Consolidated Statements of Financial Position

Olympus Corporation and Consolidated Subsidiaries
As of transition date (April 1, 2016), March 31, 2017 and 2018

	Millions of yen			Thousands of U.S. dollars (Note 2)
	Transition date (April 1, 2016)	2017	**2018**	**2018**
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents (Notes 7, 35)	¥166,379	¥199,465	**¥191,239**	**$1,804,142**
Trade and other receivables (Notes 8, 35)	159,125	157,469	**157,339**	**1,484,330**
Other financial assets (Notes 10, 35)	2,498	1,618	**7,442**	**70,208**
Inventories (Note 9)	112,265	125,319	**139,309**	**1,314,236**
Income taxes receivable	14,282	5,146	**4,127**	**38,934**
Other current assets (Note 11)	14,497	12,902	**14,487**	**136,669**
Subtotal	469,046	501,919	**513,943**	**4,848,519**
Non-current assets held for sale (Note 12)	—	3,828	**348**	**3,283**
Total current assets	469,046	505,747	**514,291**	**4,851,802**
NON-CURRENT ASSETS				
Property, plant and equipment (Note 13)	158,816	159,735	**168,243**	**1,587,198**
Goodwill (Note 14)	97,190	95,568	**97,208**	**917,057**
Intangible assets (Note 14)	83,941	75,858	**73,371**	**692,179**
Retirement benefit asset (Note 23)	24,510	24,544	**29,514**	**278,434**
Investments accounted for using equity method	1,926	51	**44**	**415**
Trade and other receivables (Notes 8, 35)	18,706	18,303	**17,971**	**169,538**
Other financial assets (Notes 10, 35)	77,273	37,895	**39,683**	**374,368**
Deferred tax assets (Note 37)	43,866	41,437	**37,135**	**350,330**
Other non-current assets (Note 11)	1,700	894	**1,203**	**11,349**
Total non-current assets	507,928	454,285	**464,372**	**4,380,868**
Total assets	¥976,974	¥960,032	**¥978,663**	**$9,232,670**

See accompanying notes to consolidated financial statements.

	Millions of yen			Thousands of U.S. dollars (Note 2)
	Transition date (April 1, 2016)	2017	**2018**	**2018**
LIABILITIES AND EQUITY				
LIABILITIES				
CURRENT LIABILITIES				
Trade and other payables (Notes 17, 35)	¥ 75,404	¥ 70,834	**¥ 57,559**	**$ 543,009**
Bonds and borrowings (Notes 18, 35)	56,570	68,777	**88,791**	**837,651**
Other financial liabilities (Notes 19, 35)	11,834	11,018	**8,793**	**82,953**
Income taxes payable	9,121	11,710	**9,467**	**89,311**
Provisions (Note 20)	4,070	5,675	**6,814**	**64,283**
Other current liabilities (Note 21)	121,106	118,436	**134,496**	**1,268,831**
Total current liabilities	278,105	286,450	**305,920**	**2,886,038**
NON-CURRENT LIABILITIES				
Bonds and borrowings (Notes 18, 35)	263,731	217,193	**159,183**	**1,501,726**
Other financial liabilities (Notes 19, 35)	7,574	6,926	**7,379**	**69,613**
Retirement benefit liability (Note 23)	38,751	37,872	**39,145**	**369,292**
Provisions (Note 20)	365	425	**785**	**7,406**
Deferred tax liabilities (Note 37)	10,604	9,565	**10,004**	**94,377**
Other non-current liabilities (Note 21)	11,262	5,373	**11,988**	**113,095**
Total non-current liabilities	332,287	277,354	**228,484**	**2,155,509**
Total liabilities	610,392	563,804	**534,404**	**5,041,547**
EQUITY				
Share capital (Note 24)	124,520	124,520	**124,560**	**1,175,094**
Capital surplus (Note 24)	91,368	91,779	**91,502**	**863,226**
Treasury shares (Note 24)	(1,122)	(1,122)	**(4,775)**	**(45,047)**
Other components of equity (Note 24)	21,378	(5,652)	**(5,810)**	**(54,811)**
Retained earnings (Note 24)	128,988	185,226	**237,316**	**2,238,830**
Total equity attributable to owners of parent	365,132	394,751	**442,793**	**4,177,292**
Non-controlling interests	1,450	1,477	**1,466**	**13,831**
Total equity	366,582	396,228	**444,259**	**4,191,123**
Total liabilities and equity	¥976,974	¥960,032	**¥978,663**	**$9,232,670**

Consolidated Statements of Profit or Loss

Olympus Corporation and Consolidated Subsidiaries
For the years ended March 31, 2017 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2017	**2018**	**2018**
Revenue (Notes 6, 28)	¥740,557	**¥786,497**	**$7,419,783**
Cost of sales (Notes 9, 13, 14, 23)	262,071	**276,013**	**2,603,896**
Gross profit	478,486	**510,484**	**4,815,887**
Selling, general and administrative expenses (Notes 13, 14, 23, 29)	397,697	**426,596**	**4,024,491**
Share of profit (loss) of investments accounted for using equity method (Note 6)	(1,253)	**(47)**	**(443)**
Other income (Note 30)	5,650	**7,905**	**74,575**
Other expenses (Notes 16, 30)	13,994	**10,717**	**101,103**
Operating profit (Note 6)	71,192	**81,029**	**764,425**
Finance income (Notes 23, 31)	2,166	**2,685**	**25,330**
Finance costs (Note 23, 31)	10,877	**7,049**	**66,500**
Profit before tax	62,481	**76,665**	**723,255**
Income taxes (Note 37)	19,671	**19,573**	**184,651**
Profit	¥ 42,810	**¥ 57,092**	**$ 538,604**
Profit attributable to:			
Owners of parent	¥ 42,783	**¥ 57,064**	**$ 538,340**
Non-controlling interests	¥ 27	**¥ 28**	**$ 264**
Profit	¥ 42,810	**¥ 57,092**	**$ 538,604**

	Yen		U.S. dollars (Note 2)
	2017	**2018**	**2018**
Earnings per share:			
Basic earnings per share (Note 32)	¥ 125.01	**¥ 166.84**	**$ 1.574**
Diluted earnings per share (Note 32)	¥ 124.96	**¥ 166.76**	**$ 1.573**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

Olympus Corporation and Consolidated Subsidiaries
For the years ended March 31, 2017 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2017	**2018**	**2018**
Profit	¥ 42,810	**¥57,092**	**$538,604**
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Financial assets measured at fair value through other comprehensive income (Note 33)	1,135	**3,562**	**33,604**
Remeasurements of defined benefit plans (Note 33)	2,719	**3,240**	**30,566**
Total of items that will not be reclassified to profit or loss (Note 33)	3,854	**6,802**	**64,170**
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations (Note 33)	(12,782)	**(3,568)**	**(33,661)**
Cash flow hedges (Note 33)	1,147	**952**	**8,981**
Share of other comprehensive income (loss) of associates accounted for using equity method (Note 33)	14	**(12)**	**(113)**
Total of items that may be reclassified to profit or loss	(11,621)	**(2,628)**	**(24,793)**
Total other comprehensive income	(7,767)	**4,174**	**39,377**
Comprehensive income	¥ 35,043	**¥61,266**	**$577,981**
Comprehensive income attributable to:			
Owners of parent	¥ 35,026	**¥61,234**	**$577,679**
Non-controlling interests	¥ 17	**¥ 32**	**$ 302**
Comprehensive income	¥ 35,043	**¥61,266**	**$577,981**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

Olympus Corporation and Consolidated Subsidiaries
For the years ended March 31, 2017 and 2018

	Millions of yen							
	Equity attributable to owners of parent						Non-controlling interests	Total equity
	Share capital	Capital surplus	Treasury shares	Other components of equity	Retained earnings	Total		
Balance at April 1, 2016	¥124,520	¥91,368	¥(1,122)	¥21,378	¥128,988	¥365,132	¥1,450	¥366,582
Profit					42,783	42,783	27	42,810
Other comprehensive income				(7,757)		(7,757)	(10)	(7,767)
Comprehensive income	—	—	—	(7,757)	42,783	35,026	17	35,043
Change in scope of consolidation						—	438	438
Purchase of treasury shares (Note 24)			(8)			(8)		(8)
Disposal of treasury shares (Note 24)		3	8			11		11
Dividends from surplus (Note 26)					(5,818)	(5,818)	(59)	(5,877)
Transfer from other components of equity to retained earnings				(19,273)	19,273	—		—
Share-based payment transactions (Note 27)		126				126		126
Equity transactions with non-controlling interests		282				282	(369)	(87)
Total transactions with owners	—	411	0	(19,273)	13,455	(5,407)	10	(5,397)
Balance at March 31, 2017	¥124,520	¥91,779	¥(1,122)	¥ (5,652)	¥185,226	¥394,751	¥1,477	¥396,228

	Millions of yen							
	Equity attributable to owners of parent						Non-controlling interests	Total equity
	Share capital	Capital surplus	Treasury shares	Other components of equity	Retained earnings	Total		
Balance at April 1, 2017	¥124,520	¥91,779	¥(1,122)	¥(5,652)	¥185,226	¥394,751	¥1,477	¥396,228
Profit					57,064	57,064	28	57,092
Other comprehensive income				4,170		4,170	4	4,174
Comprehensive income	—	—	—	4,170	57,064	61,234	32	61,266
Purchase of treasury shares (Note 24)			(3,663)			(3,663)		(3,663)
Disposal of treasury shares (Note 24)		(10)	10			0		0
Dividends from surplus (Note 26)					(9,583)	(9,583)	(79)	(9,662)
Transfer from other components of equity to retained earnings				(4,328)	4,328	—		—
Transfer from capital surplus to retained earnings		(281)			281	—		—
Share-based payment transactions (Note 27)	40	50				90		90
Equity transactions with non-controlling interests		(36)				(36)	36	—
Total transactions with owners	40	(277)	(3,653)	(4,328)	(4,974)	(13,192)	(43)	(13,235)
Balance at March 31, 2018	¥124,560	¥91,502	¥(4,775)	¥(5,810)	¥237,316	¥442,793	¥1,466	¥444,259

	Share capital	Capital surplus	Treasury shares	Other components of equity	Retained earnings	Total	Non-controlling interests	Total equity
	Thousands of U.S. dollars (Note 2)							
	Equity attributable to owners of parent							
Balance at April 1, 2017	$1,174,717	$865,839	$(10,585)	$(53,320)	$1,747,415	$3,724,066	$13,934	$3,738,000
Profit					538,340	538,340	264	538,604
Other comprehensive income				39,339		39,339	38	39,377
Comprehensive income	—	—	—	39,339	538,340	577,679	302	577,981
Purchase of treasury shares (Note 24)			(34,556)			(34,556)		(34,556)
Disposal of treasury shares (Note 24)		(94)	94			0		0
Dividends from surplus (Note 26)					(90,406)	(90,406)	(745)	(91,151)
Transfer from other components of equity to retained earnings				(40,830)	40,830	—		—
Transfer from capital surplus to retained earnings		(2,651)			2,651	—		—
Share-based payment transactions (Note 27)	377	472				849		849
Equity transactions with non-controlling interests		(340)				(340)	340	—
Total transactions with owners	377	(2,613)	(34,462)	(40,830)	(46,925)	(124,453)	(405)	(124,858)
Balance at March 31, 2018	$1,175,094	$863,226	$(45,047)	$(54,811)	$2,238,830	$4,177,292	$13,831	$4,191,123

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Olympus Corporation and Consolidated Subsidiaries
For the years ended March 31, 2017 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2017	**2018**	**2018**
Cash flows from operating activities			
Profit before tax	¥ 62,481	**¥ 76,665**	**$ 723,255**
Depreciation and amortization	54,290	**52,913**	**499,179**
Interest and dividend income	(1,928)	**(1,774)**	**(16,736)**
Interest expenses	8,314	**6,669**	**62,915**
Loss related to securities litigation	6,922	**592**	**5,585**
Share of loss (profit) of investments accounted for using equity method	1,253	**47**	**443**
Loss (gain) on sales of investments in subsidiaries	(3,892)	**(3,048)**	**(28,755)**
Decrease (increase) in trade and other receivables	(1,072)	**1,730**	**16,321**
Decrease (increase) in inventories	(14,717)	**(13,249)**	**(124,991)**
Increase (decrease) in trade and other payables	(618)	**(13,709)**	**(129,330)**
Increase (decrease) in retirement benefit liability	(485)	**1,167**	**11,009**
Decrease (increase) in retirement benefit asset	778	**980**	**9,245**
Other	16,373	**10,854**	**102,398**
Subtotal	127,699	**119,837**	**1,130,538**
Interest received	774	**1,132**	**10,679**
Dividends received	1,154	**642**	**6,057**
Interest paid	(7,902)	**(6,375)**	**(60,142)**
Legal settlement compensation received	106	**—**	**—**
Payments for loss on securities litigation	(7,902)	**(809)**	**(7,632)**
Loss related to the US Anti-Kickback Statute paid	(4,714)	**—**	**—**
Income taxes paid	(7,163)	**(19,281)**	**(181,896)**
Net cash provided by operating activities	102,052	**95,146**	**897,604**
Cash flows from investing activities			
Purchase of property, plant and equipment	(48,665)	**(48,855)**	**(460,896)**
Proceeds from sales of property, plant and equipment	954	**5,646**	**53,264**
Purchase of intangible assets	(11,543)	**(14,554)**	**(137,302)**
Proceeds from sales of investments	42,239	**7,047**	**66,481**
Purchase of investments in subsidiaries resulting in change in scope of consolidation (Notes 34, 40)	(41)	**(8,636)**	**(81,472)**
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation (Notes 34, 40)	3,443	**2,400**	**22,642**
Payments for loans receivables	(7,358)	**(1,134)**	**(10,698)**
Collection of loan receivables	19	**1,485**	**14,009**
Proceeds from government subsidies (Note 22)	—	**4,162**	**39,264**
Other	138	**(873)**	**(8,235)**
Net cash used in investing activities	(20,814)	**(53,312)**	**(502,943)**
Cash flows from financing activities			
Increase (decrease) in short-term borrowings (Note 34)	(3,933)	**(2,608)**	**(24,604)**
Proceeds from long-term borrowings (Note 34)	20,000	**23,551**	**222,179**
Repayments of long-term borrowings (Note 34)	(20,217)	**(66,307)**	**(625,538)**
Proceeds from issuance of bonds (Notes 18, 34)	—	**9,946**	**93,830**
Redemption of bonds (Note 34)	(30,000)	**—**	**—**
Purchase of investments in subsidiaries not resulting in change in scope of consolidation	(86)	**—**	**—**
Payments for purchase of treasury shares	(8)	**(3,663)**	**(34,557)**
Dividends paid (Note 26)	(5,818)	**(9,583)**	**(90,406)**
Dividends paid to non-controlling interests	(59)	**(79)**	**(745)**
Other	(3,494)	**(2,315)**	**(21,838)**
Net cash used in financing activities	(43,615)	**(51,058)**	**(481,679)**
Effect of exchange rate changes on cash and cash equivalents	(4,537)	**998**	**9,414**
Net increase (decrease) in cash and cash equivalents	33,086	**(8,226)**	**(77,604)**
Cash and cash equivalents at beginning of period	166,379	**199,465**	**1,881,746**
Cash and cash equivalents at end of period	¥199,465	**¥191,239**	**$1,804,142**

See accompanying notes to consolidated financial statements.

Notes to the Consolidated Financial Statements

Olympus Corporation and Consolidated Subsidiaries

1. Reporting Entity

Olympus Corporation (hereinafter, the “Company”) is a corporation located in Japan. The address of its registered head office is Hachioji-shi, Tokyo. The Company’s consolidated financial statements comprise the Company, its subsidiaries (hereinafter, the “Olympus Group”) and interests in the Company’s associates.

The Olympus Group is principally engaged in the manufacture and sales of medical, scientific, imaging and other products. Details of each business are as described in Note 6 “Segment information.”

2. Basis of Preparation

(1) Compliance with IFRS

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

The Olympus Group first adopted IFRS from the first quarter of the fiscal year ended March 31, 2018, with the date of transition to IFRS on April 1, 2016. In the transition to IFRS, the Olympus Group has applied IFRS 1 “First-time Adoption of International Financial Reporting Standards” (hereinafter, “IFRS 1”). The effects of the transition to IFRS on the Olympus Group’s financial position, operating results and cash flows and applied exemptions under IFRS 1 are as provided in Note 43 “First-time adoption of IFRS.”

The consolidated financial statements for the fiscal year ended March 31, 2018 were approved by Hiroyuki Sasa, President and Representative Director, and Yasuo Takeuchi, Vice President and Director, on June 26, 2018.

(2) Basis of Measurement

The Olympus Group’s consolidated financial statements have been prepared on a historical cost basis, except for certain items, such as financial instruments measured at fair value as described in Note 3 “Significant accounting policies.”

(3) Functional Currency and Presentation Currency

The Olympus Group’s consolidated financial statements are presented in Japanese yen, which is also the Company’s functional currency, and figures are rounded off to the nearest million yen. 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 ¥106 to US$1.00, the approximate rate of exchange prevailing at March 31, 2018. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could been or could in the future be converted into U.S. dollars at this or any other rate of exchange.

(4) Early Adopted Standards and Interpretations

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

3. Significant Accounting Policies

(1) Basis of Consolidation

1) Subsidiaries

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

All intergroup balances, transactions, unrealized profit or loss arising from intergroup transactions are eliminated on consolidation.

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

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

If the Group loses control over a subsidiary, any resulting gains or losses shall be recognized in profit or loss.

2) Associates

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

Investments in associates include goodwill recognized on acquisition.

(2) Business Combinations

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

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

(3) Foreign Currency Translations

1) Foreign currency transactions

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

2) Financial statements of foreign operations

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

(4) Financial Instruments

The Olympus Group has early adopted IFRS 9.

1) Financial assets

(i) Initial recognition and measurement

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

(ii) Classification and subsequent measurement

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

(Financial assets measured at amortized cost)

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

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

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

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

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

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

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

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

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

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

(iii) Impairment of financial assets

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

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

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

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

(iv) Derecognition

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

2) Financial liabilities

(i) Initial recognition and measurement

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

(ii) Classification and subsequent measurement

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

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

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

(iii) Derecognition

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

3) Offsetting financial instruments

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

4) Derivatives and hedge accounting

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

For the application of hedge accounting, at the inception of the hedge the Olympus Group formally designates and documents the hedging relationship as well as the risk management objectives and strategies. Such documentation includes the hedging instruments, hedged items, the nature of the risks to be hedged and the method for evaluating the hedging effectiveness. The Olympus Group continually evaluates whether the hedging relationship is effective prospectively.

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

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

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

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

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

(5) Cash and Cash Equivalents

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

(6) Inventories

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

(7) Property, Plant and Equipment

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

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

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

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

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

Notes to the Consolidated Financial Statements

(8) Goodwill

Goodwill is carried at cost less any accumulated impairment losses.

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

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

(9) Intangible Assets

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

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

Except for intangible assets with indefinite useful lives, each asset is amortized over the estimated useful life on a straight-line basis.

