One Olympus Report

Integrated Report

2018

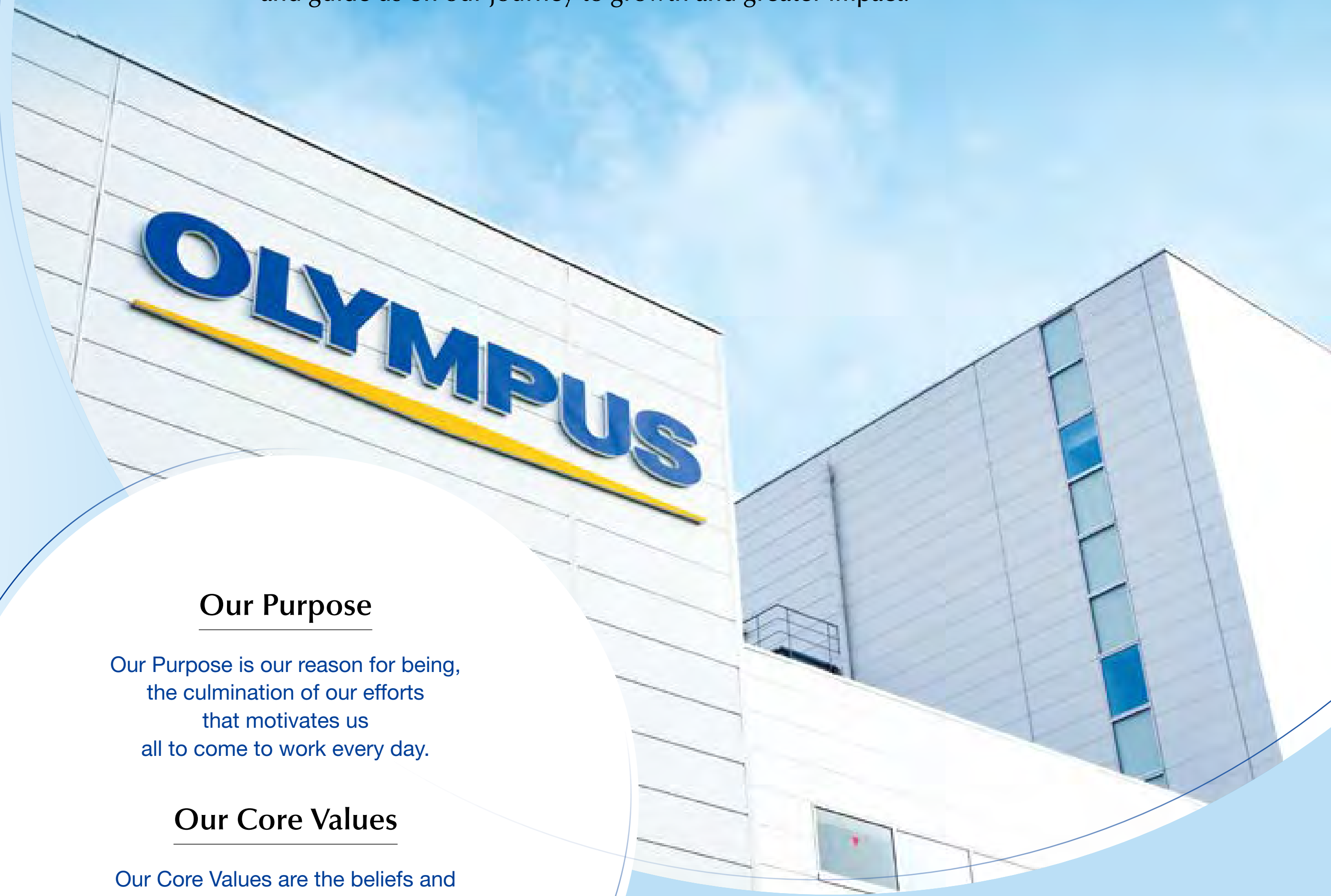
Corporate Philosophy

OUR PURPOSE
Making people's lives healthier, safer and more fulfilling

Note: The previous "Social IN" corporate philosophy was replaced by the new corporate philosophy on May 31, 2018.

Since our founding in October 1919, we have developed breakthrough, category-leading products that have helped shape our industry.

At Olympus, we are driven by Our Purpose and a set of five Core Values that ensure a common understanding of who we are and what we stand for all over the world. Aligning around a shared Purpose and set of Core Values will unite us as one company and guide us on our journey to growth and greater impact.



Our Purpose

Our Purpose is our reason for being, the culmination of our efforts that motivates us all to come to work every day.

