outstanding for each fiscal year. Diluted net income (loss) per share is similar to basic net income (loss) per share 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.

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

For the years ended March 31	Yen		U.S. dollars
	2016	**2017**	**2017**
Net income (loss):			
Basic	¥182.90	**¥228.47**	**$2.040**
Diluted	182.84	**228.38**	**2.039**

As of March 31	Yen		U.S. dollars
	2016	**2017**	**2017**
Net assets	¥1,117.24	**¥1,252.96**	**$11.187**

The bases for calculation are as follows:

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

For the years ended March 31	Number of shares	
	2016	**2017**
Average number of shares for basic net income (loss)	342,235,989	**342,236,163**

(2) Net assets per share

As of March 31	Number of shares	
	2016	**2017**
Number of shares of common stock used for the calculation of net assets per share	342,234,901	**342,236,219**

As of March 31	Millions of yen		Thousands of U.S. dollars
	2016	**2017**	**2017**
Total net assets	¥384,283	**¥430,880**	**$3,847,143**
Amounts deducted from total net assets:			
Stock acquisition rights	428	**554**	**4,946**
Non-controlling interests	1,496	**1,519**	**13,563**
Net assets attributable to shares of common stock	¥382,359	**¥428,807**	**$3,828,634**

31. Related-Party Transactions

(1) Related-party transactions

There were no related-party transactions to be disclosed for the years ended March 31, 2016 and 2017.

(2) Note about significant related party

There were no significant related parties to be disclosed for the years ended March 31, 2016 and 2017.

32. Business Combinations

Business divestiture

The Company transferred shares of Nippon Outsourcing Corporation (hereinafter, “NOC”), formerly a consolidated subsidiary, to The Longreach Group Ltd. in cash on October 31, 2016.

(1) Outline of business divestiture

(i) Name of company that succeeded a divested business

LN Holdings Inc.

(LN Holdings Inc. is under the umbrella of an investment fund owned by The Longreach Group Ltd.)

(ii) Business description of divested business

Outsourcing business, personnel services, shared services for the Olympus Group

(iii) Primary reason for business divestiture

As one of the priority strategies of the 2016 Corporate Strategic Plan (“16CSP”) announced on March 30, 2016, the Company aims to acquire necessary management resources in a timely manner and fully leverage these resources, and is advancing to focus investment of management resources in the growing fields of the Medical Business.

On the other hand, NOC has been developing business mainly in outsourcing and personnel services since its establishment in 1988 and has been well-trusted by the market. Yet, outsourcing and personnel services have not been included in the Company’s core field under the 16CSP. Under such a circumstance, it is therefore difficult to provide sufficient investment to maintain competitiveness and further growth in the outsourcing industry, where competition is increasingly severe.

For NOC to make the most of its intrinsic potential to maximize corporate value and customer value, the Company decided that the best approach would be, from a technical standpoint of business support and investment, to have NOC expand the opportunity to realize further growth under The Longreach Group, which has a considerable track record and strength in accelerating the growth and competitiveness of companies.

(2) Outline of accounting treatment applied

(i) Gain on transfer of business

¥3,844 million ($34,321 thousand)

(ii) Book values of assets and liabilities of transferred business

	Millions of yen	Thousands of U.S. dollars
Current assets	¥2,633	$23,509
Non-current assets	347	3,098
Total assets	¥2,980	$26,607
Current liabilities	¥1,704	$15,214
Non-current liabilities	194	1,732
Total liabilities	¥1,898	$16,946

(iii) Accounting treatment

The difference between the consolidated net assets of NOC and the selling price, less any related transaction costs, was recorded as net gain on sales of investment securities in subsidiaries and affiliates.

(3) Reportable segment in which divested business was included

Others

(4) Estimated net sales and operating income attributable to the divested business in the consolidated statement of operations for the year ended March 31, 2017

Net sales: ¥3,580 million ($31,964 thousand)

Operating income: ¥196 million ($1,750 thousand)

33. Subsequent Event

Acquisition of Image Stream Medical, Inc.

On June 1, 2017, the Company completed the acquisition of 100% of shares of Image Stream Medical, Inc. (Headquartered: Massachusetts, USA; CEO: Eddie Mitchell) ("ISM"), a U.S. operating room imaging systems integrator, through its wholly owned subsidiary, Olympus Corporation of the Americas ("OCA"). The acquisition was made by using a special purpose vehicle ("MergerSub") such that MergerSub merged with ISM and subsequently OCA acquired the shares of surviving corporation ISM, resulting in ISM becoming a wholly owned subsidiary of OCA (the "Transaction") under the mutual agreement among OCA, ISM, and MergerSub on April 28, 2017.

1. Reason for acquisition
   As outlined in the 2016 Corporate Strategic Plan ("16CSP") announced on March 30, 2016, the Company aims to improve corporate value by strengthening its foundations and developing an aggressive business portfolio for sustainable future growth. Through this acquisition, the Company seeks to acquire ISM's technology and know-how, and consequently strengthen its operating room systems integration business as described in 16CSP, with the aim of providing better medical environments and thereby contributing to society by making the lives of people around the world healthier, safer, and more fulfilling.

2. Name of company to be acquired, business description, and net sales
   (1) Name: Image Stream Medical, Inc.
   (2) Business description: Proposing, selling, delivery, and maintenance services for video management equipment and system integration solutions for operating rooms
   (3) Net sales: Approx. $31 million (for the fiscal year ended December 31, 2016)

3. Date of acquisition
   June 1, 2017

4. Shares acquired and purchase price
   (1) Shares acquired: 100 shares
   (2) Purchase price: $78 million (maximum of $87 million)
   The purchase price mentioned above is determined based on the valuation amount of ISM's enterprise value. The actual acquisition price is subject to certain adjustments, based on items (for example, net debt, net working capital, and others) of ISM as at the closing date of the Transaction. Furthermore, additional consideration may be paid in the future up to the total amount of the purchase price of $87 million, based on the performance, progress of development, and sales activities of ISM.

5. Source of funds
   Funded by cash reserves

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Independent Auditor's Report

The Board of Directors
Olympus Corporation

We have audited the accompanying consolidated financial statements of Olympus Corporation and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2017, 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, 2017, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Emphasis of Matter

We draw attention to Note 15 of the consolidated financial statements, which describes that, concerning the Company's deferral of recognition of losses on securities investments, etc., lawsuits have been filed against it mainly by shareholders. A provision for loss on litigation was provided as of March 31, 2017 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.

Our opinion is not qualified in respect of this matter.

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 ShinNihon LLC

June 28, 2017
Tokyo, Japan

A member firm of Ernst & Young Global Limited