The estimated useful lives of major asset items are as follows:

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

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

Intangible assets with indefinite useful lives and intangible assets not yet available for use are not amortized and are tested for impairment in each period or whenever there is an indication of impairment.

(10) Leases

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

1) Leases as lessee

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

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

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

2) Leases as lessor

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

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

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

(11) Impairment of Non-Financial Assets

For the carrying amount of non-financial assets (excluding inventories, deferred tax assets, retirement benefit assets and non-current assets held for sale), the Olympus Group assesses at the end of each reporting period whether there is an indication of impairment. If any such indication exists, an impairment test is performed. However, goodwill, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment in each period or whenever there is an indication of impairment.

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

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

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

When there is an indication of reversal in respect of impairment losses recognized in prior periods and the recoverable amount of the asset or cash-generating unit exceeds its carrying amount, impairment losses are reversed. The carrying amount after reversal of impairment losses does not exceed the carrying amount that would have been determined, net of depreciation or amortization had no impairment loss been recognized for the asset. Impairment losses associated with goodwill are not reversed.

(12) Non-Current Assets Held for Sale

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

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

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

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

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

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

(16) Employee Benefits
1) Post-employment benefits

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

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

The discount rate used for discounting to the present value of defined benefit obligations is determined by reference to market yields on high-quality corporate bonds in a currency and with maturities consistent with those of the post-employment benefit obligations.

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

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

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

2) Short-term employee benefits

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

3) Other long-term employee benefits

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

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

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

(18) Share-Based Payments
The Company has the following equity-settled share option plans as incentive plans for its directors (excluding outside directors) and executive officers.

Stock option plans

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

Restricted share and performance-linked share-based remuneration plan

The Company has introduced a restricted share and performance-linked share-based remuneration plan for directors (excluding outside directors) and executive officers (excluding non-residents of Japan) with the aim of enhancing awareness toward contributing to sustainable improvement of corporate value, as well as further enhancing value sharing with shareholders. The remuneration calculated by the reference the fair value of shares of the Company is recognized in profit or loss as an expense and the corresponding amount is recognized as an increase in equity.

(19) Revenue
The Group has early adopted IFRS 15.

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

Step 1: Identify the contract with the customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

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

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

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

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

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

1) Current taxes

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

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

2) Deferred taxes

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

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

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

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

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

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

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

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

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

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

4. Significant Accounting Estimates and Associated Judgments

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

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

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

- Scope of subsidiaries and associates (Note 3 "Significant accounting policies (1) Basis of consolidation")
- Accounting for arrangements containing leases (Note 3 "Significant accounting policies (10) Leases," Note 36 "Leases")
- Revenue (Note 3 "Significant accounting policies (19) Revenue," Note 28 "Revenue")

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

- Evaluation of inventories (Note 3 "Significant accounting policies (6) Inventories," Note 9 "Inventories")
  Inventories are measured at cost. However, if net realizable value falls below the cost as of the end of the reporting period, inventories are measured at the net realizable value and any difference is recognized in cost of sales in principle. For inventories that are not used in the normal operating cycle process and remain unused, the net realizable value are calculated reflecting future demand and market trends. If the net realizable value decreased significantly due to a worse than expected market environment, losses may be incurred.
- Impairment of non-financial assets ((Note 3 "Significant accounting policies (11) Impairment of non-financial assets," Note 16 "Impairment of non-financial assets")
  The Olympus Group performs impairment tests on property, plant and equipment, goodwill, and intangible assets in accordance with the accounting treatment described in Note 3 "Significant accounting policies." Assumptions concerning future cash flows, discount rates, etc., are set to calculate recoverable amounts in testing for impairment. Although these assumptions are determined based on management's best estimates and judgment, they may be affected as a result of changes in uncertain future economic conditions. Should those assumptions require change, the consolidated financial statements may be significantly affected.
- Measurement of provisions (Note 3 "Significant accounting policies (13) Provisions," Note 20 "Provisions")
  Provisions are measured based on best estimates of expenditures required to settle obligations in the future at the end of the fiscal period. The amount of expenditures required to settle obligations in the future is calculated, comprehensively taking into account future possible outcomes. Assumptions used in the measurement of these provisions may be affected by changes in uncertain future economic conditions, and have risk of causing a material adjustment to the measurement of provisions in the future.
- Contingent liabilities (Note 3 "Significant accounting policies (14) Contingent liabilities," Note 41 "Contingent liabilities")
  Contingent liabilities are disclosed whenever any item exists that may have significant impacts on future businesses after all evidence available on the reporting date is examined and the probability and impact in terms of the amount are taken into consideration.
- Measurement of defined benefit obligation (Note 3 "Significant accounting policies (16) Employee benefits accruals, " Note 23 "Employee benefits accruals")
  For defined benefit corporate pension plans, the net amount of defined benefit obligations and fair value of plan assets is recognized as a liability or asset. Defined benefit obligations are determined based on actuarial calculation, and assumptions for actuarial calculation include estimates of the discount rate, retirement rate, mortality, salary increase rate and others. These assumptions are determined by comprehensively assessing various available information such as the market trend of interest rate fluctuations. The assumptions for actuarial calculation may be affected by changes in uncertain future economic circumstances or social situations, etc., and have risk of causing a material adjustment to the measurement of defined benefit obligations in the future.
- Recoverability of deferred tax assets (Note 3 "Significant accounting policies (21) Income taxes," Note 37 "Income taxes")
  Deferred tax assets are recognized to the extent that it is likely that taxable profit will be available against which the deductible temporary differences can be utilized. In determining the probability that taxable profit will be available, the Olympus Group estimates the timing and the amount of the taxable profit based on the business plan. Although these estimates are management's best estimates, the actual results may differ as a result of changes in uncertain future economic conditions.

5. New or Amended IFRSs or Interpretations Not Yet Applied

The following new or revised standards and interpretations were issued by the date of approval of the consolidated financial statements, but were not yet early adopted by the Olympus Group. The effects on the consolidated financial statements of the Olympus Group due to application of the below standards or interpretations are still being considered on this time.

Standard	Title	Mandatory application (from fiscal years beginning on or after)	Fiscal year in which the Olympus Group will apply standard	Summary of new or revised standard
IFRS 16	Leases	January 1, 2019	Year ending March 2020	Amendments of lease accounting

IFRS 16 does not require that a lessee classifies its leases into finance lease or operating leases, and introduces a single lessee accounting model. A lessee recognizes, for all leases, a right-of-use asset representing its right use of the underlying leased asset and a lease liability representing its obligation to make lease payments. However,a lessee may elect not to apply the above requirement to short term and low value lease. After the initial recognition of a right-of-use asset and a lease liability, an entity recognizes depreciation cost of the right-of-use asset and interest expense of the lease liability.

6. Segment Information

(1) Overview of Reportable Segments

The reportable segments of the Olympus Group are components of the Company for which separate financial information is available. These segments are regularly evaluated by the Board of Directors in determining how the allocation management resources and in assessing performance.

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

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

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

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

(2) Revenue, Operating Profit or Loss, Finance Income, Finance Costs and Other Items by Reportable Segment

Revenue, operating profit or loss, finance income, finance costs and other items of each reportable segment of the Olympus Group were as follows. The accounting treatment of each reportable segment is the same as described in Note 3 "Significant accounting policies."

	Millions of yen						
	As of April 1, 2016						
	Reportable Segment					Adjustment (Note 1)	Amount on consolidated financial statements
	Medical	Scientific Solutions	Imaging	Others	Total		
Other items:							
Segment assets	¥613,279	¥86,931	¥62,300	¥13,385	¥776,346	¥200,628	¥976,974
Investments accounted for using equity method	¥ —	¥ 28	¥ —	¥ 438	¥ 466	¥ 1,460	¥ 1,926

Note 1. Adjustment for segment assets represents corporate assets that are not attributable to reportable segments.

	Millions of yen						
	For the year ended March 31, 2017						
	Reportable Segment					Adjustment (Notes 2, 3, 4, 5)	Amount on consolidated financial statements
	Medical	Scientific Solutions	Imaging	Others	Total		
Revenue							
Revenue from external customers	¥570,398	¥93,370	¥62,824	¥13,965	¥740,557	¥ —	¥740,557
Intersegment revenue (Note 1)	0	52	3	767	822	(822)	—
Total	570,398	93,422	62,827	14,732	741,379	(822)	740,557
Operating profit (loss)	114,703	5,927	153	(1,138)	119,645	(48,453)	71,192
Finance income							2,166
Finance costs							10,877
Profit before tax							62,481
Other items:							
Share of profit (loss) of investments accounted for using equity method	(953)	9	—	(309)	(1,253)	—	(1,253)
Depreciation and amortization	41,627	6,306	1,972	842	50,747	3,543	54,290
Impairment losses (non-financial assets)	230	—	—	—	230	—	230
Segment assets	593,363	86,483	49,539	11,100	740,485	219,547	960,032
Investments accounted for using equity method	—	51	—	—	51	—	51
Capital expenditures	¥ 40,258	¥ 8,766	¥ 2,811	¥ 1,180	¥ 53,015	¥ 7,668	¥ 60,683

Notes:
1. Intersegment revenue is based on actual market prices.
2. Adjustment for operating profit (loss) represents corporate assets that consist of elimination of transactions among segments as well as general and administrative expenses and fundamental research expenses, etc., that are not attributable to reportable segments.
3. Adjustment for segment assets represents corporate assets that are not attributable to reportable segments.
4. Adjustment for depreciation and amortization represents corporate depreciation and amortization that are not attributable to reportable segments.
5. Adjustment for capital expenditures represents the increase in corporate assets that is not attributable to reportable segments.

	Medical	Scientific Solutions	Imaging	Others	Total	Adjustment (Notes 2, 3, 4, 5)	Amount on consolidated financial statements
	Millions of yen						
	For the year ended March 31, 2018						
	Reportable Segment						
Revenue:							
Revenue from external customers	¥616,331	¥100,016	¥60,298	¥ 9,852	¥786,497	¥ —	¥786,497
Intersegment revenue (Note 1)	—	72	10	666	748	(748)	—
Total	616,331	100,088	60,308	10,518	787,245	(748)	786,497
Operating profit (loss)	121,784	6,425	(1,200)	(4,966)	122,043	(41,014)	81,029
Finance income							2,685
Finance costs							7,049
Profit before tax							76,665
Other items:							
Share of profit (loss) of investments accounted for using equity method	(52)	5	—	—	(47)	—	(47)
Depreciation and amortization	41,557	5,747	1,702	561	49,567	3,346	52,913
Impairment losses (non-financial assets)	5	67	963	249	1,284	402	1,686
Segment assets	616,541	90,338	53,739	8,748	769,366	209,297	978,663
Investments accounted for using equity method	—	44	—	—	44	—	44
Capital expenditures	¥ 44,194	¥ 9,006	¥ 4,471	¥ 1,041	¥ 58,712	¥ 6,543	¥ 65,255

Notes:
1. Intersegment revenue is based on actual market prices.
2. Adjustment for operating profit (loss) represents corporate assets that consist of elimination of transactions among segments as well as general and administrative expenses and fundamental research expenses, etc., that are not attributable to reportable segments.
3. Adjustment for segment assets represents corporate assets that are not attributable to reportable segments.
4. Adjustment for depreciation and amortization represents corporate depreciation and amortization that are not attributable to reportable segments.
5. Adjustment for capital expenditures represents the increase of corporate assets that is not attributable to reportable segments.

	Medical	Scientific Solutions	Imaging	Others	Total	Adjustment (Notes 2, 3)	Amount on consolidated financial statements
	Thousands of U.S. dollars						
	For the year ended March 31, 2018						
	Reportable Segment						
Revenue:							
Revenue from external customers	$5,814,443	$943,547	$568,849	$ 92,944	$7,419,783	$ —	$7,419,783
Intersegment revenue (Note 1)	—	679	94	6,284	7,057	(7,057)	—
Total	5,814,443	944,226	568,943	99,228	7,426,840	(7,057)	7,419,783
Operating profit (loss)	1,148,906	60,613	(11,321)	(46,849)	1,151,349	(386,924)	764,425
Finance income							25,330
Finance costs							66,500
Profit before tax							723,255
Other items:							
Share of profit (loss) of investments accounted for using equity method	(490)	47	—	—	(443)	—	(443)
Depreciation and amortization	392,047	54,217	16,057	5,292	467,613	31,566	499,179
Impairment losses (non-financial assets)	47	632	9,085	2,349	12,113	3,793	15,906
Segment assets	5,816,425	852,245	506,972	82,528	7,258,170	1,974,500	9,232,670
Investments accounted for using equity method	—	415	—	—	415	—	415
Capital expenditures	$ 416,925	$ 84,962	$ 42,179	$ 9,821	$ 553,887	$ 61,726	$ 615,613

(3) Information about Products and Services

This information is omitted as similar information has been disclosed in the above tables.

(4) Geographical Information

Revenue and non-current assets of the Group by country or region was as follows.

Revenue by country or region

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Japan	¥157,015	¥153,764	$1,450,604
North America	251,405	262,454	2,475,981
Europe	174,758	191,143	1,803,236
Asia and Oceania	142,991	160,475	1,513,915
Others	14,388	18,661	176,047
Total	¥740,557	¥786,497	$7,419,783

Notes:
1. Revenue is based on the location of customers, classified by country or region.
2. Major countries or regions other than Japan were as follows:
   (1) North America United States, Canada
   (2) Europe Germany, United Kingdom, France, etc.
   (3) Asia and Oceania Singapore, China, South Korea, Australia, etc.
   (4) Others Central and South America, Africa, etc.
   For the years ended March 31, 2017 and 2018, revenue from external customers in the United States was ¥236,799 million and ¥245,487 million ($2,315,915 thousand), respectively, and revenue from external customers in China was ¥70,157 million and ¥81,619 million ($769,991 thousand), respectively. In no single country or region other than Japan, the United States and China was revenue from external customers significant in the years ended March 31, 2017 and 2018.

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Non-current assets (excluding financial instruments, deferred tax assets and retirement benefit assets)

	Millions of yen			Thousands of U.S. dollars
	Transition date (April 1, 2016)	2017	**2018**	**2018**
Japan	¥108,142	¥129,089	**¥135,189**	**$1,275,368**
America	167,421	150,081	**142,307**	**1,342,519**
Europe	47,074	37,804	**43,440**	**409,811**
Asia and Oceania	19,009	15,082	**19,089**	**180,085**
Total	¥341,646	¥332,056	**¥340,025**	**$3,207,783**

Notes:
1. Each geographic location is determined on the basis of geographic proximity.
2. Major countries and regions other than Japan were as follows:
   (1) America United States, Canada, Mexico, and Brazil
   (2) Europe Germany, United Kingdom, France, etc.
   (3) Asia and Oceania Singapore, China, South Korea, Australia, etc.

The balances of non-current assets (except financial instruments, deferred tax assets and retirement benefit assets) in the United States were ¥153,691 million, ¥144,699 million and ¥133,625 million ($1,260,613 thousand) as of the IFRS transition date, March 31, 2017 and March 31, 2018, respectively. The balances of non-current assets (except financial instruments, deferred tax assets and retirement benefit assets) in any individual country and region other Japan and the United States were not material as of the IFRS transition date, March 31, 2017 and March 31, 2018, respectively.

(5) Major Customers

Information on revenue attributable to major customers for the years ended March 31, 2017 and 2018 was omitted because no single customer accounted for 10% or more of consolidated revenue.

7. Cash and Cash Equivalents

The breakdown of cash and cash equivalents as of the transition date, March 31, 2017 and 2018 was as follows:

	Millions of yen			Thousands of U.S. dollars
	Transition date (April 1, 2016)	2017	**2018**	**2018**
Cash and deposits	¥157,417	¥160,257	**¥147,874**	**$1,395,038**
Short-term investments	8,962	39,208	**43,365**	**409,104**
Total	¥166,379	¥199,465	**¥191,239**	**$1,804,142**

8. Trade and Other Receivables

The breakdown of trade and other receivables as of the transition date, March 31, 2017 and 2018 was as follows:

	Millions of yen			Thousands of U.S. dollars
	Transition date (April 1, 2016)	2017	**2018**	**2018**
Trade notes receivable and trade accounts receivable	¥141,069	¥139,993	**¥142,598**	**$1,345,264**
Other receivables	12,929	12,319	**12,523**	**118,142**
Contract assets	150	456	**535**	**5,047**
Lease receivables	39,189	38,510	**35,463**	**334,557**
Allowance for doubtful accounts	(15,506)	(15,506)	**(15,809)**	**(149,142)**
Total	¥177,831	¥175,772	**¥175,310**	**$1,653,868**
Current	159,125	157,469	**157,339**	**1,484,330**
Non-current	18,706	18,303	**17,971**	**169,538**
Total	¥177,831	¥175,772	**¥175,310**	**$1,653,868**

Trade and other receivables are presented net of allowance for doubtful accounts in the consolidated statements of financial position.

9. Inventories

The breakdown of inventories as of the transition date, March 31, 2017 and 2018 was as follows:

	Millions of yen			Thousands of U.S. dollars
	Transition date (April 1, 2016)	2017	**2018**	**2018**
Merchandise and finished goods	¥ 54,621	¥ 52,244	**¥ 54,656**	**$ 515,623**
Work in progress	22,324	22,098	**29,919**	**282,255**
Raw materials and supplies	35,320	50,977	**54,734**	**516,358**
Total	¥112,265	¥125,319	**¥139,309**	**$1,314,236**

The amounts of inventories recorded as cost of sales for the years ended March 31, 2017 and 2018 were ¥225,360 million and ¥237,115 million ($2,236,934 thousand), respectively.

Write-downs of inventories recognized as expenses for the years ended March 31, 2017 and 2018 were ¥10,262 million and ¥10,445 million ($98,538 thousand), respectively.

Inventories include materials not expected to be used or sold within 12 months from the end of each fiscal year, but all of them are held within the Group's normal operating cycle. The corresponding carrying amounts at the IFRS transition date, March 31, 2017 and 2018 were ¥2,424 million, ¥8,170 million and ¥6,849 million ($64,613 thousand), respectively.

10. Other Financial Assets

The breakdown of other financial assets as of the transition date, March 31, 2017 and 2018 was as follows:

	Millions of yen			Thousands of U.S. dollars
	Transition date (April 1, 2016)	2017	**2018**	**2018**
Financial assets measured at fair value through profit or loss:				
Derivative assets	¥ 1,879	¥ 704	**¥ 2,335**	**$ 22,028**
Equity securities	1,147	969	**809**	**7,632**
Financial assets measured at fair value amortized cost:				
Deposits with withdrawal restrictions	—	—	**4,725**	**44,575**
Other	8,365	9,619	**11,671**	**110,105**
Financial assets measured at fair value through other comprehensive income:				
Equity securities	68,380	28,221	**27,585**	**260,236**
Total	¥79,771	¥39,513	**¥47,125**	**$444,576**
Current	2,498	1,618	**7,442**	**70,208**
Non-current	77,273	37,895	**39,683**	**374,368**
Total	¥79,771	¥39,513	**¥47,125**	**$444,576**

Deposits with withdrawal restrictions are deposits subject to withdrawal restrictions pursuant to judicial decisions related to litigation involving the Olympus Group.