Our Core Values

Our Core Values are the beliefs and principles we share. These are the elements that best describe the type of company we are and strive to be.

Letters from the Chairman and the President

Truly Global Management and Ongoing Improvement of Corporate Value

Japanese companies have been making strides in reforming their corporate governance systems over the past several years. In such reforms, it is important to go beyond external reforms by implementing reforms to the proceedings of boards of directors for increased effectiveness along with reforms extending to all areas of management aimed at ongoing growth. These reforms should fundamentally be built around changing the mind-set of senior management.

Olympus embarked on its own corporate governance reforms after a series of scandals came to light in 2011. We established voluntary committees*1 and appointed outside directors who were designated as independent directors, as stipulated by the Tokyo Stock Exchange, to form a majority of their members. At the same time, we proceeded with the selection and concentration of our businesses while simultaneously reinforcing our financial base. These efforts culminated in the launch of 16CSP*2 in April 2016, and we have since been advancing growth strategies based on this plan. Throughout the entirety of this process, we continued to operate the Board of Directors in a highly effective manner together with the outside directors, who boast diverse backgrounds, by means of brisk discussions and the activities of our committees.

Approximately 80% of Olympus' revenue currently comes from overseas. As such, we have entered a phase in which we need to pursue management on a truly global basis. This will require swifter operational execution and stronger oversight functions predicated on an even greater separation of oversight and execution and a clearer division between the duties of the Board of Directors and those of the Executive Management Committee. At the same time, the definition of corporate value is evolving to include non-financial value, such as that pertaining to environmental, social, and governance (ESG) issues and the United Nations Sustainability Development Goals, in addition to conventional financial value. In other words, companies are increasingly being expected to contribute to society and help preserve the environment. In May 2018, Olympus defined its new corporate philosophy, which consists of Our Core Values as well as Our Purpose—"making people's lives healthier, safer and more fulfilling." Guided by this philosophy, we will seek to achieve truly global management and ongoing improvement of corporate value while also operating the Board of Directors in a manner that lends itself to increased effectiveness.

*1 Nominating Committee, Compensation Committee, and Compliance Committee
*2 Olympus' five-year medium-term management plan

Sumitaka Fujita
Outside Director
(Chairman of the Board)

Hiroyuki Sasa
President and Representative Director

Realization of Stronger and Truly Global Company to Continue Growing over the Next 100 Years

Six years have passed since I became the president of Olympus. Over that time, I have led the Company in building the robust financial base needed to win out against global competition, ensuring strong compliance, and meeting the expectations of stakeholders. The maximization of corporate value has been a top priority throughout this entire process. Having escaped the state of crisis we found ourselves in after the scandals surfaced, we have moved beyond the reconstruction stage and are now poised to take management to the growth stage, where we will be steadily working to become a world-leading medical device manufacturer. Meanwhile, the regulatory and approval requirements seen around the world are growing ever-more complicated. To address this trend, we reorganized the Company's legal affairs function to ensure accurate control at a global level. At the same time, we proceeded to redefine Olympus' corporate philosophy over the course of the past year. The operating environment is expected to continue changing at breakneck speed. Navigating this volatile environment will require the ability to swiftly change course founded on a receptiveness toward new ideas that are in tune with the times, unfettered by preconceptions, and on a propensity toward quick decisions and actions. To share this belief with employees and various other stakeholders across the globe, we chose to define Our Purpose and Our Core Values in the new corporate philosophy. Through this year's integrated report, we hope to provide our stakeholders with information that is crucial for expressing how Olympus creates value in order to help them better understand the Company.