11. Other Current Assets and Other Non-Current Assets

The breakdown of other current assets and other non-current assets as of the transition date, March 31, 2017 and 2018 was as follows:

	Millions of yen			Thousands of U.S. dollars
	Transition date (April 1, 2016)	2017	**2018**	**2018**
Prepaid expenses	¥ 6,615	¥ 5,921	**¥ 6,474**	**$ 61,075**
Consumption tax receivables	3,766	3,329	**4,072**	**38,415**
Other	5,816	4,546	**5,144**	**48,528**
Total	¥16,197	¥13,796	**¥15,690**	**$148,018**
Current	14,497	12,902	**14,487**	**136,669**
Non-current	1,700	894	**1,203**	**11,349**
Total	¥16,197	¥13,796	**¥15,690**	**$148,018**

12. Non-Current Assets Held for Sale

The breakdown of non-current assets held for sale as of the transition date, March 31, 2017 and 2018 was as follows:

	Millions of yen			Thousands of U.S. dollars
	Transition date (April 1, 2016)	2017	**2018**	**2018**
Land	¥—	¥2,433	**¥182**	**$1,717**
Building and structures	—	1,395	**166**	**1,566**
Total	¥—	¥3,828	**¥348**	**$3,283**

Land and buildings held by the Group not belonging to any segment for which a decision to sell was made during the years ended March 31, 2017 and 2018 are classified as non-current assets held for sale measured at the lower of the carrying amount or fair value less estimating selling costs.

Transactions involving the sale of assets classified as non-current assets held for sale for the year as of March 31, 2017 were completed during the year ended March 31, 2018.

Assets classified as non-current assets held for sale as of March 31, 2018 are planned to be sold within one year from the end of the fiscal year and associated impairment losses of ¥402 million ($3,792 thousand) recognized upon classifying these assets as held for sale were recorded as “Other expenses” on the consolidated statement of profit or loss.

13. Property, Plant and Equipment

(1) Changes in Property, Plant and Equipment

The changes in carrying amount, acquisition cost and accumulated depreciation and accumulated impairment losses of property, plant and equipment were as follows:

Carrying amount

	Millions of yen					
	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
Balance at April 1, 2016	¥50,879	¥11,269	¥ 60,372	¥26,497	¥ 9,799	¥158,816
Additions	10,359	4,174	29,590	298	4,669	49,090
Depreciation	(6,927)	(2,710)	(27,246)	—	—	(36,883)
Sales and disposals	(410)	(160)	(1,370)	—	(110)	(2,050)
Reclassification to assets held for sale	(1,319)	—	—	(2,289)	—	(3,608)
Reclassification	6,897	1,058	82	13	(9,503)	(1,453)
Exchange differences on translation of foreign operations	(1,387)	(152)	(1,996)	(276)	(55)	(3,866)
Other	69	(87)	(210)	(44)	(39)	(311)
Balance at March 31, 2017	¥58,161	¥13,392	¥ 59,222	¥24,199	¥ 4,761	¥159,735
Additions	**9,959**	**4,918**	**27,086**	**283**	**8,681**	**50,927**
Additions through business combinations	**12**	**—**	**20**	**—**	**—**	**32**
Depreciation	**(5,260)**	**(3,192)**	**(24,608)**	**—**	**—**	**(33,060)**
Impairment losses	**(671)**	**(236)**	**(117)**	**(402)**	**(110)**	**(1,536)**
Sales and disposals	**(222)**	**(38)**	**(3,297)**	**(1,970)**	**(754)**	**(6,281)**
Reclassification to assets held for sale	**(166)**	**—**	**—**	**(182)**	**—**	**(348)**
Reclassification	**3,651**	**452**	**1,924**	**—**	**(6,942)**	**(915)**
Exchange differences on translation of foreign operations	**157**	**(178)**	**(912)**	**216**	**190**	**(527)**
Other	**(157)**	**314**	**62**	**42**	**(45)**	**216**
Balance at March 31, 2018	**¥65,464**	**¥15,432**	**¥ 59,380**	**¥22,186**	**¥ 5,781**	**¥168,243**

	Thousands of U.S. dollars					
	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
Balance at March 31, 2017	$548,689	$126,340	$ 558,698	$228,292	$ 44,915	$1,506,934
Additions	**93,953**	**46,396**	**255,528**	**2,670**	**81,896**	**480,443**
Additions through business combinations	**113**	**—**	**189**	**—**	**—**	**302**
Depreciation	**(49,623)**	**(30,113)**	**(232,151)**	**—**	**—**	**(311,887)**
Impairment losses	**(6,330)**	**(2,226)**	**(1,104)**	**(3,792)**	**(1,039)**	**(14,491)**
Sales and disposals	**(2,094)**	**(358)**	**(31,104)**	**(18,585)**	**(7,114)**	**(59,255)**
Reclassification to assets held for sale	**(1,566)**	**—**	**—**	**(1,717)**	**—**	**(3,283)**
Reclassification	**34,443**	**4,264**	**18,151**	**—**	**(65,490)**	**(8,632)**
Exchange differences on translation of foreign operations	**1,481**	**(1,680)**	**(8,604)**	**2,038**	**1,793**	**(4,972)**
Other	**(1,481)**	**2,962**	**586**	**396**	**(424)**	**2,039**
Balance at March 31, 2018	**$617,585**	**$145,585**	**$ 560,189**	**$209,302**	**$ 54,537**	**$1,587,198**

Notes:
1. No borrowing costs were capitalized for the years ended March 31, 2017 and 2018.
2. Depreciation of property, plant and equipment is included in “Cost of sales” and “Selling, general and administrative expenses” on the consolidated statements of profit or loss.

Acquisition cost

	Millions of yen					
	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
Balance at April 1, 2016	¥133,947	¥54,803	¥235,778	¥26,497	¥9,799	¥460,824
Balance at March 31, 2017	145,101	55,973	231,598	24,199	4,761	461,632
Balance at March 31, 2018	**¥151,521**	**¥59,469**	**¥243,583**	**¥22,186**	**¥5,781**	**¥482,540**

	Thousands of U.S. dollars					
	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
Balance at March 31, 2018	**$1,429,443**	**$561,028**	**$2,297,953**	**$209,302**	**$54,538**	**$4,552,264**

Accumulated depreciation and accumulated impairment losses

	Millions of yen					
	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
Balance at April 1, 2016	¥83,068	¥43,534	¥175,406	¥—	¥—	¥302,008
Balance at March 31, 2017	86,940	42,581	172,376	—	—	301,897
Balance at March 31, 2018	**¥86,057**	**¥44,037**	**¥184,203**	**¥—**	**¥—**	**¥314,297**

	Thousands of U.S. dollars					
	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
Balance at March 31, 2018	**$811,858**	**$415,443**	**$1,737,765**	**$—**	**$—**	**$2,965,066**

(2) Leased Assets

The carrying amount of leased assets from finance leases included in property, plant and equipment was as follows:

	Millions of yen			
	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Total
Balance at April 1, 2016	¥336	¥160	¥8,555	¥9,051
Balance at March 31, 2017	240	196	8,313	8,749
Balance at March 31, 2018	**¥181**	**¥221**	**¥7,447**	**¥7,849**

	Thousands of U.S. dollars			
	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Total
Balance at March 31, 2018	**$1,708**	**$2,085**	**$70,254**	**$74,047**

14. Goodwill and Intangible Assets

(1) The Changes in Carrying Amount, Acquisition Cost and Accumulated Amortization and Accumulated Impairment Losses of Goodwill and Intangible Assets were as follows:

Carrying amount

	Millions of yen				
		Intangible assets			
	Goodwill	Capitalized development costs	Software	Other	Total
Balance at April 1, 2016	¥97,190	¥27,539	¥13,296	¥43,106	¥ 83,941
Additions	—	—	3,242	2,048	5,290
Additions through internal development	—	5,878	—	—	5,878
Amortization	—	(4,814)	(3,737)	(8,765)	(17,316)
Impairment losses	—	—	(230)	—	(230)
Sales and disposals	(45)	(55)	(627)	(567)	(1,249)
Reclassification	—	—	888	—	888
Exchange differences on translation of foreign operations	(1,577)	(202)	(42)	(1,105)	(1,349)
Other	—	—	—	5	5
Balance at March 31, 2017	¥95,568	¥28,346	¥12,790	¥34,722	¥ 75,858
Additions	**—**	**—**	**3,873**	**162**	**4,035**
Additions through internal development	**—**	**10,228**	**57**	**8**	**10,293**
Additions through business combinations	**6,131**	**167**	**3**	**3,314**	**3,484**
Amortization	**—**	**(6,580)**	**(4,599)**	**(8,674)**	**(19,853)**
Impairment losses	**—**	**(72)**	**(8)**	**(70)**	**(150)**
Sales and disposals	**—**	**—**	**(182)**	**(138)**	**(320)**
Reclassification	**—**	**—**	**776**	**—**	**776**
Exchange differences on translation of foreign operations	**(4,491)**	**293**	**122**	**(1,169)**	**(754)**
Other	**—**	**115**	**(75)**	**(38)**	**2**
Balance at March 31, 2018	**¥97,208**	**¥32,497**	**¥12,757**	**¥28,117**	**¥ 73,371**

	Thousands of U.S. dollars				
		Intangible assets			
	Goodwill	Capitalized development costs	Software	Other	Total
Balance at March 31, 2017	$901,585	$267,415	$120,660	$327,567	$715,642
Additions	**—**	**—**	**36,538**	**1,528**	**38,066**
Additions through internal development	**—**	**96,491**	**538**	**75**	**97,104**
Additions through business combinations	**57,840**	**1,575**	**28**	**31,265**	**32,868**
Amortization	**—**	**(62,075)**	**(43,387)**	**(81,830)**	**(187,292)**
Impairment losses	**—**	**(679)**	**(75)**	**(661)**	**(1,415)**
Sales and disposals	**—**	**—**	**(1,717)**	**(1,302)**	**(3,019)**
Reclassification	**—**	**—**	**7,321**	**—**	**7,321**
Exchange differences on translation of foreign operations	**(42,368)**	**2,764**	**1,151**	**(11,028)**	**(7,113)**
Other	**—**	**1,084**	**(708)**	**(359)**	**17**
Balance at March 31, 2018	**$917,057**	**$306,575**	**$120,349**	**$265,255**	**$692,179**

Amortization of capitalized development costs is recorded as “Cost of sales” on the consolidated statements of profit or loss. Amortization cost excluding capitalized development costs is recorded in “Cost of sales” and “Selling, general and administrative expenses” on the consolidated statements of profit or loss.

Acquisition cost

	Millions of yen				
		Intangible assets			
	Goodwill	Capitalized development costs	Software	Other	Total
Balance at April 1, 2016	¥97,190	¥38,743	¥41,183	¥117,020	¥196,946
Balance at March 31, 2017	95,568	44,082	43,818	117,080	204,980
Balance at March 31, 2018	**¥97,208**	**¥53,318**	**¥47,790**	**¥114,625**	**¥215,733**

	Thousands of U.S. dollars				
		Intangible assets			
	Goodwill	Capitalized development costs	Software	Other	Total
Balance at March 31, 2018	**$917,057**	**$503,000**	**$450,849**	**$1,081,368**	**$2,035,217**

Accumulated amortization and accumulated impairment losses

	Millions of yen				
		Intangible assets			
	Goodwill	Capitalized development costs	Software	Other	Total
Balance at April 1, 2016	¥—	¥11,204	¥27,887	¥73,914	¥113,005
Balance at March 31, 2017	—	15,736	31,028	82,358	129,122
Balance at March 31, 2018	**¥—**	**¥20,821**	**¥35,033**	**¥86,508**	**¥142,362**

	Thousands of U.S. dollars				
		Intangible assets			
	Goodwill	Capitalized development costs	Software	Other	Total
Balance at March 31, 2018	**$—**	**$196,425**	**$330,500**	**$816,113**	**$1,343,038**

(2) Significant Intangible Assets

Intangible assets comprise capitalized development costs, software and other intangible assets. Of these assets, individually significant intangible assets are customer-related assets acquired through the acquisition of Gyrus Group PLC by the Company in February 2008. The corresponding carrying amounts at the IFRS transition date, March 31, 2017 and March 31, 2018 were ¥20,213 million, ¥14,704 million and ¥9,094 million ($85,792 thousand), respectively. They are being amortized by the straight-line method and have a remaining amortization period of two years.

(3) Research and Development Expenditures Recognized as Expenses

Research expenses and development costs that do not meet asset recognition criteria are recognized as expenses when incurred. Research and development expenditures recognized as expenses in the years ended March 31, 2017 and 2018 were ¥73,300 million and ¥79,241 million ($747,557 thousand), respectively.

15. Commitments

Commitments to acquire property, plant and equipment and intangible assets subsequent to the transition date, March 31, 2017 and 2018 were as follows:

	Millions of yen			Thousands of U.S. dollars
	Transition date (April 1, 2016)	2017	**2018**	**2018**
Property, plant and equipment	¥3,707	¥27,679	**¥16,448**	**$155,170**
Intangible assets	90	1,714	**1,295**	**12,217**
Total	¥3,797	¥29,393	**¥17,743**	**$167,387**

16. Impairment of Non-Financial Assets

(1) Impairment Losses

The Olympus Group recognizes impairment losses when an asset's recoverable value is less than its carrying amount. Impairment losses on non-financial assets are included in "Other expenses" on the consolidated statements of profit and loss.

Business assets are mainly grouped according to business segment, assets scheduled for disposal are grouped according to the assets to be disposed and idle assets are grouped individually.

The breakdown of impairment losses by asset type was as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	**2018**	**2018**
Property, plant and equipment:			
Buildings and structures	¥ —	**¥ 671**	**$ 6,330**
Machinery and vehicles	—	**236**	**2,226**
Tools, furniture and fixtures	—	**117**	**1,104**
Land	—	**402**	**3,792**
Construction in progress	—	**110**	**1,039**
Intangible assets:			
Capitalized development		**72**	**679**
Software	230	**8**	**75**
Other	—	**70**	**661**
Total	¥230	**¥1,686**	**$15,906**

The impairment losses recognized in the year ended March 31, 2017 involved assets scheduled for disposal. The assets' carrying amount was written down to zero because a decision had been made to dispose of the assets.

Impairment losses recognized in the year ended March 31, 2018 were as follows:

In the Imaging Business, a decision was made to relocate a Chinese manufacturing facility to Vietnam. The carrying amount of production equipment and other fixed assets not being relocated was written down to the recoverable amount, resulting in ¥963 million ($9,085 thousand) of impairment losses. The recoverable amount was measured at the value in use, which was zero.

In certain other businesses, investments were deemed unrecoverable. Consequently, domestically held production equipment and other fixed assets' carrying amount was written down to the recoverable amount, resulting in ¥245 million ($2,311 thousand) of impairment losses. The recoverable amount was measured at the value in use, which was zero.

The Company plans to sell domestically held fixed assets (corporate housing) not allocated to any reportable segment within one year of the end of the reporting period.

The Company measured the assets' fair value less costs to sell at ¥301 million ($2,840 thousand) and booked ¥402 million ($3,792 thousand) of impairment losses. The assets' fair value was determined based on a third-party appraisal and on sales prices based on sales agreements. It classified as level-3 in the fair value hierarchy.

(2) Impairment Test for Goodwill

The breakdown of the carrying amount of goodwill corresponding to cash-generating units was as follows:

	Millions of yen			Thousands of U.S. dollars
	Transition date (April 1, 2016)	2017	**2018**	**2018**
Medical segment				
Surgical business	¥91,507	¥90,006	**¥91,877**	**$866,764**
Other	3,616	3,648	**3,428**	**32,340**
Scientific segment	2,013	1,914	**1,903**	**17,953**
Other segment	54	—	**—**	**—**
Total	¥97,190	¥95,568	**¥97,208**	**$917,057**

The Olympus Group tested goodwill for impairment on the IFRS transition date, March 31, 2017 and March 31, 2018.

Individually significant goodwill carried on the consolidated statements of financial position is mainly the goodwill attributable to the General Surgery Business Unit within the Medical segment arising on the 2008 acquisition of Gyrus Group PLC.

For goodwill testing involving the General Surgery Business Unit, the recoverable amount is measured based on value in use. Value in use is measured mainly by estimating cash flows based on a business plan and growth rate approved by the management and discounting the estimated cash flows to present value.

Business plans have a maximum term of five years as a general rule. Business plans reflect the management's assessment of future industry trends as well as historical data, and are prepared through reconciliation of external and internal information.

The growth rate is set based on the long-term expected growth rate of the market in which the cash-generating unit (CGU) operates (2.5% at the IFRS transition date, 2.5% as of March 31, 2017 and 2.5% as of March 31, 2018).

The discount rate is calculated based on CGUs' pretax weighted-average cost of capital (11.4% at the IFRS transition date, 11.0% as of March 31, 2017 12.1% as of March 31, 2018).

Value in use measured using the above rates amply exceeds the carrying amount of the CGU in question. The Company deems that there is a low probability of significant impairment even if the key assumptions used in impairment testing were to change within a range of reasonable foreseeability.

17. Trade and Other Payables

The breakdown of trade and other payables as of the transition date, March 31, 2017 and 2018 was as follows:

	Millions of yen			Thousands of U.S. dollars
	Transition date (April 1, 2016)	2017	**2018**	**2018**
Notes and account payable	¥40,489	¥41,567	**¥40,726**	**$384,208**
Other payable	34,915	29,267	**16,833**	**158,801**
Total	¥75,404	¥70,834	**¥57,559**	**$543,009**

18. Bonds and Borrowings

The breakdown of bonds and borrowings as of the transition date, March 31, 2017 and 2018 was as follows:

	Millions of yen			Thousands of U.S. dollars		
	Transition date (April 1, 2016)	2017	2018	2018	Average interest rate (%)	Maturity
Short-term borrowings	¥ 6,656	¥ 2,409	¥ —	$ —	—	—
Current maturities of bonds	29,955	—	24,991	235,764	2.15	July 2018
Current portion of long-term borrowings	19,959	66,368	63,800	601,887	2.49	July 2018 to March 2019
Bonds (excluding those due within 1 year)	24,962	24,977	9,951	93,877	0.22	September 2022
Long-term borrowings (excluding those due within 1 year)	238,769	192,216	149,232	1,407,849	1.94	May 2019 to September 2029
Total	¥320,301	¥285,970	¥247,974	$2,339,377		
Current	56,570	68,777	88,791	837,651		
Non-current	263,731	217,193	159,183	1,501,726		
Total	¥320,301	¥285,970	¥247,974	$2,339,377		

Notes:
1. The average interest rate is the weighted-average interest rate on the balance of borrowings as of March 31, 2018.
2. Bonds and borrowings are classified as financial liabilities measured at fair value at amortized cost.

The breakdown of bonds as of the transition date, March 31, 2017 and 2018 was as follows:

			Millions of yen			Thousands of U.S. dollars		
Company	Bond name	Issue date	Transition date (April 1, 2016)	2017	2018	2018	Interest (%)	Maturity date
Olympus Corporation	17th unsecured bonds	September 29, 2006	¥ 9,990	¥ —	¥ —	$ —	1.98	September 2016
Olympus Corporation	19th unsecured bonds	March 30, 2007	19,965	—	—	—	1.94	March 2017
Olympus Corporation	21st unsecured bonds	July 16, 2008	24,962	24,977	24,991	235,764	2.15	July 2018
Olympus Corporation	22nd unsecured bonds	September 20, 2017	—	—	9,951	93,878	0.22	September 2022
Total			¥54,917	¥24,977	¥34,942	$329,642		

The breakdown of long-term borrowings, including current maturities as of the transition date, March 31, 2017 and 2018 was as follows:

	Millions of yen			Thousands of U.S. dollars		
Financial institution	Transition date (April 1, 2016)	2017	2018	2018	Interest rate (%)	Maturity date
Japanese Bank	¥ 19,919	¥ 19,951	¥ 19,982	$ 188,509	2.40	September 2018
Japanese Bank	32,981	33,037	33,087	312,142	2.45	July 2018
Japanese Bank (Foreign currency)	—	7,853	7,437	70,160	2.78	March 2019
Japanese Bank (Foreign currency)	3,380	3,366	3,187	30,066	2.80	March 2019
Japanese Bank	17,885	17,930	17,965	169,481	2.03	May 2019
Japanese Bank	—	—	12,841	121,142	0.86	September 2029
Japanese Bank	—	—	1,439	13,575	0.73	September 2029
Japanese Bank	—	10,000	10,000	94,340	1.38	September 2025
Japanese Bank	19,878	19,914	8,948	84,415	2.00	September 2019
Japanese Bank	—	—	11,000	103,774	1.75	September 2019
Japanese Bank	—	—	9,334	88,057	0.53	August 2027
Japanese Bank	—	10,000	10,000	94,340	1.39	September 2025
Japanese Bank	15,000	15,000	15,000	141,509	2.04	May 2021
Japanese Bank	9,960	9,976	9,987	94,217	1.75	May 2019
Japanese Bank (Foreign currency)	15,775	7,853	7,437	70,160	2.78	March 2020
Japanese Bank (Foreign currency)	16,902	16,829	15,936	150,340	2.91	February 2023
Japanese Bank (Foreign currency)	—	3,366	3,187	30,066	2.80	March 2020
Japanese Bank (Foreign currency)	16,902	16,829	15,936	150,340	2.92	March 2023
Japanese Bank (Foreign currency)	34,899	34,966	—	—	2.53	September 2017
Japanese Bank (Foreign currency)	19,863	19,959	—	—	2.17	August 2017
Japanese Bank (Foreign currency)	7,888	7,853	—	—	2.78	March 2018
Japanese Bank (Foreign currency)	6,761	3,366	—	—	2.80	March 2018
Japanese Bank	9,960	—	—	—	1.99	September 2016
Japanese Bank	10,000	—	—	—	2.49	September 2016
Other	775	536	329	3,103	—	—
Total borrowings	¥258,728	¥258,584	¥213,032	$2,009,736		

19. Other Financial Liabilities

The breakdown of other financial liabilities as of the transition date, March 31, 2017 and 2018 was as follows:

	Millions of yen			Thousands of U.S. dollars
	Transition date (April 1, 2016)	2017	2018	2018
Financial liabilities measured at fair value through profit and loss:				
Derivative liabilities	¥ 5,931	¥ 4,370	**¥ 2,405**	**$ 22,689**
Other	—	—	**663**	**6,255**
Financial liabilities measured at amortized cost:				
Lease payments	9,672	9,437	**8,507**	**80,255**
Other	3,805	4,137	**4,597**	**43,367**
Total	¥19,408	¥17,944	**¥16,172**	**$152,566**
Current	11,834	11,018	**8,793**	**82,953**
Non-current	7,574	6,926	**7,379**	**69,613**
Total	¥19,408	¥17,944	**¥16,172**	**$152,566**

20. Provisions

The changes in provisions during the year ended March 31, 2018 were as follows:

	Millions of yen			
	Provision for product warranties	Provision for loss on litigation	Other	Total
Balance at April 1, 2017	**¥ 5,494**	**¥ 217**	**¥ 389**	**¥ 6,100**
Increase during the year	**2,147**	**697**	**880**	**3,724**
Decrease (Provisions used)	**(803)**	**(217)**	**(157)**	**(1,177)**
Decrease (Provisions reversed)	**(1,083)**	**—**	**—**	**(1,083)**
Exchange differences on translation of foreign operations	**35**	**—**	**—**	**35**
Balance at March 31, 2018	**¥ 5,790**	**¥ 697**	**¥1,112**	**¥ 7,599**
Current	**¥ 5,449**	**¥ 697**	**¥ 668**	**¥ 6,814**
Non-current	**341**	**—**	**444**	**785**
Total	**¥ 5,790**	**¥ 697**	**¥1,112**	**¥ 7,599**

	Thousands of U.S. dollars			
	Provision for product warranties	Provision for loss on litigation	Other	Total
Balance at April 1, 2017	**$ 51,830**	**$ 2,047**	**$ 3,670**	**$ 57,547**
Increase during the year	**20,255**	**6,575**	**8,302**	**35,132**
Decrease (Provisions used)	**(7,575)**	**(2,047)**	**(1,481)**	**(11,103)**
Decrease (Provisions reversed)	**(10,217)**	**—**	**—**	**(10,217)**
Exchange differences on translation of foreign operations	**330**	**—**	**—**	**330**
Balance at March 31, 2018	**$ 54,623**	**$ 6,575**	**$10,491**	**$ 71,689**
Current	**$ 51,406**	**$ 6,575**	**$ 6,302**	**$ 64,283**
Non-current	**3,217**	**—**	**4,189**	**7,406**
Total	**$ 54,623**	**$ 6,575**	**$10,491**	**$ 71,689**

(1) Provision for Product Warranties

For products sold subject to a quality assurance warranty, the Company accrues after service cost expected to be incurred within the guarantee period. The provision for product warranties is calculated using the prescribed standards, based on after service cost actually incurred in the past. These warranty provisions are expected to be expended during the guarantee period (mostly within three years).

(2) Provision for Loss on Litigation

To provide for losses related to lawsuits or other litigation, in light of progress of the lawsuits, the expected amount of these losses is accounted for based on a reasonable estimate of the amount deemed necessary. These loss provisions are expected to be expended mostly within one year.

21. Other Current Liabilities and Other Non-Current Liabilities

The breakdown of other current liabilities and other non-current liabilities as of the transition date, March 31, 2017 and 2018 was as follows:

	Millions of yen			Thousands of U.S. dollars
	Transition date (April 1, 2016)	2017	2018	2018
Accrued expenses	¥ 95,286	¥ 86,440	**¥ 96,971**	**$ 914,821**
Contract liabilities	20,890	24,717	**28,537**	**269,217**
Other	16,192	12,652	**20,976**	**197,888**
Total	¥132,368	¥123,809	**¥146,484**	**$1,381,926**
Current	121,106	118,436	**134,496**	**1,268,831**
Non-current	11,262	5,373	**11,988**	**113,095**
Total	¥132,368	¥123,809	**¥146,484**	**$1,381,926**

22. Government Grants

Government grants included other current liabilities and other non-current liabilities as of the transition date, March 31, 2017 and 2018 were as follows:

	Millions of yen			Thousands of U.S. dollars
	Transition date (April 1, 2016)	2017	2018	2018
Other current liabilities	¥—	¥—	**¥ 528**	**$ 4,981**
Other non-current liabilities	—	—	**3,558**	**33,566**

Government grants received during the year ended March 31, 2018 were conditioned on acquiring equipment in a specific medical field and they are amortized over the useful life of their related assets on a straight-line basis.

There are no unfulfilled conditions or contingencies related to these grants.

23. Employee Benefits

The Company and some of its consolidated subsidiaries have established defined benefit corporate pension plans, defined contribution pension plans and lump sum payment plans to fund employees' retirement benefits.

The defined benefit corporate pension plans are cash balance plans that use a point system. In these plans, points are awarded to the plan participants based on their job performance and interest points calculated using an interest crediting rate based on trends in market interest rates accumulate in the participants' hypothetical individual accounts.

The Olympus Group, its pension funds and institutions that manage its plan assets are legally required to faithfully administer and manage plan assets in the aim of providing reliable pension benefits to plan participants into the indefinite future. They fulfill their management responsibilities in accord with basic policies prepared by the funds.

The Olympus Group's retirement benefit plans are exposed to multiple risks, including investment risks associated with plan assets and interest rate risk associated with defined benefit obligations.

(1) Defined Benefit Plans

1) Defined benefit obligations

The changes in defined benefit obligations were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Balance at April 1	¥198,210	**¥201,409**	**$1,900,085**
Current service cost	7,220	**7,820**	**73,774**
Interest cost	3,650	**3,853**	**36,349**
Remeasurements			
Actuarial gains and losses arising from changes in demographic assumptions	1,362	**(590)**	**(5,566)**
Actuarial gains and losses arising from changes in financial assumptions	5,878	**1,600**	**15,094**
Other	417	**(1,213)**	**(11,443)**
Contributions by employees	144	**169**	**1,594**
Benefits paid	(11,151)	**(10,122)**	**(95,491)**
Exchange differences on translation of foreign operations	(3,862)	**(775)**	**(7,311)**
Other	(459)	**(166)**	**(1,566)**
Balance at March 31	¥201,409	**¥201,985**	**$1,905,519**

2) Reconciliation of fair value of plan assets

The change in the fair value of plan assets during the year ended March 31, 2018 is presented below.

The Olympus Group conducts a financial verification at the end of every fiscal year to ascertain the extent of any funding deficit and determine whether contributions need to be recalculated.

In the fiscal year ending March 31, 2019, the Olympus Group plans to contribute ¥5,764 million to the plan.

	Millions of yen		Thousands of U.S. dollars
	2017	**2018**	**2018**
Balance at April 1	¥183,969	**¥188,081**	**$1,774,349**
Interest income	3,243	**3,283**	**30,972**
Remeasurements			
Return on plan assets	9,906	**3,442**	**32,472**
Contributions by employer	5,657	**5,760**	**54,340**
Contributions by employees	177	**156**	**1,472**
Benefits paid	(8,924)	**(9,525)**	**(89,858)**
Exchange differences on translation of foreign operations	(5,831)	**1,228**	**11,585**
Other	(116)	**(71)**	**(672)**
Balance at March 31	¥188,081	**¥192,354**	**$1,814,660**

3) Reconciliation of defined benefit obligations and plan assets

The reconciliation between the defined benefit obligations and plan assets and the retirement benefit liability and asset recognized in the consolidated statement of financial position was as follows:

	Millions of yen			Thousands of U.S. dollars
	Transition date (April 1, 2016)	2017	**2018**	**2018**
Present value of the funded defined benefit obligations	¥ 183,095	¥ 187,005	**¥ 186,969**	**$ 1,763,858**
Fair value of plan assets	(183,969)	(188,081)	**(192,354)**	**(1,814,660)**
Subtotal	(874)	(1,076)	**(5,385)**	**(50,802)**
Present value of the unfunded defined benefit obligations	15,115	14,404	**15,016**	**141,660**
Net defined benefit liabilities (assets)	¥ 14,241	¥ 13,328	**¥ 9,631**	**$ 90,858**
Amounts recognized in the consolidated statements of financial position				
Retirement benefit liability	38,751	37,872	**39,145**	**369,292**
Retirement benefit asset	(24,510)	(24,544)	**(29,514)**	**(278,434)**
Net defined benefit liabilities (assets)	¥ 14,241	¥ 13,328	**¥ 9,631**	**$ 90,858**

4) Components of plan assets

The breakdown of plan assets by category was as follows:

	Millions of yen			Thousands of U.S. dollars
	Transition date (April 1, 2016)	2017	**2018**	**2018**
Assets with quoted market prices in an active market:				
Japanese equity securities	¥ 3,691	¥ 4,247	**¥ 4,836**	**$ 45,623**
Overseas equity securities	3,167	3,099	**8,981**	**84,726**
Overseas debt securities	46,715	47,708	**48,449**	**457,066**
Cash and cash equivalents	4,122	3,108	**3,235**	**30,519**
Other	—	1,610	**2,908**	**27,434**
Total	¥ 57,695	¥ 59,772	**¥ 68,409**	**$ 645,368**
Assets without quoted market prices in an active market:				
Overseas equity securities	14,819	16,692	**10,800**	**101,887**
Overseas debt securities	3,857	4,150	**4,115**	**38,821**
General account for life insurance companies	60,858	57,738	**59,046**	**557,038**
Jointly managed money trust	45,619	46,734	**48,381**	**456,425**
Other	1,121	2,995	**1,603**	**15,121**
Total	¥126,274	¥128,309	**¥123,945**	**$1,169,292**
Total of plan assets	¥183,969	¥188,081	**¥192,354**	**$1,814,660**

To reliably pay defined benefit obligations into the indefinite future, plan assets in the Olympus Group's corporate pension funds are managed safely and efficiently in the aim of generating medium- to long-term investment returns in excess of the minimum rate of return required to maintain the plans. To do so, the pension funds carefully ascertain their risk tolerance, determine an optimal asset allocation within those risk constraints and invest in a diversified portfolio of assets.

5) Matters related to actuarial assumptions

The significant actuarial assumptions used to measure present value of defined benefit obligations were as follows:

	Transition date (April 1, 2016)	2017	**2018**
Discount rate	0.40%	0.67%	**0.59%**

6) Sensitivity analysis

In the event of a 0.5 percentage point change in the discount rate used in the actuarial calculation, the present value of the defined benefit obligations would be affected as shown below. This analysis assumes that all other variables remain constant. In actuality, however, the sensitivity analysis may be affected by changes in other assumptions.

	Millions of yen		Thousands of U.S. dollars
	2017	**2018**	**2018**
Discount rate:			
0.5 percentage point increase (decrease in obligations)	¥(14,879)	**¥(13,724)**	**$(129,472)**
0.5 percentage point decrease (increase in obligations)	17,460	**16,013**	**151,066**

7) Weighted-average duration

The weighted-average durations of the defined benefit obligations of the benefit obligation were 16.3 years and 15.3 years as of March 31, 2017 and 2018, respectively.

(2) Defined Contribution Plans

The amounts recognized as expenses related to the defined contribution plan were ¥12,625 million and ¥16,304 million ($153,811 thousand) for the years ended March 31, 2017 and 2018, respectively, and included expenses recognized in relation to the public pension system.

24. Share Capital and Other Components of Equity

(1) Number of Authorized Shares, Issued Shares and Treasury Shares

The changes in the number of authorized shares, issued shares and treasury shares were as follows:

	Number of shares	
	2017	**2018**
Authorized shares	1,000,000,000	**1,000,000,000**
Issued shares (Note 1):		
As of April 1	342,671,508	**342,671,508**
Increase or decrease (Note 3)	—	**19,716**
As of March 31	342,671,508	**342,691,224**
Treasury shares (Note 2):		
As of April 1	436,607	**435,289**
Increase or decrease (Note 4)	(1,318)	**860,062**
As of March 31	435,289	**1,295,351**

Notes:
1. All of the shares of the Company are ordinary shares that have no par value and no limitations on the rights. Issued shares are fully paid.
2. The Company has adopted stock option plans and utilizes treasury shares for delivery of shares due to exercise. Contract conditions and amounts are described in Note 27 "Share-based payments."
3. The major reasons of changes in the number of issued shares were issuing shares under the "Restricted Share-Based Remuneration Plan" described in Note 27 "Share-based payments."
4. The major reasons for changes in the number of treasury shares were purchases of shares determined at the Board of Directors meeting held on November 24, 2017.

(2) Capital Surplus

Japan's Companies Act provides that at least one-half of capital paid in or contributed in exchange for newly issued shares is to be classified as share capital and any amount not classified as share capital is to be classified as legal capital surplus included in capital surplus.

Additionally, legal capital surplus may be reclassified as share capital pursuant to a shareholder resolution at a General Meeting of Shareholders.

(3) Retained Earnings

Japan's Companies Act provides that one-tenth of the amount of reductions in surplus due to dividend distributions funded by the surplus is to be accumulated as legal capital surplus or legal retained earnings until the total of legal capital surplus and legal retained earnings equals one-quarter of share capital.

Accumulated legal retained earnings may be appropriated to reduce a capital deficits. They may also be utilized pursuant to a shareholder resolution at a General Meeting of Shareholders.

The amount of the Company's retained earnings distributable as dividends is measured based on the amount of retained earnings carried on the Company's accounting books prepared in accordance with accounting principles generally accepted in Japan.

Additionally, the Companies Act imposes certain restrictions on how the amount of retained earnings distributable as dividends is measured. The Company distributes retained earnings within the constraints stipulated by those restrictions.

(4) Other Components of Equity

The changes in other components of equity were as follows:

	Millions of yen					
	Exchange difference on translation of foreign operations	Cash flow hedges	Financial assets measured at fair value through other comprehensive income	Remeasurement of defined benefit plans	Share of other comprehensive income (loss) of associates accounted for using equity method	Total
Balance at April 1, 2016	¥ —	¥(3,443)	¥ 24,821	¥ —	¥ —	¥ 21,378
Other comprehensive income	(12,772)	1,147	1,135	2,719	14	(7,757)
Reclassification to retained earnings	—	—	(16,554)	(2,719)	—	(19,273)
Balance at March 31, 2017	¥(12,772)	¥(2,296)	¥ 9,402	¥ —	¥ 14	¥ (5,652)
Other comprehensive income	**(3,572)**	**952**	**3,562**	**3,240**	**(12)**	**4,170**
Reclassification to retained earnings	**—**	**—**	**(1,088)**	**(3,240)**	**—**	**(4,328)**
Balance at March 31, 2018	**¥(16,344)**	**¥(1,344)**	**¥ 11,876**	**¥ —**	**¥ 2**	**¥ (5,810)**

	Thousands of U.S. dollars					
	Exchange difference on translation of foreign operations	Cash flow hedges	Financial assets measured at fair value through other comprehensive income	Remeasurement of defined benefit plans	Share of other comprehensive income (loss) of associates accounted for using equity method	Total
Balance at March 31, 2017	$(120,490)	$(21,660)	$ 88,698	$ —	$ 132	$(53,320)
Other comprehensive income	**(33,699)**	**8,981**	**33,604**	**30,566**	**(113)**	**39,339**
Reclassification to retained earnings	**—**	**—**	**(10,264)**	**(30,566)**	**—**	**(40,830)**
Balance at March 31, 2018	**$(154,189)**	**$(12,679)**	**$112,038**	**$ —**	**$ 19**	**$(54,811)**

1) Exchange difference on translation of foreign operations
Exchange differences that arise when foreign operations' financial statements prepared in a foreign currency are consolidated
2) Cash flow hedges
The Company hedges to avert the risk of changes in future cash flows. Changes in the fair value of derivatives designated as cash flow hedges are recognized in other comprehensive income to the extent the hedges are deemed effective.
3) Financial assets measured at fair value through other comprehensive income
Valuation gains/losses on financial assets measured at fair value through other comprehensive income
4) Remeasurements of defined benefit plans
Changes in defined benefit obligations due to actuarial gains/losses and the effects of changes in actuarial assumptions; they are recognized in other comprehensive income when they occur and immediately transferred from other components of equity to retained earnings.
5) Share of other comprehensive income (loss) of associates accounted for using equity method
The Company's share of the exchange differences on translation of the financial statements of foreign operations of associates accounted for using equity method

25. Capital Policy

To enhance its corporate value, the Olympus Group has adopted a basic policy, premised on maintaining a stable financial foundation, of continually returning value to shareholders while placing priority on investing in growth businesses, mainly the Medical Business.