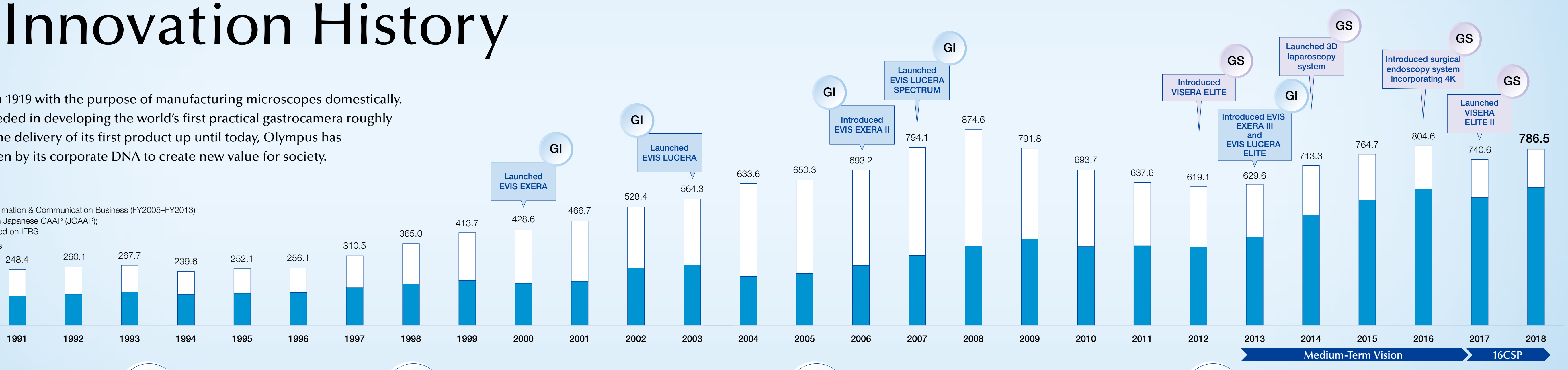
Olympus will celebrate the 100th anniversary of its founding in 2019. In light of this momentous occasion, we reexamined the next step to be taken in our growth based on our new corporate philosophy. Our Purpose is "Making people's lives healthier, safer and more fulfilling." I am committed to leading the Company to ensure that we can fulfill this purpose and that we can continuously create value and help resolve social issues through our businesses.

Our Innovation History

Olympus was born in 1919 with the purpose of manufacturing microscopes domestically. The Company succeeded in developing the world's first practical gastrocamera roughly 30 years later. From the delivery of its first product up until today, Olympus has continued to be driven by its corporate DNA to create new value for society.

Net Sales / Revenue

(¥ Billion)
Note: Excludes sales from the Information & Communication Business (FY2005–FY2013)
Figures through FY2016, based on Japanese GAAP (JGAAP);
Figures from FY2017 onward, based on IFRS



From the Founding of Olympus and the Path to Business Modernization

1919 Established as Takachiho Seisakusho to manufacture microscopes in Japan
1921 Registered trademark as Olympus
1949 Name changed to Olympus Optical Co., Ltd.
Company listed on Tokyo Stock Exchange (TSE)

Evolution as an Integrated Optical Manufacturer and Expansion of Overseas Sales Networks

1964 Established Olympus Europe
1968 Established Olympus Corporation of America
1979 Established U.S. location in California (currently world's largest endoscope service center)
1989 Established Beijing residential office and corporation in Singapore

Diversification of Medical Business

2001 Commenced collaboration with Terumo Corporation
2004 Acquired Celon AG
2008 Established first training center in China (Shanghai)
Acquired Gyrus Group PLC to strengthen surgical area of Medical Business

Unveiled "Back to Basics" slogan and began shifting resources to Medical Business

2011 Deferred recording of past losses discovered
2012 Appointed new management team
Announced medium-term vision (corporate strategic plan)
Formed business and capital alliance with Sony Corporation
2013 Security on Alert Designation placed on Company stock by TSE removed
Procured capital through public offering in overseas markets (approx. ¥110 billion)
2015 Integrated three companies and shifted to matrix-style operational structure

Transition from Stage of Reconstructing Management to Stage of Sustainable Growth and Development

2016 Increased production capacity (completed construction of new buildings) at medical endoscope development and production sites (Aizu, Shirakawa, and Aomori)
Announced new medium-term management plan, 16CSP
2017 Acquired Image Stream Medical, Inc., of the United States

1919–1950s | 1960–1980s | 1990–2010 | 2011–2015 | 2016–Present

Evolution of Medical Business

Development of World's First Practical Gastrocamera

Olympus succeeded in creating a gastrocamera through joint development between the Company's R&D team and a physician in the Department of Gastroenterology of the University of Tokyo. The introduction of fiberscopes made it possible to see directly inside a patient's stomach in real time.

Entry into Surgical Device Business

Predicting that endoscopes would eventually be used in surgery, Olympus acquired German rigid endoscope manufacturer Winter & Ibe GmbH in 1979 and expanded its business into the surgical endoscope field.

New Era of Videoscopes

The development of videoscopes, which feature imaging elements such as CCDs built into their distal tips, contributed to a substantial increase in the accuracy of diagnoses. This increase in accuracy came from the ability to display images on monitors for multiple healthcare professionals to view.

Development of Endoscopic Surgery

Olympus continued to release innovative products, including HD surgical endoscopes—the world's first surgical energy device to integrate both advanced bipolar and ultrasonic energy—and 3D and 4K surgical endoscopes.