The Olympus Group manages all of its equity and interest-bearing debt as components of its capital cost. Cognizant of financial stability and capital efficiency, the Olympus Group aims to improve its credit ratings issued by rating agencies to more readily procure funding globally.
The Olympus Group is not subject to any significant capital restrictions (except for general provisions stipulated in Japan's Companies Act).

To fulfill its basic policy, the Olympus Group has designated its equity ratio (ratio of equity attributable to owners of parent to total assets) and return on equity (ROE) as equity-related key performance indicators. These indicators as of the IFRS transition date, and as of or for the years ended March 31, 2017 and 2018 were as follows.

	Transition date (April 1, 2016)	2017	**2018**
Equity ratio(*1)	37.4%	41.1%	**45.2%**
Return on equity (ROE) (*2)	—	11.3%	**13.6%**

(*1) Total equity attributable to owners of parent / Total assets
(*2) Profit attributable to owners of parent / Total equity attributable to owners of parent (Average)

26. Dividends

Dividends paid during the years ended March 31, 2017 and 2018 were as follows:

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	¥17.00	March 31, 2016	June 29, 2016
General Shareholders' Meeting (June 28, 2017)	Common stock	¥9,583 ($90,406 thousand)	¥28.00 ($0.264)	March 31, 2017	June 29, 2017

Dividends resolved during the year ended March 31, 2018 that will be effective after March 31, 2018

Resolution	Class of shares	Amount of dividends paid (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
General Shareholders' Meeting (June 26, 2018)	Common stock	¥9,559 ($90,179 thousand)	¥28.00 ($0.264)	March 31, 2018	June 27, 2018

27. Share-Based Payment

The Olympus Group has adopted equity-settled stock option plans for the Company's directors (excluding outside directors) and executive officers with the aim of enhancing awareness toward contributing to sustainable improvement of corporate value as well as further enhancing value sharing with shareholders.

(1) Stock Options

1) Overview of stock options

Under the stock options, grantees are granted 100 shares of common stock per subscription right to shares.

The grants are not subject to vesting conditions, but holders of subscription rights to shares may exercise their subscription rights to shares only during a 10-year period beginning one year from the day after the date on which they vacate their position as a director or executive officer of the Company (or the date on which they vacate their position as an Audit & Supervisory Board member if they were appointed to the Audit & Supervisory Board after vacating their position as a director or executive officer). If not exercised within the exercise period, the options become null and void.

2) Outline of stock options

	Grant date	Number of shares granted	Exercise price (Yen)	Exercise period
First series of stock subscription rights	August 26, 2013	40,100	1	From August 27, 2013 to August 26, 2043
Second series of stock subscription rights	July 11, 2014	41,000	1	From July 12, 2014 to July 11, 2044
Third series of stock subscription rights	July 13, 2015	38,700	1	From July 14, 2015 to July 13, 2045
Fourth series of stock subscription rights	July 13, 2016	39,500	1	From July 14, 2016 to July 13, 2046

The number of share options is presented as the number of underlying shares.

3) Movement in number of stock options and weighted-average exercise price

	2017		**2018**	
	Number of shares	Weighted-average exercise price (Yen)	Number of shares	Weighted-average exercise price (Yen)
Outstanding at beginning of year	117,100	1	**151,800**	**1**
Granted	39,500	1	**—**	**—**
Exercised	(3,300)	1	**(3,500)**	**1**
Expired	(1,500)	1	**—**	**—**
Outstanding at end of year	151,800	1	**148,300**	**1**
Exercisable at end of year	16,700	1	**17,100**	**1**

Notes:
1. The number of stock options is presented as the number of underlying shares.
2. The weighted-average share prices of stock options at the time of exercise were ¥3,652 and ¥4,446 ($41.94) for the years ended March 31, 2017 and 2018, respectively.
3. The weighted-average remaining lives of unexercised stock options year were 27.8 years and 26.9 years as of March 31, 2017 and 2018, respectively.

4) Fair value of stock options

Fair value of stock options granted for the year ended March 31, 2017 is calculated using the Black-Scholes model under the following conditions. No stock options were granted for the year ended March 31, 2018.

	2017	**2018**
	Fourth series of stock subscription rights	—
Fair value as of measurement date	3,581	**—**
Stock price as of grant date	3,780	**—**
Exercise price (Yen)	1	**—**
Expected volatility (%)	47.49	**—**
Expected life (Years)	15	**—**
Expected dividend per share (Yen)	13.5	**—**
Risk-free rate (%)	(0.12)	**—**

Note: The expected volatility is estimated by using historical volatility of stock options with similar terms under the assumption that it reasonably represents the expectations of the future. However, the expected volatility may not always match the actual result.

(2) Restricted Share-Based Remuneration Plan

1) Overview of Restricted Share-Based Remuneration Plan

Under the Restricted Share-Based Remuneration Plan, the Company's directors and other executives serving in qualifying positions wholly transfer their rights to monetary remuneration receivable from the Company as in-kind property contributions to the plan and receive newly issued shares of the Company's common stock, conditional upon their meeting a specified continuous-tenure requirement.

Issuance of the Company's common shares as restricted share-based remuneration is contingent on the Company and the eligible directors and other executives serving in qualifying positions entering into an agreement that includes provisions (1) prohibiting the shares from being transferred or pledged to a third party or otherwise disposed of in any manner during a certain specified period and (2) allowing the Company to reclaim the shares at no cost under certain specified circumstances.

2) Number of shares granted during the year and fair values

	Grant date	Number of shares	Fair value of grant date
Restricted Share-Based Remuneration Plan	July 28, 2017	19,716	¥4,065 ($38.35)

(3) Performance-Linked Share-Based Remuneration Plan

1) Overview of Performance-Linked Share-Based Remuneration Plan

Under the Performance-Linked Share-Based Remuneration Plan, the Company's directors and other executives serving in qualifying positions wholly transfer their rights to monetary remuneration receivable from the Company as in-kind property contributions to the plan and receive newly issued shares of the Company's common stock, conditional upon their meeting a specified continuous-tenure requirement and upon attainment of predetermined performance targets set by the Company's Board of Directors.

The performance-linked share-based remuneration has a term of three fiscal years. It will deliver a certain number of shares of the Company's common stock to eligible directors in accordance with the directors' standard variable remuneration calculated based on their position and adjusted within a 0-150% range based on the degree of attainment, as of the end of the three fiscal years, of predetermined performance targets set by the Board of Directors.

2) Number of shares granted during the year and fair values

The weighted-average fair value at the grant date under this plan for the year ended March 31, 2018 was ¥4,177 ($39.41).

The number of shares are delivered corresponding to the directors' standard variable remuneration calculated based on their position and adjusted within a 0-150% range based on the degree of attainment, as of the end of the three fiscal years, of predetermined performance targets set by the Board of Directors as described above in (3) 1).

(4) Share-Based Payment Expenses

	Millions of yen		Thousands of U.S. dollars
	2017	**2018**	**2018**
Selling, general and administrative expenses	¥141	**¥88**	**$830**

28. Revenue

(1) Disaggregation of Revenue

The Olympus Group is fundamentally organized into Medical Business, Scientific Solutions Business, Imaging Business and "Others" segments. The Company presents revenue under these business segments because the Board of Directors regularly monitors them to evaluate in determining the allocation management resources and in assessing performance. Revenue is geographically disaggregated based on customer location. Geographically disaggregated revenue attributable to the reportable segments was as follows.

	Millions of yen				
	For the year ended March 31, 2017				
	Medical	Scientific Solutions	Imaging	Others	Total
Japan	¥109,034	¥16,986	¥20,803	¥10,192	¥157,015
North America	213,489	27,344	9,776	796	251,405
Europe	136,216	18,695	18,432	1,415	174,758
Asia and Oceania	102,070	25,622	13,747	1,552	142,991
Others	9,589	4,723	66	10	14,388
Total	¥570,398	¥93,370	¥62,824	¥13,965	¥740,557
Revenue from contracts with customers	521,419	93,225	62,824	13,965	691,433
Revenue from other sources	48,979	145	—	—	49,124

Revenue from other sources includes revenue from lease contracts as defined under IAS17.

	Millions of yen				
	For the year ended March 31, 2018				
	Medical	Scientific Solutions	Imaging	Others	Total
Japan	**¥112,061**	**¥16,816**	**¥18,372**	**¥6,515**	**¥153,764**
North America	**223,527**	**28,310**	**9,688**	**929**	**262,454**
Europe	**149,828**	**21,111**	**19,237**	**967**	**191,143**
Asia and Oceania	**117,940**	**28,288**	**12,822**	**1,425**	**160,475**
Others	**12,975**	**5,491**	**179**	**16**	**18,661**
Total	**¥616,331**	**¥100,016**	**¥60,298**	**¥9,852**	**¥786,497**
Revenue from contracts with customers	**569,066**	**99,999**	**60,298**	**9,852**	**739,215**
Revenue from other sources	**47,265**	**17**	**—**	**—**	**47,282**

	Thousands of U.S. dollars				
	For the year ended March 31, 2018				
	Medical	Scientific Solutions	Imaging	Others	Total
Japan	**$1,057,179**	**$158,642**	**$173,321**	**$61,462**	**$1,450,604**
North America	**2,108,745**	**267,075**	**91,396**	**8,765**	**2,475,981**
Europe	**1,413,472**	**199,160**	**181,481**	**9,123**	**1,803,236**
Asia and Oceania	**1,112,642**	**266,868**	**120,962**	**13,443**	**1,513,915**
Others	**122,405**	**51,802**	**1,689**	**151**	**176,047**
Total	**$5,814,443**	**$943,547**	**$568,849**	**$92,944**	**$7,419,783**
Revenue from contracts with customers	**5,368,546**	**943,387**	**568,849**	**92,944**	**6,973,726**
Revenue from other sources	**445,897**	**160**	**—**	**—**	**446,057**

Revenue from other sources includes revenue from lease contracts as defined under IAS17.

1) Medical Business

The Medical Business sells and leases medical equipment, including gastrointestinal endoscopes, surgical endoscopes, endotherapy devices and ultrasound endoscopes. Its main customers are domestic and overseas medical institutions.

The Company recognizes related product sales as revenue once control of the product has transferred to the customer—i.e., when the product is delivered to the customer—because that is when legal title to and physical possession of the product and the significant risks and rewards of ownership of the product transfer to the customer and also when the Company gains the right to receipt of payment from the customer. Revenue from these product sales is measured at the transaction price contractually agreed upon with the customer. The transaction consideration is mostly received within one year from the fulfillment of the specific performance obligations. Such product sales do not involve a significant financing component. For transactions comprising multiple components such as products and maintenance services, the Company treats each constituent component as a separate performance obligation if every product sold, service provided and other component individually has independent value. In such cases, the total transaction consideration is allocated proportionally to the transaction's constituent components based on their standalone sales prices.

For maintenance contracts related to medical equipment, since performance obligations are satisfied over time, the transaction amount associated with the contract with the customer is recognized as revenue evenly over the contract's term. In such cases, transaction consideration is generally received as a single prepayment at the contract's inception.

Leasing transactions as lessor involving medical equipment are accounted for in the manner described in Note 3 "Significant accounting policies (10) Leases." Lease payments associated with lease contracts are received in accord with payment terms stipulated in individual contracts.

2) Scientific Solutions Business

The Scientific Solutions Business sells microscopes, industrial videoscopes and ultrasonic flaw detectors, among other products. Its main customers include domestic and overseas research and medical institutions.

The Company recognizes related product sales as revenue once control of the product has transferred to the customer—i.e., when the product is delivered to the customer—because that is when legal title to and physical possession of the product and the significant risks and rewards of ownership of the product transfer to the customer and also when the Company gains the right to receipt of payment from the customer. Revenue from these product sales is measured at the transaction price contractually agreed upon with the customer. Transaction consideration is mostly received within one year from performance obligations' fulfillment. Such product sales do not involve a significant financing component.

For maintenance contracts for the Scientific Solutions Business's products, since performance obligations are satisfied over time, the transaction amount associated with the contract with the customer is recognized as revenue evenly over the contract's term. In such cases, the transaction consideration is generally received as a single prepayment at the contract's inception.

3) Imaging Business

The Imaging Business sells digital cameras, including single-lens-reflex and mirrorless cameras. Its customers are mainly domestic and overseas retailers.

The Company recognizes related product sales as revenue once control of the product has transferred to the customer—i.e., when the product is sold to the customer—because that is when legal title to and physical possession of the product and the significant risks and rewards of ownership of the product transfer to the customer and also when the Company gains the right to receive payment from the customer. Revenue from these product sales is measured at the transaction price contractually agreed upon with the customer. For sales contracts that include variable consideration such as rebates and/or retrospective discounts, transaction prices are determined using the most-likely-amount method based largely on historical data, factoring in variable prices within a range that does not cause significant deviation between estimates and historical data. The transaction consideration is mostly received within one year from performance obligations' fulfillment. Such product sales do not involve a significant financing component.

4) Others

"Others" includes system development as well as R&D and discovery activities related to new businesses, in addition to sales of biomedical materials, etc.

(2) Ending Balance of Receivables, Assets and Liabilities from Contract with Customers

The ending balance of receivables, assets and liabilities from contract with customers were follows:

	Millions of yen			Thousands of U.S. dollars
	Transition date (April 1, 2016)	2017	**2018**	**2018**
Receivables from contracts with customers	¥134,475	¥133,926	**¥136,164**	**$1,284,566**
Contract assets	150	456	**535**	**5,047**
Contract liabilities	20,890	24,717	**28,537**	**269,217**

On the consolidated statements of financial position, receivables from contracts with customers and assets from contracts with customers are recognized in trade and other receivables, and liabilities from contracts with customers are recognized in other current assets and other non-current assets. For the revenues recognized for the years ended March 31, 2017 and 2018, amounts included in liabilities from contracts with customers at the beginning of the fiscal year were ¥14,783 million and ¥18,146 million ($171,189 thousand). For the years ended March 31, 2017 and 2018, amount of revenue recognized from performance obligations satisfied (or partially satisfied) in the past period was not material.

(3) Transaction Price Allocated to Remaining Performance Obligations

The breakdown of transaction price allocated to the remaining performance obligations was follows;

	Millions of yen		Thousands of U.S. dollars
	2017	**2018**	**2018**
Within 1 year	¥3,612	**¥4,814**	**$45,415**
Over 1 year	4,549	**4,412**	**41,623**
Total	¥8,161	**¥9,226**	**$87,038**

The transactions for which individual estimated contract terms are within 1 year were excluded.

29. Selling, General and Administrative Expenses

Major items of selling, general and administrative expenses for the years ended March 31, 2017 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	**2018**	**2018**
Personnel expenses (Note)	¥197,359	**¥220,349**	**$2,078,764**
Depreciation	30,919	**29,373**	**277,104**
Advertising and promotion expenses	27,007	**26,021**	**245,481**

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

30. Other Income and Other Expenses

(1) Other Income

Major items of other income were as follows.

For the year ended March 31, 2017

(Gain on sale of investments in subsidiaries)

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

For the year ended March 31, 2018

(Gain on sale of investments in subsidiaries)

The Company recorded gain on sale of investments in subsidiaries of ¥3,048 million ($28,755 thousand) in “Other income” in conjunction with sales of shares of a former subsidiary.

(Gain on sale of fixed assets)

The Company recorded gain on sale of land of ¥1,345 million ($12,689 thousand) in “Other income.”

(2) Other Expenses

Major items of other expenses were as follows.

For the year ended March 31, 2017

(Loss related to securities litigation)

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

For the year ended March 31, 2018

(Business restructuring expenses)

The Company recorded ¥1,351 million ($12,745 thousand) for the business restructuring expenses in Europe in “Other expenses.”

(Impairment losses)

The Company recorded ¥1,686 million ($15,906 thousand) of impairment losses because the recoverable amount of fixed assets fell below the carrying amount primarily due to a decrease in forecasted income. Impairment losses are described in Note 16 “Impairment of non-financial assets.”

31. Finance Income and Finance Costs

The breakdown of finance income and finance costs for the years ended March 31, 2017 and 2018 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	**2018**	**2018**
Finance income:			
Interest income			
Financial assets measured at amortized cost	¥ 774	**¥1,132**	**$10,679**
Dividends received			
Financial assets measured through other comprehensive income	1,154	**642**	**6,057**
Foreign exchange gain (Note 1)	—	**840**	**7,925**
Other	238	**71**	**669**
Total	¥ 2,166	**¥2,685**	**$25,330**
Finance costs:			
Interest expense			
Financial liabilities measured at amortized cost	7,228	**6,102**	**57,566**
Bond interest			
Financial liabilities measured at amortized cost	1,086	**567**	**5,349**
Foreign exchange loss (Note 1)	2,296	**—**	**—**
Other	267	**380**	**3,585**
Total	¥10,877	**¥7,049**	**$66,500**

Notes:
1. Valuation gains or losses on currency derivatives that are not designated as hedges are included in foreign exchange gain or loss.
2. Fee income and expenses arising from financial assets measured at amortized cost are immaterial.

32. Earnings per Share

(1) Basic Earnings per Share and Diluted Earnings per Share

	Yen		U.S. dollars
	2017	**2018**	**2018**
Basic earnings per share	¥125.01	**¥166.84**	**$ 1.574**
Diluted earnings per share	¥124.96	**¥166.76**	**$ 1.573**

(2) Basis for Calculating Basic Earnings per Share and Diluted Earnings per Share

	Millions of yen		Thousands of U.S. dollars
	2017	**2018**	**2018**
Profit used to calculate basic earnings per share and diluted earnings per share:			
Profit attributable to owners of parent	¥42,783	**¥57,064**	**$538,340**
Profit not attributable to owners of parent	—	**—**	**—**
Profit used to calculate basic earnings per share	¥42,783	**¥57,064**	**$538,340**
Adjustment to profit	—	**—**	**—**
Profit used to calculate diluted earnings per share	¥42,783	**¥57,064**	**$538,340**

Weighted-average number of shares of common stock used to calculate basic earnings per share and diluted earnings per share

	Thousand shares	
	2017	**2018**
Average number of shares during the period	342,236	**342,024**
Increase in number of shares of common stock		
Increase due to exercise of subscription rights to shares	144	**150**
Increase due to Performance-Linked Share-Based Remuneration Plan	—	**18**
Average number of shares of diluted common stock during the period	342,380	**342,192**

33. Other Comprehensive Income

The breakdown of each component of other comprehensive income (including non-controlling interests) for the years ended March 31, 2017 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	**2018**	**2018**
Items that will not be reclassified to profit or loss			
Financial instruments measured at fair value through other comprehensive income			
Amount arising during the year	¥ 1,185	**¥ 5,098**	**$ 48,094**
Tax effect	(50)	**(1,536)**	**(14,490)**
Financial instruments measured at fair value through other comprehensive income	¥ 1,135	**¥ 3,562**	**$ 33,604**
Remeasurements of defined benefit plans			
Amount arising during the year	¥ 2,249	**¥ 3,645**	**$ 34,387**
Tax effect	470	**(405)**	**(3,821)**
Remeasurements of defined benefit plans	¥ 2,719	**¥ 3,240**	**$ 30,566**
Total of items that will not be reclassified to profit or loss	¥ 3,854	**¥ 6,802**	**$ 64,170**
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations			
Amount arising during the year	¥(12,760)	**¥(3,587)**	**$(33,840)**
Reclassification adjustments	(22)	**19**	**179**
Before tax effect	(12,782)	**(3,568)**	**(33,661)**
Tax effect	—	**—**	**—**
Exchange differences on translation of foreign operations	¥(12,782)	**¥(3,568)**	**$(33,661)**
Cash flow hedges			
Amount arising during the year	¥ (291)	**¥ (72)**	**$(679)**
Reclassification adjustments	1,950	**1,456**	**13,736**
Before tax effect	1,659	**1,384**	**13,057**
Tax effect	(512)	**(432)**	**(4,076)**
Cash flow hedges	¥ 1,147	**¥ 952**	**$ 8,981**
Share of other comprehensive income (loss) of associates accounted for using equity method			
Amount arising during the year	¥ 14	**¥ (12)**	**$ (113)**
Reclassification adjustments	—	**—**	**—**
Before tax effect	14	**(12)**	**(113)**
Tax effect	—	**—**	**—**
Share of other comprehensive income (loss) of associates accounted for using equity method	¥ 14	**¥ (12)**	**$ (113)**
Total of items that may be reclassified to profit or loss	¥(11,621)	**¥(2,628)**	**$(24,793)**
Total of other comprehensive income	¥ (7,767)	**¥ 4,174**	**$ 39,377**

34. Cash Flow Information

(1) Non Cash Transactions

The major non cash transactions are follows;

	Millions of yen		Thousands of U.S. dollars
	2017	**2018**	**2018**
Tangible asset acquired from through finance lease	¥2,976	**¥2,607**	**$24,594**

(2) Liabilities Arising from Financing Activities

The changes in liabilities arising from financing activities were as follows:

	Millions of yen				
	For the year ended March 31, 2017				
			Non-cash items		
	Beginning balance	Movement by Cash inflows/outflows from financing activities	Effect of exchange rate changes on cash and cash equivalents	Other	Ending balance
Short term borrowings	¥ 6,656	¥ (3,933)	¥(314)	¥ —	¥ 2,409
Bonds (Note 1)	54,917	(30,000)	—	60	24,977
Long-term borrowings (Note 1)	¥258,728	¥ (217)	¥(317)	¥390	¥285,584

Note 1. Balances redeemable within one year are included.

	Millions of yen				
	For the year ended March 31, 2018				
			Non-cash items		
	Beginning balance	Movement by Cash inflows/outflows from financing activities	Effect of exchange rate changes on cash and cash equivalents	Other	Ending balance
Short term borrowings	**¥ 2,409**	**¥ (2,608)**	**¥ 199**	**¥ —**	**¥ —**
Bonds (Note 1)	**24,977**	**9,946**	**—**	**19**	**34,942**
Long-term borrowings (Note 1)	**¥258,584**	**¥(42,756)**	**¥(3,100)**	**¥304**	**¥213,032**

Notes to the Consolidated Financial Statements

	Thousands of U.S. dollars				
	For the year ended March 31, 2018				
			Non-cash items		
	Beginning balance	Movement by cash inflows/outflows from financing activities	Effect of exchange rate changes on cash and cash equivalents	Other	Ending balance
Short-term borrowings	$ 22,726	$ (24,604)	$ 1,878	$ —	$ —
Bonds (Note 1)	235,632	93,830	—	180	329,642
Long-term borrowings (Note 1)	$2,439,473	$(403,359)	$(29,245)	$2,867	$2,009,736

Note 1. Balances redeemable within one year are included.

(3) Proceeds from Sales of Investments in Subsidiaries

A reconciliation of the consideration received for the sales of investments in subsidiaries and proceeds from such sale was as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Consideration for sale received in cash	¥ 4,924	¥2,400	$22,642
Cash and cash equivalents of assets excluded, at the time the Group lost control of the subsidiaries	(1,481)	—	—
Proceeds from sale of subsidiaries	¥ 3,443	¥2,400	$22,642

(4) Payments for Acquisition of Subsidiaries

A reconciliation of the consideration paid for the acquisition of investments in subsidiaries and payments for acquisition was as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Consideration for the acquisitions paid in cash	¥ 900	¥8,745	$82,500
Cash and cash equivalents of assets acquired, at the time the Group obtained control of the subsidiaries	(859)	(109)	(1,028)
Payments for acquisition of subsidiaries	¥41	¥8,636	$81,472

35. Financial Instruments

(1) Credit Risk

Credit risk is the risk that counterparty may default on its contractual obligations resulting in a financial loss for the Olympus Group.

The Olympus Group is mainly exposed to the credit risk of customers and business counterparts on financial assets measured at amortized cost and of financial institutions that are counterparties to derivatives held for hedging foreign currency fluctuations and other financial risks.

The Olympus Group manages credit risk pertaining to financial assets measured at amortized cost by conducting credit investigations on major external customers and controls of due dates and outstanding balances by customers in accordance with internal regulations, while promptly identifying doubtful accounts caused by deteriorated financial conditions, etc., to reduce risks. Credit risk associated with derivatives is reduced by limiting transactions to highly creditworthy financial institutions.

Financial assets measured at amortized cost are mainly classified into "trade receivables" that consist of notes receivable, accounts receivable and lease receivables and "receivables other than trade receivables." The Olympus Group provides allowance for doubtful accounts for each receivable as follows.

"Trade receivables" are classified into three categories: receivables to "debtors that are not facing serious problems in their management conditions," receivables to "debtors that are facing serious problems in repaying their debts" and receivables to "debtors that are bankrupt," according to the debtors' management and financial conditions at the end of the reporting period. Allowance for doubtful accounts is always recognized at an amount equal to expected credit losses for the remaining life of the assets for each category.

"Debtors that are not facing serious problems in their management conditions" refer to those that have no indication of problems in repaying their debts and no problems in ability to repay their debts. Allowance for doubtful accounts on receivables from the debtors in this category is recorded collectively using a provision ratio based on a historical loan loss ratio and future estimates.

"Debtors that are facing serious problems in repaying their debts" refer to those that are not in a state of bankrupt but are facing, or will likely face, serious problems in repaying their debts. Allowance for doubtful accounts on receivables from the debtors in this category is recorded based on the estimated collectable amount of the respective assets on an individual basis.

"Debtors that are bankrupt" refer to those that are legally or substantially bankrupt or in a state of serious financial difficulty with no prospect of revitalization. Allowance for doubtful accounts on receivables from the debtors in this category is recorded for all receivables excluding assets received as collateral or for credit enhancement.

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

"A significant increase in credit risk" refers to a situation in which there are serious problems in collectibility of receivables at the end of the reporting period compared to that at the initial recognition. When evaluating whether or not there is a significant increase in credit risk, the Olympus Group takes into consideration reasonably available and supportable information, such as a debtor's results of operations for past periods and management improvement plan, as well as past due information.

Allowance for doubtful accounts on "receivables other than trade receivables" is recognized using a method to estimate credit losses collectively or individually according to the extent of the debtor's credit risk. However, when the debtors are in serious financial difficulty or legally or substantially bankrupt, allowance for doubtful accounts is recognized using a method to estimate credit losses individually by considering the receivables as credit-impaired financial assets.

Irrespective of the above classification, when it is clear that a financial asset in its entirety or a portion thereof cannot be recovered, such as a legal extinguishment of receivables, the carrying amount of the financial asset is directly amortized.

Information on allowance for doubtful accounts

The carrying amounts of financial assets subject to allowance for doubtful accounts were as follows.

These carrying amounts represent the maximum amount of exposure to credit risk.

	Millions of yen			
Trade receivables	Debtors that are not facing serious problems in their management conditions	Debtors that are facing serious problems in repaying their debts	Debtors that are bankrupt	Total
Balance at April 1, 2016	¥173,090	¥7,959	¥244	¥181,293
Balance at March 31, 2017	172,839	6,295	347	179,481
Balance at March 31, 2018	**172,825**	**6,642**	**336**	**179,803**

	Thousands of U.S. dollars			
Trade receivables	Debtors that are not facing serious problems in their management conditions	Debtors that are facing serious problems in repaying their debts	Debtors that are bankrupt	Total
Balance at March 31, 2018	**$1,630,425**	**$62,660**	**$3,170**	**$1,696,255**

There was no significant change that had a material impact on allowance for doubtful accounts for "trade receivables" as of April 1, 2016, March 31, 2017 and March 31, 2018.

	Millions of yen			
Receivables other than trade receivables	No significant increase in credit risk	Significant increase in credit risk		Total
		Non-credit-impaired financial assets	Credit-impaired financial assets	
Balance at April 1, 2016	¥11,103	¥8,266	¥1,050	¥20,419
Balance at March 31, 2017	12,459	8,266	655	21,380
Balance at March 31, 2018	**14,178**	**8,203**	**587**	**22,968**

	Thousands of U.S. dollars			
Receivables other than trade receivables	No significant increase in credit risk	Significant increase in credit risk		Total
		Non-credit-impaired financial assets	Credit-impaired financial assets	
Balance at March 31, 2018	**$133,755**	**$77,387**	**$5,538**	**$216,679**

There is no significant change that has material impacts on allowance for doubtful accounts for "receivables other than trade receivables" on April 1, 2016, March 31, 2017 and 2018.

The changes in allowance for doubtful accounts related to above financial assets were as follows:

	Millions of yen			
	Trade receivables	Receivables other than trade receivables		
		No significant increase in credit risk	Significant increase in credit risk	
			Non-credit-impaired financial assets	Credit-impaired financial assets
Balance at April 1, 2016	¥6,284	¥ —	¥8,261	¥ 973
Increase	618	—	—	—
Decrease	(152)	—	(4)	(317)
Other	(145)	—	—	(2)
Balance at March 31, 2017	¥6,605	¥ —	¥8,257	**¥ 654**
Increase	**698**	16	**2**	**7**
Decrease	**(173)**	—	**(56)**	**(71)**
Other	**(116)**	0	**—**	**(3)**
Balance at March 31, 2018	**¥7,014**	**¥16**	**¥8,203**	**¥ 587**

	Thousands of U.S. dollars			
	Trade receivables	Receivables other than trade receivables		
		No significant increase in credit risk	Significant increase in credit risk	
			Non-credit-impaired financial assets	Credit-impaired financial assets
Balance at March 31, 2017	$62,311	$ —	$77,896	**$6,170**
Increase	**6,585**	151	**19**	**66**
Decrease	**(1,632)**	—	**(528)**	**(670)**
Other	**(1,094)**	0	**—**	**(28)**
Balance at March 31, 2018	**$66,170**	**$151**	**$77,387**	**$5,538**

(2) Liquidity Risk

Liquidity risk is the risk that the Olympus Group may not be able to repay borrowings or settle other financial liabilities on their due dates.

Borrowings, bonds and other financial liabilities held by the Olympus Group are exposed to liquidity risk. Based on the report from each division, the finance division of the Olympus Group prepares and updates its cash flow plans on a timely basis and keeps its liquidity in hand over a certain ratio of consolidated revenue in order to manage liquidity risk.

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Major financial liabilities by maturity date are as follows. Trade and other payables are not included in the tables below as they are settled within one year and their contractual cash flows are nearly equal to the carrying amount.

As of transition date (April 1, 2016)

	Millions of yen			
	Carrying amount	Contractual cash flows		
		Total	Within 1 year	Over 1 year
Non-derivative financial liabilities:				
Bonds and borrowings	¥320,301	¥336,663	¥61,502	¥275,161
Lease obligations	9,672	10,167	3,345	6,822
Derivative financial liabilities:				
Currency derivatives	951	951	918	33
Interest rate derivatives	¥ 4,980	¥ 4,969	¥ 2,052	¥ 2,917

As of March 31, 2017

	Millions of yen			
	Carrying amount	Contractual cash flows		
		Total	Within 1 year	Over 1 year
Non-derivative financial liabilities:				
Bonds and borrowings	¥285,970	¥298,872	¥73,038	¥225,834
Lease obligations	9,437	9,921	3,540	6,381
Derivative financial liabilities:				
Currency derivatives	1,050	1,050	952	98
Interest rate derivatives	¥ 3,320	¥ 3,322	¥ 1,461	¥ 1,861

As of March 31, 2018

	Millions of yen			
	Carrying amount	Contractual cash flows		
		Total	Within 1 year	Over 1 year
Non-derivative financial liabilities:				
Bonds and borrowings	**¥247,974**	**¥259,571**	**¥92,042**	**¥167,529**
Lease obligations	**8,507**	**8,926**	**3,409**	**5,517**
Derivative financial liabilities:				
Currency derivatives	**469**	**469**	**406**	**63**
Interest rate derivatives	**¥ 1,936**	**¥ 1,938**	**¥ 878**	**¥ 1,060**

	Thousands of U.S. dollars			
	Carrying amount	Contractual cash flows		
		Total	Within 1 year	Over 1 year
Non-derivative financial liabilities:				
Bonds and borrowings	**$2,339,377**	**$2,448,783**	**$868,321**	**$1,580,462**
Lease obligations	**80,255**	**84,208**	**32,160**	**52,048**
Derivative financial liabilities:				
Currency derivatives	**4,425**	**4,425**	**3,830**	**595**
Interest rate derivatives	**$ 18,264**	**$ 18,283**	**$ 8,283**	**$ 10,000**

The Olympus Group does not expect the cash flows included in the maturity analysis to occur much earlier than anticipated or to differ significantly from the anticipated monetary amounts.

(3) Market Risk

Market risk is the risk of fluctuations in fair value or future cash flows of financial instruments because of changes in market prices. Market risk includes foreign exchange risk which arises from changes in foreign exchange rates, interest rate risk which arises from changes in market interest rates and market price fluctuation risk which arises from changes in market prices of listed shares.

1) Foreign exchange risk

The Olympus Group operates business activities worldwide. Accordingly, financial assets and liabilities arising from transactions denominated in currencies other than the functional currency are exposed to foreign exchange rate fluctuation risk. The Olympus Group mainly uses forward foreign exchange contracts to reduce the foreign exchange fluctuation risk.

(i) Foreign exchange forward contracts, currency options and currency swaps
The detail of foreign exchange forward contracts, currency options and currency swaps were as follows:

	Millions of yen						Thousands of U.S. dollars	
	Transition date (April 1, 2016)		2017		**2018**		**2018**	
	Contract amount	Fair value	Contract amount	Fair value	Contract amount	Fair value	Contract amount	Fair value
Foreign exchange forward contracts:	¥107,601	¥ 833	¥ 90,304	¥(393)	**¥ 81,970**	**¥1,752**	**$773,302**	**$16,528**
U.S. dollar	57,137	994	52,963	188	**46,046**	**1,828**	**434,396**	**17,245**
Other currency	50,464	(161)	37,341	(581)	**35,924**	**(76)**	**338,906**	**(717)**
Currency options	4,869	84	—	—	**9,496**	**57**	**89,585**	**538**
Other currency	4,869	84	—	—	**9,496**	**57**	**89,585**	**538**
Currency swaps	9,874	13	13,674	47	**9,625**	**57**	**90,802**	**538**
Receive British pounds / pay euro	3,790	(8)	7,958	25	**2,896**	**6**	**27,321**	**57**
Receive other currencies / pay other currencies	6,084	21	5,716	22	**6,729**	**51**	**63,481**	**481**
Total	¥122,344	¥ 930	¥103,978	¥(346)	**¥101,091**	**¥1,866**	**$953,689**	**$17,604**

(ii) Sensitivity analysis of currency fluctuation risk
The following table illustrates the impact on profit before tax in the consolidated statement of profit or loss from financial instruments held by the Olympus Group at the end of each fiscal year if the Japanese yen appreciated by 1 Japanese yen against the U.S. dollar and the euro. This analysis assumes that all other variables are held constant.

	Millions of yen		Thousands of U.S. dollars
	2017	**2018**	**2018**
U.S. dollar	¥ 44	**¥107**	**$1,009**
Euro	¥(70)	**¥ 48**	**$ 453**

2) Interest rate risk
Interest rate risk to which the Olympus Group is exposed arises from cash equivalents and interest-bearing debts. Borrowings with variable interest rates may be affected by future cash flow fluctuations because of changes in market interest rates.

The Olympus Group uses interest rate swaps to control the interest rate changes; therefore, borrowings with variable interest rates substantially have a nature equivalent to that of fixed interest rate contracts. The result of interest rate sensitivity analysis has been omitted because the effect of changes in interest rates on profit or loss is insignificant.

3) Market price risk
The Olympus Group holds listed shares for investment purposes, including facilitating business alliances. Market prices of listed shares may fluctuate depending on market economy trends as the prices are determined based on market principles. For listed shares, the Olympus Group regularly checks market prices and the financial status of business counterparts issuing shares, etc., while reviewing holding positions continuously in consideration of relationships with business counterparts.

Sensitivity analysis of market price risk
With regard to listed shares held by the Olympus Group at the end of each fiscal year, the following table shows the impact on other comprehensive income (before tax effect) in the consolidated statements of comprehensive income that would result from 1% decline in market prices at the end of each fiscal year. The impact was calculated by multiplying listed shares at the end of each fiscal year by 1% for this analysis.

	Millions of yen		Thousands of U.S. dollars
	2017	**2018**	**2018**
Other comprehensive income (before tax effect)	¥(278)	**¥(268)**	**$(2,528)**

(4) Fair Value

1) Fair value hierarchy
Fair value hierarchy is categorized into the following three levels depending on the observability of inputs used in the valuation technique for the measurement.
Level 1: Fair value measured at market prices (unadjusted) in active markets for identical assets or liabilities
Level 2: Fair value measured using observable prices other than those categorized within level 1, either directly or indirectly
Level 3: Fair value measured using a valuation technique which includes inputs that are not based on observable market data

The Olympus Group recognizes transfers of financial instruments between the levels of the fair value hierarchy as if they occurred at the end of each fiscal year. There were no significant financial instruments transferred between the levels for the fiscal years ended March 31, 2017 and 2018.

2) Financial instruments measured at fair value
The methods for measuring major financial instruments measured at fair value are as follows.
(Other financial assets and other financial liabilities)
Listed shares are classified as level 1 and stated at market prices valued at the end of each fiscal year.
Unlisted shares are classified as level 2 or level 3 and stated at the value obtained by using valuation techniques such as the comparable company analysis method.
Derivative assets and liabilities are classified as level 2. Currency derivatives are stated at the value based on forward exchange rates, and interest-rate derivatives are stated at the value obtained based on observable data such as market interest rates, credit risks and the period up to maturity.