Advent of Observation Using Specific Light Spectra

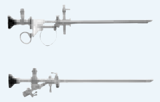
Olympus continued to accelerate the advance of technologies, such as narrow band imaging (NBI) technologies. As a result, endoscopes evolved from being mere observation tools to becoming medical devices capable of treatment and therapy.

Medical Equipment

1950
Developed world's first practical gastrocamera

1964
Introduced GTF fiber gastroscope

1966
Launched Olympus' first biopsy scope and endotherapy devices (biopsy forceps and cytology brushes)



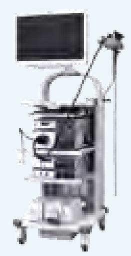
1975
Entered medical surgical endoscopy field

2000
Introduced EVIS EXERA endoscopic video system

2002
Launched EVIS LUCERA, the world's first HD endoscopy system

2006
Introduced EVIS EXERA II and EVIS LUCERA SPECTRUM, endoscopic video systems that include NBI technologies

2012
Introduced THUNDERBEAT, the world's first energy device to integrate both advanced bipolar and ultrasonic energy



2012
Introduced EVIS EXERA III and EVIS LUCERA ELITE next-generation platform systems for gastrointestinal endoscopy

3D observation IR observation

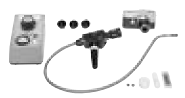
2017
Launched VISERA ELITE II surgical endoscopy system compatible with 3D and infrared (IR) observation functions

Scientific Solutions and Imaging Products

1920
Introduced Asahi 600x microscope

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

1963
Launched the Olympus Pen F, the world's first half-size SLR camera



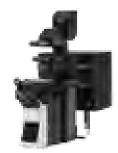
1968
Launched Company's first industrial-use fiberscope, marking entry into industrial endoscope field

2006
Introduced OmniScan iX non-destructive testing system

2009
Introduced first Olympus mirrorless camera, OLYMPUS PEN E-P1

2013
Launched flagship mirrorless camera OLYMPUS OM-D E-M1

2016
Launched IPLEX NX industrial endoscope featuring the series' top levels of brightness and resolution



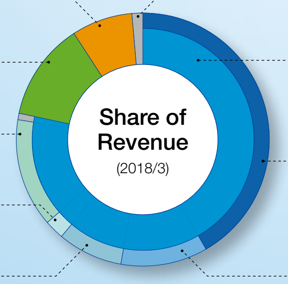
2016
Released FV3000 laser scanning confocal microscope that displays life phenomena with exceptional speed and accuracy

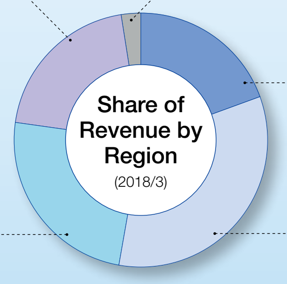
2016
Introduced VANTA, the first handheld X-ray fluorescence (XRF) analyzer compliant with IP65 water and dust resistance standards

2017
Launched EPOCH 6LT miniature, lightweight ultrasonic flaw detector

Our Business Domains

Olympus develops its operations in three core business domains. The Scientific Solutions Business continues to refine the optical technologies Olympus has treasured since its founding. The Imaging Business drives advanced research on electronic imaging technologies. The Medical Business, meanwhile, grows by leveraging the technologies of these two businesses.





Olympus Medical Equipment for Everything from Diagnosis and Endoscopic Therapy to Surgery

Early Diagnosis | Minimally Invasive Therapies

Detection → Diagnosis → Biopsy / Collection → Endoscopic therapy → Endoscopic surgery → General surgery