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The fair value hierarchy of financial instruments measured at fair value is as follows:
As of transition date (April 1, 2016)

	Millions of yen			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets measured at fair value through profit and loss				
Derivative assets	¥ —	¥1,879	¥ —	¥ 1,879
Equity securities	—	—	1,147	1,147
Financial assets measured at fair value through other comprehensive income				
Equity securities	67,871	119	390	68,380
Financial liabilities:				
Financial liabilities measured at fair value through profit and loss				
Derivative liabilities	¥ —	¥5,931	¥ —	¥ 5,931

As of March 31, 2017

	Millions of yen			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets measured at fair value through profit and loss				
Derivative assets	¥ —	¥ 704	¥ —	¥ 704
Equity securities	—	—	969	969
Financial assets measured at fair value through other comprehensive income				
Equity securities	27,835	—	386	28,221
Financial liabilities:				
Financial liabilities measured at fair value through profit and loss				
Derivative liabilities	¥ —	¥4,370	¥ —	¥ 4,370

As of March 31, 2018

	Millions of yen			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets measured at fair value through profit and loss				
Derivative assets	**¥ —**	**¥2,335**	**¥ —**	**¥ 2,335**
Equity securities	**—**	**—**	**809**	**809**
Financial assets measured at fair value through other comprehensive income				
Equity securities	**26,799**	**—**	**786**	**27,585**
Financial liabilities:				
Financial liabilities measured at fair value through profit and loss				
Derivative liabilities	**¥ —**	**¥2,405**	**¥ —**	**¥ 2,405**

	Thousands of U.S. dollars			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets measured at fair value through profit and loss				
Derivative assets	**$ —**	**$22,028**	**$ —**	**$ 22,028**
Equity securities	**—**	**—**	**7,632**	**7,632**
Financial assets measured at fair value through other comprehensive income				
Equity securities	**252,821**	**—**	**7,415**	**260,236**
Financial liabilities:				
Financial liabilities measured at fair value through profit and loss				
Derivative liabilities	**$ —**	**$22,689**	**$ —**	**$ 22,689**

The above amounts do not include the contingent consideration for business combinations. For details on the contingent consideration, please refer to Note 40 “Business combinations.”

The changes in financial instruments categorized within level 3 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	**2018**	**2018**
Balance at April 1	¥1,537	**¥1,355**	**$12,783**
Gains and losses (Note)			
Profit or loss	22	**160**	**1,509**
Other comprehensive income	(1)	**65**	**613**
Purchases	1	**—**	**—**
Sales	(4)	**—**	**—**
Other	(200)	**15**	**142**
Balance at March 31	¥1,355	**¥1,595**	**$15,047**

Note: Gains and losses recognized in profit or loss are included in “Finance income” or “Finance costs” in the consolidated statements of profit or loss. Gains and losses recognized in other comprehensive income are included in “Financial assets measured at fair value through other comprehensive income” in the consolidated statements of comprehensive income.

Total losses recognized in profit or loss included losses of ¥22 million and ¥160 million ($1,509 thousand) on financial instruments held as of the years ended March 31, 2017 and March 31, 2018, respectively.

3) Financial instruments measured at amortized cost

The measurement techniques for measuring the fair value of major financial instrument measured at amortized cost are as follows. These financial instruments are mainly classified into level 2.

(Cash and cash equivalents, trade and other receivables, and trade and other payables)

Account items to be settled in the short term are stated at their book value because their fair value is nearly equal to their book value.

Lease receivables are stated at the value obtained by calculating the present value of each lease receivable categorized by a specific period, at discounted rates that take into account credit risks and the period up to maturity.

(Other financial assets and other financial liabilities)

Account items to be settled in the short term are stated at their book value because their fair value is nearly equal to their book value.

Lease obligations are stated at the value obtained by calculating the present value of each lease payable categorized by a specific period, at discounted rates that take into account credit risks and the period up to maturity.

(Bonds and borrowings)

Bonds and borrowings with fixed interest rates are stated at the value calculated at discounted rates which would be applied to a similar issuance of bonds or similar new loans to generate future cash flows.

Borrowings with variable interest rates are stated at their book value because their fair value is deemed to be nearly equal to their book value, given that they are short-term borrowings reflecting market interest rates, and their credit conditions have not significantly changed since the drawdown.

Short-term borrowings are stated at their book value since they are settled in the short term and their fair value is nearly equal to their book value.

The carrying amount and fair value of major financial instruments measured at amortized cost were as follows. Financial instruments whose carrying amounts approximate fair value are not included in the following table.

	Millions of yen						Thousands of U.S. dollars	
	Transition date (April 1, 2016)		2017		2018		2018	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets								
Lease receivables	¥ 39,189	¥ 39,315	¥ 38,510	¥ 38,603	**¥ 35,463**	**¥ 35,430**	**$ 334,557**	**$ 334,245**
Financial liabilities								
Bonds	54,917	55,531	24,977	25,071	**34,942**	**34,905**	**329,642**	**329,292**
Borrowings	110,550	116,348	120,524	119,041	**130,024**	**128,599**	**1,226,642**	**1,213,198**
Lease obligations	¥ 9,672	¥ 9,713	¥ 9,437	¥ 9,467	**¥ 8,507**	**¥ 8,666**	**$ 80,255**	**$ 81,755**

4) Equity instruments

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

The fair values of major equity instruments were as follows:

	Millions of yen
Issuer	Transition date (April 1, 2016)
Terumo Corporation	¥38,053
CASIO COMPUTER CO., LTD.	¥5,423
Taisho Pharmaceutical Holdings Co., Ltd.	¥2,432
Sumitomo Mitsui Financial Group, Inc.	¥1,829
ASAHI INTECC CO., LTD.	¥1,779

	Millions of yen
Issuer	2017
CASIO COMPUTER CO., LTD.	¥3,699
Sumitomo Mitsui Financial Group, Inc.	¥2,168
Mitsubishi UFJ Financial Group, Inc.	¥2,095
USHIO INC.	¥1,578
ASAHI INTECC CO., LTD.	¥1,565

	Millions of yen
Issuer	**2018**
CASIO COMPUTER CO., LTD.	**¥3,788**
ASAHI INTECC CO., LTD.	**¥2,846**
Fuji Machine Manufacturing Co., Ltd.	**¥1,820**
USHIO INC.	**¥1,602**
Mitsubishi UFJ Financial Group, Inc.	**¥1,461**

	Thousands of U.S. dollars
Issuer	**2018**
CASIO COMPUTER CO., LTD.	**$35,736**
ASAHI INTECC CO., LTD.	**$26,849**
Fuji Machine Manufacturing Co., Ltd.	**$17,170**
USHIO INC.	**$15,113**
Mitsubishi UFJ Financial Group, Inc.	**$13,783**

The fair value at the date of sale and cumulative gains or losses on sales of equity instruments sold during the year were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	**2018**	**2018**
Fair value at the date of sale	¥41,325	**¥7,011**	**$66,142**
Cumulative gains or losses on sale	¥23,873	**¥1,578**	**$14,887**

The breakdown of dividends received recognized from equity instruments was as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	**2018**	**2018**
Equity instruments derecognized during the year	¥ 462	**¥194**	**$1,830**
Equity instruments held at the end of year	692	**448**	**4,227**
Total	¥1,154	**¥642**	**$6,057**

(5) Hedge Accounting

The Olympus Group uses interest rate swaps to receive variable interest rates and pay fixed interest rates in order to hedge interest rate risk, and applies hedge accounting by designating the interest rate swaps as cash flow hedges.

For interest rate swaps, the notional amount, term (maturity) and the hedging instrument and the hedged item are to be matched, in principle. No ineffective portion was recognized as of the IFRS transition date, March 31, 2017 and March 31, 2018.

A summary of interest rate swaps designated as cash flow hedge was as follows:

As of transition date (April 1, 2016)

	Millions of yen				
	Notional amount	Over 1 year	Carrying amount (Note)		Interest rate
			Assets	Liabilities	
Interest rate swaps	¥148,000	¥128,000	¥—	¥4,980	Variable rate receipt: 6-month Japanese yen TIBOR Fixed rate payment: 1.750% to 2.145%

As of March 31, 2017

	Millions of yen				
	Notional amount	Over 1 year	Carrying amount (Note)		Interest rate
			Assets	Liabilities	
Interest rate swaps	¥138,000	¥83,000	¥—	¥3,320	Variable rate receipt: 6-month Japanese yen TIBOR Fixed rate payment: 1.3815% to 2.145%

As of March 31, 2018

	Millions of yen				
	Notional amount	Over 1 year	Carrying amount (Note)		Interest rate
			Assets	Liabilities	
Interest rate swaps	**¥83,000**	**¥63,000**	**¥—**	**¥1,936**	Variable rate receipt: 6-month Japanese yen TIBOR Fixed rate payment: 1.3815% to 2.145%

	Thousands of U.S. dollars				
	Notional amount	Over 1 year	Carrying amount (Note)		Interest rate
			Assets	Liabilities	
Interest rate swaps	**$783,019**	**$594,340**	**$—**	**$18,264**	Variable rate receipt: 6-month Japanese yen TIBOR Fixed rate payment: 1.3815% to 2.145%

Note: The amount on the consolidated statements of financial position are recorded in “Other financial assets” or “Other financial liabilities” of each current and non-current based on their maturity date.

The cash flow hedge reserve regarding the above table was as follows:

	Millions of yen			Thousands of U.S. dollars
	Transition date (April 1, 2016)	2017	**2018**	**2018**
Interest rate swap	¥(4,980)	¥(3,320)	**¥(1,936)**	**$(18,264)**

Cash flow hedges recognized in consolidated statement of comprehensive income and other comprehensive income (before tax effect) were as follows:

As of March 31, 2017

	Millions of yen	
	Changes in the fair value recognized in other comprehensive income	Amount of reclassification adjustment from cash flow hedge to profit or loss (Note)
Interest rate swaps	¥(291)	¥1,950

As of March 31, 2018

	Millions of yen	
	Changes in the fair value recognized in other comprehensive income	Amount of reclassification adjustment from cash flow hedge to profit or loss (Note)
Interest rate swaps	**¥(72)**	**¥1,456**

	Thousands of U.S. dollars	
	Changes in the fair value recognized in other comprehensive income	Amount of reclassification adjustment from cash flow hedge to profit or loss (Note)
Interest rate swaps	**$(679)**	**$13,736**

Note: The amounts included on the consolidated statements of profit or loss are recorded in “Finance income” or “Finance costs.”

(6) Transfer of Financial Assets

Transferred financial assets that are not derecognized in their entirety

The Olympus Group transfers a part of trade receivables to a third party in order to diversify fund-raising channels and conduct stable fund procurement. The third party has recourse only to the transferred assets upon the debtors' default and cannot claim other assets of the Olympus Group. While the Olympus Group does not bear bad debt risk on a certain portion of the transferred receivables due to a contract with the third party, the full amount in has been recognized in the consolidated statements of financial position because the financial assets in their entirety do not qualify for derecognition. The proceeds which arising on the transfer of the assets have been recorded as the associated liabilities and are settled when a payment is made for the transferred assets. The Olympus Group cannot use the transferred assets until the payment is made.

The carrying amounts of transferred assets and the associated liabilities when the Olympus Group continues to recognize all of the transferred assets as of the IFRS transition date, March 31, 2017 and March 31, 2018 are as follows. They are recognized in "Trade and other receivables" and "Other financial liabilities," respectively, in the consolidated statements of financial position.

	Millions of yen			Thousands of U.S. dollars
	Transition date (April 1, 2016)	2017	**2018**	**2018**
Transferred financial assets	¥1,598	¥2,539	**¥3,324**	**¥31,358**
Related liabilities	1,248	1,797	**2,427**	**22,896**
Net position of transferred financial assets	¥ 350	¥ 742	**¥897**	**$ 8,462**

The fair values are equivalent to the carrying amounts in the above table.

36. Leases

(1) Lessor

1) Finance leases

The Olympus Group leases endoscopes and under finance leases.

The gross investment in the lease and present value of minimum leases receivables were as follows:

	Millions of yen			Thousands of U.S. dollars	Millions of yen			Thousands of U.S. dollars
	Gross investment in the lease				Present value of minimum lease receivables			
	Transition date (April 1, 2016)	2017	**2018**	**2018**	Transition date (April 1, 2016)	2017	**2018**	**2018**
Within 1 year	¥21,174	¥20,940	**¥17,605**	**$166,085**	¥19,503	¥19,014	**¥16,257**	**$153,368**
More than 1 year, but within 5	21,156	21,172	**20,252**	**191,057**	19,043	19,072	**18,669**	**176,123**
More than 5 years	19	53	**110**	**1,038**	16	51	**102**	**962**
Total	¥42,349	¥42,165	**¥37,967**	**$358,180**	¥38,562	¥38,137	**¥35,028**	**$330,453**
Unguaranteed residual values	627	373	**435**	**4,104**				
Unearned finance income	3,160	3,655	**2,504**	**23,623**				
Present value of minimum lease receivables	¥38,562	¥38,137	**¥35,028**	**$330,453**				

The amount of the allowance for uncollectable minimum lease receivables as of the IFRS transition date, March 31, 2017 and March, 2018 were ¥1,197 million, ¥1,059 million and ¥1,505 million ($14,198 thousand), respectively.

2) Operating leases

The Olympus Group leases endoscopes and under operating leases.

The breakdown of future minimum lease receivables under non-cancelable operating leases by maturity was as follows:

	Millions of yen			Thousands of U.S. dollars
	Transition date (April 1, 2016)	2017	**2018**	**2018**
Within 1 year	¥17,331	¥18,939	**¥16,197**	**$152,802**
More than 1 year, but within 5	21,664	20,143	**18,494**	**174,472**
More than 5 years	—	—	**263**	**2,481**
Total	¥38,995	¥39,082	**¥34,954**	**$329,755**

The total of contingent rents recognized as revenue for each fiscal year was as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	**2018**	**2018**
Total of contingent rents	¥11,005	**¥11,405**	**$107,594**

(2) Lessee

1) Finance leases

The Olympus Group rents endoscopes and other equipment under finance leases. There are no variable lease payments, significant renew/purchase options, escalation clauses or restrictions on dividends, additional borrowings and additional leases provided by the lease contracts.

The total of future minimum lease payments and the present value under finance lease were as follows:

	Millions of yen			Thousands of U.S. dollars	Millions of yen			Thousands of U.S. dollars
	Minimum lease payments				Present value of minimum lease payments			
	Transition date (April 1, 2016)	2017	**2018**	**2018**	Transition date (April 1, 2016)	2017	**2018**	**2018**
Within 1 year	¥ 3,350	¥3,541	**¥3,409**	**$32,160**	¥3,114	¥3,304	**¥3,201**	**$30,198**
More than 1 year, but within 5	6,794	6,312	**5,472**	**51,623**	6,528	6,064	**5,267**	**49,689**
More than 5 years	31	69	**39**	**368**	30	69	**39**	**368**
Total	¥10,175	¥9,922	**¥8,920**	**$84,151**	¥9,672	¥9,437	**¥8,507**	**$80,255**
Future finance costs	503	485	**413**	**3,896**				
Present value	¥ 9,672	¥9,437	**¥8,507**	**$80,255**				

2) Operating leases

The Olympus Group rents mainly property under operating leases. There are no significant renew/purchase options, escalation clauses or restrictions on dividends, additional borrowings and additional leases provided by the lease contracts.

The breakdown of future minimum lease payments under non-cancelable operating leases by maturity was as follows:

	Millions of yen			Thousands of U.S. dollars
	Transition date (April 1, 2016)	2017	**2018**	**2018**
Within 1 year	¥ 5,361	¥ 5,105	**¥ 5,512**	**$ 52,000**
More than 1 year, but within 5	10,695	11,029	**13,344**	**125,887**
More than 5 years	4,009	4,026	**23,003**	**217,009**
Total	¥20,065	¥20,160	**¥41,859**	**$394,896**

The total of minimum lease payments of operating leases recognized in profit or loss was as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	**2018**	**2018**
Total of minimum lease payments	¥7,584	**¥7,273**	**$68,613**

37. Income Taxes

(1) Deferred Tax Assets and Liabilities

The breakdown of major deferred tax assets and liabilities by cause was as follows:

	Millions of yen			Thousands of U.S. dollars
	Transition date (April 1, 2016)	2017	**2018**	**2018**
Deferred tax assets:				
Inventories	¥ 7,681	¥ 8,340	**¥ 8,647**	**$ 81,575**
Prepaid expenses	6,855	5,567	**7,165**	**67,594**
Accrued bonuses	6,227	5,747	**5,789**	**54,613**
Unrealized intercompany profits	5,437	4,596	**4,555**	**42,972**
Depreciation of property, plant and equipment	7,060	7,355	**7,447**	**70,255**
Amortization of intangible assets	4,352	4,148	**3,568**	**33,660**
Interest rate swaps	1,537	1,025	**593**	**5,594**
Retirement benefit liabilities	6,135	4,900	**5,032**	**47,472**
Loss carryforwards	22,390	19,183	**11,266**	**106,283**
Other	9,264	8,220	**8,516**	**80,340**
Total	¥ 76,938	¥ 69,081	**¥ 62,578**	**$ 590,358**
Deferred tax liabilities:				
Financial liabilities measured at fair value through other comprehensive income	¥(10,996)	¥ (2,297)	**¥ (3,304)**	**$ (31,170)**
Retirement benefit assets	(9,284)	(9,238)	**(10,183)**	**(96,066)**
Fair value differences on acquisition	(12,544)	(9,750)	**(5,287)**	**(49,877)**
Capitalized development costs	(7,520)	(6,195)	**(8,478)**	**(79,981)**
Other	(3,332)	(9,729)	**(8,195)**	**(77,311)**
Total	¥(43,676)	¥(37,209)	**¥(35,447)**	**$(334,405)**
Net deferred tax assets	¥ 33,262	¥ 31,872	**¥ 27,131**	**$ 255,953**

Loss carryforwards, deductible temporary differences and tax credits carried forward for which deferred tax assets have not been recognized were as follows. The tax base is presented.

	Millions of yen			Thousands of U.S. dollars
	Transition date (April 1, 2016)	2017	**2018**	**2018**
Loss carryforward	¥18,492	¥28,282	**¥26,322**	**$248,321**
Deductible temporary differences	36,576	33,442	**26,108**	**246,302**
Tax credits carried forward	85	1,635	**3,190**	**30,094**
Total	¥55,153	¥63,359	**¥55,620**	**$524,717**

Loss carryforwards for which deferred tax assets have not been recognized and expires as follows:

	Millions of yen			Thousands of U.S. dollars
	Transition date (April 1, 2016)	2017	**2018**	**2018**
Within 4th year	¥ 3,519	¥ 3,471	**¥ 8,363**	**$ 78,896**
5th year and thereafter	14,973	24,811	**17,959**	**169,425**
Total	¥18,492	¥28,282	**¥26,322**	**$ 248,321**

The Company does not recognize deferred tax liabilities for the temporary differences associated with undistributed profits of subsidiaries when the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Total temporary differences associated with the undistributed profits of subsidiaries which have not been recognized as deferred tax liabilities (income base) were ¥223,652 million, ¥190,138 million and ¥225,972 million ($2,131,811 thousand) as of the IFRS transition date, March 31, 2017 and March 31, 2018, respectively.

(2) Income Tax Expenses

The breakdown of income tax expenses was as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	**2018**	**2018**
Current tax expenses (Notes 1, 5)	¥10,975	**¥18,988**	**$179,132**
Deferred tax expenses (Notes 2, 3, 4, 5)	8,696	**585**	**5,519**
Total of income tax expenses	¥19,671	**¥19,573**	**$184,651**

Notes:

1. The current tax expense includes tax losses which were previously not recorded, tax credits or benefits resulting from temporary differences for prior periods. Consequently, the current tax expense for the fiscal years ended March 31, 2017 and 2018 decreased by ¥1,417 million and ¥1,288 million ($12,151 thousand), respectively.
   In addition, the current tax expense for the fiscal year ended March 31, 2018 includes the corporation tax for the previous fiscal year of ¥138 million ($1,302 thousand).
2. The deferred tax expense includes tax losses which were previously not recorded, tax credits or benefits resulting from temporary differences for prior periods. Consequently, the deferred tax expense for the fiscal years ended March 31, 2017 and 2018 decreased by ¥1,561 million and ¥111 million ($1,047 thousand), respectively.
3. The deferred tax expense includes the reversal of devaluation of deferred tax assets which was previously recorded. Consequently, the deferred tax expense increased by ¥10,662 million for the fiscal year ended March 31, 2017 and decreased by ¥1,792 million ($16,906 thousand) for the fiscal year ended March 31, 2018, respectively.
4. The deferred tax expense increased by ¥170 million for the fiscal year ended March 31, 2017 and decreased by ¥2,298 million ($21,679 thousand) for the fiscal year ended March 31, 2018 due to the effect of changes in tax rates in Japan and overseas.
5. Income taxes were recognized based on the "Tax Cuts and Jobs Act of 2017," which was enacted on December 22, 2017 in the United States.
   As a result, income taxes for the fiscal year ended March 31, 2018 decreased by ¥3,257 million ($30,726 thousand).The amount of Note 4 includes the effect of adopting this tax system.

(3) Income Taxes Recognized in Other Comprehensive Income

Income taxes recognized in other comprehensive income are presented in Note 33 "Other comprehensive income."

(4) Reconciliation of Effective Tax Rate

Reconciliation of the effective statutory tax rate and the average effective tax rate for the fiscal years ended March 31, 2017 and 2018 is as follows.

The Company's income taxes mainly include corporation tax, inhabitant tax and enterprise tax. The effective statutory tax rate calculated based on these taxes was 30.9% for the fiscal years ended March 31, 2017 and 2018, respectively. Overseas subsidiaries are subject to income taxes of the countries in which they operate.

	2017	**2018**
Effective statutory tax rate	30.9%	**30.9%**
Non-deductible expense, such as entertainment expenses	2.0	**5.3**
Non-taxable income, such as dividend income	(0.1)	**(0.1)**
Tax credit for experimental research cost and others	(4.6)	**(6.3)**
Different tax rates applied to foreign subsidiaries	(3.9)	**(3.7)**
Change in unrecognized deferred tax assets	12.3	**0.5**
Change in deferred tax assets at the end of fiscal year by changing tax rates	0.3	**(3.0)**
Other	(5.4)	**1.9**
Average actual tax rate	31.5%	**25.5%**

38. Major Subsidiaries

(1) Structured Entities

Major subsidiaries as of March 31, 2018 were as follows:

Company name	Location	Main business	Voting rights held by the Company (%) (Note 1)
(Consolidated subsidiaries)			
Olympus Medical Systems Corp.	Shibuya-ku, Tokyo	Manufacturing medical products	100
Aizu Olympus Co., Ltd.	Aizu-Wakamatsu-shi, Fukushima	Manufacturing medical products and optical products	100
Aomori Olympus Co., Ltd.	Kuroishi-shi, Aomori	Manufacturing medical products	100
Nagano Olympus Co., Ltd.	Tatsuno-machi, Kamiina-gun, Nagano	Manufacturing medical products and parts of optical products	100
Shirakawa Olympus Co., Ltd.	Nishigo-mura, Nishishirakawa-gun, Fukushima	Manufacturing medical products and optical products	100
Olympus Medical Science Sales Corp.	Shinjuku-ku, Tokyo	Sales of medical products, optical products and electric products	100
Olympus Logitex Co., Ltd.	Minami-ku, Sagamihara-shi, Kanagawa	Logistics	100
Olympus Systems Co., Ltd.	Shibuya-ku, Tokyou	Information services and system development	100
Olympus Corporation of the Americas	Pennsylvania, U.S.A.	Holding company of corporate planning and financial support to affiliated companies in Americas region	100
Olympus America Inc.	Pennsylvania, U.S.A.	Sales of medical products and optical products	100 (100)
Olympus Latin America, Inc.	Florida, U.S.A.	Sales of medical products and optical products	100 (100)
Gyrus ACMI, Inc.	Massachusetts, U.S.A.	Manufacturing medical products	100 (100)
Gyrus ACMI LP	Minnesota, U.S.A.	Manufacturing medical products	100 (100)
Olympus Scientific Solutions Americas Corp.	Massachusetts, U.S.A.	Manufacturing non-destructive testing devices	100 (100)
Olympus Scientific Solutions Technologies Inc.	Massachusetts, U.S.A.	Manufacturing non-destructive testing devices	100 (100)
Olympus NDT Canada Inc.	Québec, Canada	Manufacturing non-destructive testing devices	100 (100)
Olympus Europa Holding SE	Hamburg, Germany	Holding company of corporate planning to affiliated companies in Europe region	100
Olympus Europa SE & Co. KG	Hamburg, Germany	Holding company and sales of medical products, optical products and electric products	100 (100)
Olympus Soft Imaging Solutions GmbH	Munster, Germany	Information services and system development	100 (100)
Olympus Deutschland GmbH	Hamburg, Germany	Sales of medical products, optical products and electric products	100 (100)
Olympus France S.A.S.	Rungis Cedex, France	Sales of medical products, optical products and electric products	100 (100)
Olympus Winter & Ibe GmbH	Hamburg, Germany	Manufacturing and sales of medical products	100 (100)
KeyMed (Medical & Industrial Equipment) Ltd.	Essex, U.K.	Manufacturing medical products and optical products	100 (100)
Gyrus Group Limited	London, U.K.	Fund management of subsidiary companies outside Europe	100 (100)
Olympus Finance UK Limited	London, U.K.	Fund management of subsidiary companies in Europe	100
Olympus Corporation of Asia Pacific Limited	Hong Kong	Holding company of corporate planning to affiliated companies in Asia region	100
Olympus Hong Kong and China Limited	Hong Kong	Manufacturing and sales of optical products and electric products	100 (100)
Olympus (China) Co., Ltd.	Beijing, P.R.C.	Holding company and sales of optical products and electric products	100 (100)
Olympus (Guangzhou) Industrial Ltd.	Guangzhou, P.R.C.	Manufacturing medical products and optical products	100 (100)
Olympus (Beijing) Sales & Service Co., Ltd.	Beijing, P.R.C.	Sales of medical products	100 (100)
Olympus Trading (Shanghai) Limited	Shanghai, P.R.C.	Sales of medical products and optical products	100 (100)
Olympus Korea Co., Ltd.	Seoul, Republic of Korea	Sales of medical products, optical products and electric products	100
Olympus Singapore Pte Ltd.	Singapore	Sales of medical products and optical products	100 (100)
Olympus Australia Pty Ltd.	Victoria, Australia	Sales of medical products and optical products	100 (100)
62 others	—	—	—
(Equity method affiliated companies)			
Sony Olympus Medical Solutions Inc.	Hachioji-shi, Tokyo	Development of medical products	49
1 other	—	—	—

Note: Figures disclosed in parentheses in the “Voting rights held by the Company” column represent voting rights held indirectly by the Company.

(2) Significant Subsidiaries Having Non-Controlling Interests

During the years ended March 31, 2017 and 2018, there was no individually significant subsidiary having non-controlling interests.

39. Related-Party Transactions

(1) Related-Party Transactions

There were no material related-party transactions (except for transactions that were offset in the consolidated financial statements) for the years ended March 31, 2017 and 2018.

(2) Remuneration for Management Executives

	Millions of yen		Thousands of U.S. dollars
	2017	**2018**	**2018**
Remuneration and bonuses	¥488	**¥567**	**$5,349**
Share-based payments	44	**29**	**274**
Total	¥532	**¥596**	**$5,623**

40. Business Combinations

For the year ended March 31, 2017
(Business divestitures)

(1) Outline of Business Divestitures

The Company transferred shares of Nippon Outsourcing Corporation (hereinafter, "NOC"), a consolidated subsidiary of the Company, to THE LONGREACH GROUP LTD. on October 31, 2016.

(2) Appropriate Book Values of Assets and Liabilities of Business Divestitures

	Millions of yen	Thousands of U.S. dollars
Current assets	¥2,528	$23,849
Non-current assets	491	4,632
Total assets	3,019	28,481
Current liabilities	1,786	16,849
Non-current liabilities	199	1,877
Total liabilities	¥1,985	$18,726

(3) Gain Derived from Loss Control Over Subsidiaries

The difference of ¥3,892 million between the consolidated carrying amount of NOC and the selling price was recorded as "Other income" on the consolidated statements of profit or loss.

For the year ended March 31, 2018
(Business combination through acquisition)

(1) Overview of Business Combination

1) Name of company acquired and description of business
Name of company acquired: Image Stream Medical, Inc. (hereinafter, "ISM")
Description of business: Proposal, sale, delivery and maintenance services for video management equipment and system integration solutions for operating rooms
2) Primary reason for business combination
In the 2016 Corporate Strategic Plan ("16CSP") released on March 30, 2016, the Company set forth a goal of formulating aggressive business portfolios with a firm business base and improving its corporate value toward sustainable growth down the road.
With this acquisition, the Company has obtained the technology for internet protocol (IP)-based image delivery, which ISM has cultivated through medical practices, and a business base for system integration. Given this advantage, the Company will work to strengthen the "Operating Room System Integration" business set forth in 16CSP and offer a better medical environment, thereby contributing to a society where people in the world have a healthy, peaceful and fulfilling life.
3) Acquired ratio of holding capital with voting rights
100%
4) Acquisition date
June 1, 2017
5) Acquisition method to govern the acquired company
Cash consideration for the acquisition of shares

(2) Acquisition-Related Expense

The acquisition-related expense of ¥394 million ($3,717 thousand) has been booked in "selling, general and administrative expenses."

(3) Fair Value of Consideration Paid, Assets Acquired and Liabilities Undertaken as of the Acquisition Date

	Millions of yen	Thousands of U.S. dollars
	Amount	
Fair value of consideration paid		
Cash	¥8,835	$83,349
Contingent consideration	750	7,076
Total	9,585	90,425
Fair value of assets acquired and liabilities undertaken		
Cash and cash equivalents	109	1,028
Trade and other receivables	654	6,170
Inventories	329	3,104
Property, plant and equipment	33	311
Intangible assets	3,520	33,208
Other assets	21	198
Trade and other payables	(190)	(1,792)
Deferred tax liabilities	(570)	(5,377)
Other liabilities	(516)	(4,868)
Fair value of assets acquired and liabilities undertaken (net amount)	3,390	31,982
Goodwill	6,195	58,443
Total	¥9,585	$90,425

The consideration paid has been allocated to the assets acquired and liabilities assumed on the basis of fair value as of the acquisition date. The allocation of consideration paid has been completed and there is no difference between the initial preliminary amount and the final amount.

Goodwill has arisen based on a reasonable estimate of excess profitability expected in the future. There is no amount to be deductible for tax purposes in the said goodwill.

(4) Contingent Consideration

Contingent consideration represents milestone payments to be made to old ISM shareholders in response to the Company's obtaining of licenses on the ISM development, and is the amount calculated in consideration of the possibility of acquiring licenses on the targeted development and time value of money. The maximum amount of milestone payments is $9 million before discounting.

The fair value hierarchy level of consideration with conditions is evaluated at level 3. The fair value of consideration with conditions fluctuates depending on changes in the interest rates. The fair value would also rise along with an increasing possibility of acquiring a license on the development of inputs which are important and unobservable. In either of these fluctuations, however, impacts on the measurement of fair value are not material.

There were no significant fluctuations in the fair value of the above contingent consideration in the year ended March 31, 2018.

(5) Impacts on the Olympus Group

The Company omits disclosure of profit and loss information from the acquisition date and pro forma profit and loss information assuming the business combination was conducted at the beginning of the year ended March 31, 2018 because of its immateriality for the consolidated statement of profit or loss. Such pro forma information has not been audited by the Company's independent auditor.

41. Contingent Liabilities

(1) Liabilities for Guarantees

The Olympus Group has the following guarantees:

	Millions of yen			Thousands of U.S. dollars
	Transition date (April 1, 2016)	2017	**2018**	**2018**
Employees (Mortgages)	¥ 34	¥22	**¥13**	**$123**
Sony Olympus Medical Solutions Inc. (Borrowing from bank)	5,915	—	**—**	**—**
Total	¥5,949	¥22	**¥13**	**$123**

(Guarantee obligations of employees' mortgages)

The maximum term of the guarantee obligations extends to 2023. As a guarantor, the Olympus Group is liable for any defaults of the mortgages in scope of the obligations and has an obligation to settle the mortgages on behalf of the employees.

Those obligations are collateralized by the homes of the employees.

(Guarantee obligation of Sony Olympus Medical Solutions Inc.)

The Olympus Group assumes a guarantee obligation for credit enhancement of its affiliates accounted for by the equity method. The guarantee contracts that had been effective as at as the IFRS transition date expired on June 30, 2016.

(2) Lawsuits

Concerning the Company's deferral of recognition of losses on securities investments, etc., lawsuits have been filed against it mainly by shareholders. There is a risk that the outcome may adversely affect the consolidated financial results in the future and an additional provision for loss on litigation may be necessary depending on the progress of the lawsuits.

(3) Investigation on Duodenoscopes in the U.S.

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.

42. Significant Subsequent Event

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

(1) Details of the Restructuring

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

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

(2) Effect on Business Results

In the fiscal year ending March 31, 2019, the Company expects that matters related to the restructuring, such as the termination of operations at OSZ and the relocation of the production line to Olympus Vietnam, will have an effect on operating results. The costs that can be estimated at this point in time to affect operating results amount to approximately ¥4.0 billion ($3.8 million). However, the precise amount of these costs may change depending on the progress of the restructuring. Also, the Company expects that a certain amount of time will be needed before production volume at Olympus Vietnam, where operations will be relocated to, reaches planned levels. As such, the Company expects that operating results for the Imaging Business in the fiscal year ending March 31, 2019, will be affected by the occurrence of the aforementioned costs in addition to the temporary limitation of sales activities as a result of product supply changes.

43. First-Time Adoption of IFRS

The Olympus Group disclosed the consolidated financial statements under IFRS for the first time from the first quarter of the fiscal year ended March 31, 2018. The latest consolidated financial statements under Japanese GAAP were prepared for the fiscal year ended March 31, 2017, and the IFRS transition date is April 1, 2016.

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

(1) Exemptions under IFRS 1

1) Business combinations

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

2) Translation differences of foreign operations

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

3) Borrowing costs

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

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

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

(2) Mandatory Exception under IFRS 1

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

(3) Reconciliations

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

Notes to the Consolidated Financial Statements

Reconciliation of equity
IFRS transition date (April 1, 2016)

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

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

Notes to the Consolidated Financial Statements

As of March 31, 2017

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

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

Notes on reconciliations of equity

1) Differences in recognition and measurement

A Leases

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

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

B Depreciation of property, plant and equipment

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

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

C Goodwill

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

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

D Capitalization of development costs

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

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

Notes to the Consolidated Financial Statements

E Deferred taxes
With respect to the tax effects arising from the elimination of intercompany unrealized gains, the deferral method was applied under Japanese GAAP, but the asset and liability approach has been employed under IFRS. In addition, the Olympus Group has assessed the recoverability of deferred tax assets under IFRS.
In light of the above, retained earnings as of April 1, 2016 (IFRS transition date) increased by ¥3,143 million, and retained earnings as of March 31, 2017 decreased by ¥19,856 million.
Since temporary differences arose in line with the reconciliation from Japanese GAAP to IFRS, the amounts of deferred tax assets and deferred tax liabilities have been adjusted. The effect of the adjustments on retained earnings is stated in each other item.

F Warranties
With respect to warranty, expenses expected to be incurred in the future were recognized as provisions under Japanese GAAP. However, under IFRS, warranties have been separated into quality assurance warranties and service warranties, the amount corresponding to quality assurance warranties has been recognized as provisions, and for the portion of service warranties where services have not been provided, revenue has been deferred and recognized other current liabilities.
In light of the above, retained earnings as of April 1, 2016 (IFRS transition date) and March 31, 2017 decreased by ¥1,364 million and ¥1,358 million, respectively.

G Accrued paid absences
Accrued paid absences were not recognized as liabilities under Japanese GAAP, but have been recognized as liabilities under IFRS.
In light of the above, retained earnings as of April 1, 2016 (IFRS transition date) and March 31, 2017 decreased by ¥4,260 million and ¥4,476 million, respectively.

H Post-employment benefits
Under Japanese GAAP, actuarial gains or losses and past service costs were recorded in net assets through other comprehensive income when they are incurred and were expensed on a straight-line basis over a certain number of years not exceeding the average remaining service period of employees. Under IFRS, actuarial gains or losses have been recognized in other components of equity through other comprehensive income as incurred, and then immediately transferred to retained earnings. Past service costs have been fully recognized in profit or loss as incurred.
In light of the above, retained earnings as of April 1, 2016 (IFRS transition date) and March 31, 2017 decreased by ¥21,234 million and ¥20,132 million, respectively.

I Resetting of foreign currency translation adjustments
The Olympus Group has chosen to apply the exemption set forth under IFRS 1, and transferred all cumulative exchange differences on translation of foreign operations as of the date of transition to IFRS to retained earnings.
In light of the above, retained earnings as of April 1, 2016 (IFRS transition date) and March 31, 2017 decreased by ¥8,686 million, respectively.

2) Reclassification

J Reclassification on consolidated statement of financial position
Certain reclassifications have been made to conform to provisions under IFRS. The major reclassifications are as follows:
(a) Deferred tax assets and deferred tax liabilities are classified to non-current assets and non- current liabilities.
(b) Financial assets and financial liabilities are disclosed separately.
(c) Investments accounted for using equity method are disclosed separately.
(d) Non-current assets or disposal groups held for sale are disclosed separately. Reconciliation of profit or loss and comprehensive income

Fiscal year ended March 31, 2017

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

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

Notes on reconciliations of profit or loss and comprehensive income

1) Differences in recognition and measurement

A Leases

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

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

B Depreciation of property, plant and equipment

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

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

C Goodwill

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

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

D Capitalization of development cost

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

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

E Deferred taxes

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

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

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

F Post-employment benefits

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

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

G Financial instruments

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

2) Reclassification

H Reclassifications on the consolidated statements of profit or loss

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

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

(4) Note on Reconciliation of Cash Flows

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

EY
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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 statement of financial position as at March 31, 2018, and the consolidated statements of profit or loss, comprehensive income, changes in equity, 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 International Financial Reporting Standards, 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, 2018, and their consolidated financial performance and cash flows for the year then ended in conformity with International Financial Reporting Standards.

Emphasis of Matter

We draw attention to Note 41(2) 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. 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 2(3).

Ernst & Young ShinNihon LLC

June 26, 2018
Tokyo, Japan