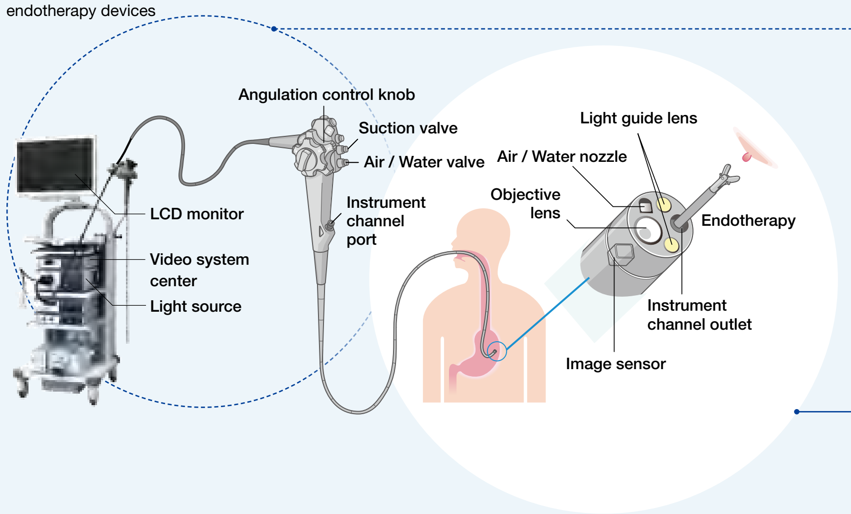
Video endoscopy systems | Magnifying endoscopes Ultrasound endoscopes | Biopsy forceps / Cytology brushes | Endotherapy devices | Surgical endoscopy systems | Therapeutic energy devices

Medical Business

Gastrointestinal Endoscopes / Endotherapy Devices

Early Diagnosis

Example of early diagnosis of lesions with gastrointestinal endoscopes and minimally invasive therapy with endotherapy devices



Capital Products

Used in Organs
- Esophagus
- Stomach
- Colon
- Duodenum
- Bile duct
- Respiratory organs (lungs)

Flexible Endoscopes

Suitable for examination and treatment of internal organs by utilizing the flexibility of the insertion tube and distal end to insert the scope through the mouth or nose, for example

Single-Use Products

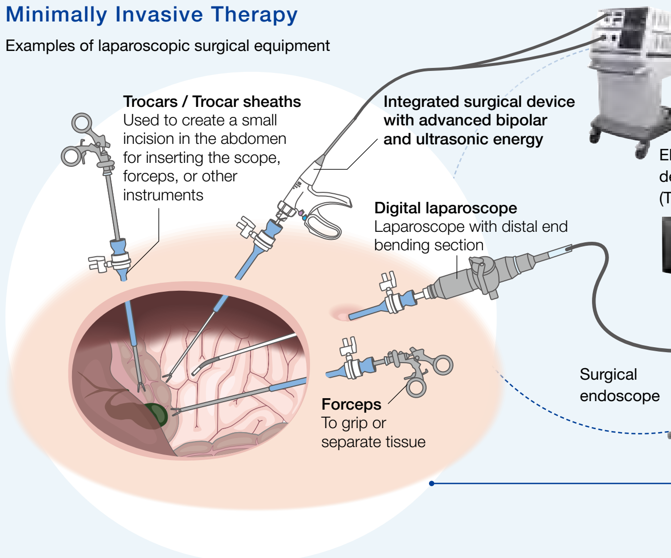
Expansion of lineup of single-use (disposable) products alongside endoscopes and other capital products

BU	GIRBU		
Scopes	Gastrointestinal videoscope; Colonovideoscope	Duodenovideoscope	Bronchoscope
Diagnostic Instruments	Tissue sampling and spraying of diagnostic agents: Biopsy forceps; Washing pipe	Bile duct and pancreatic duct imaging: Cannula	Cell and tissue sampling: Cytology brush; Aspiration needle
Clinical Instruments	Lesion resection, hemostasis: Electrosurgical snare; Electrosurgical knife; Hemostasis clip	Stone removal, bile drainage: Papillotome; Mechanical lithotriptor; Biliary stent	Lesion resection: Electrosurgical snare

Surgical Devices

Minimally Invasive Therapy

Examples of laparoscopic surgical equipment



Capital Products

Hospital Department
- Gastrointestinal surgery
- Bronchial surgery
- Urology
- ENT
- Gynecology

Rigid Endoscopes

Suitable for laparoscopic surgical procedures, such as laparoscopy and cystoscopy, using a rigid endoscope made from a lens contained in a metal tube

Single-Use Products

Expansion of lineup of single-use (disposable) products alongside endoscopes and other capital products

BU	GSBU	UGBU	ENTBU
Scopes	Video laparoscope	Cystovideoscope; Resectoscope; Ureteroscope; Hysterovideoscope	Rhinolaryngovideoscope; Camera head; Telescope
Surgical Treatment Devices	Ultrasonic coagulation and cutting device; Electrosurgical unit	Electrosurgical unit	Debrider

Our Value Creation Process

Olympus has committed itself to product creation activities based on an acute understanding of the needs of specialists, including healthcare professionals, researchers, and other highly specialized customers. The strengths accumulated through this process have been utilized to swiftly supply solutions and services that accurately address customer needs. Olympus will continue to contribute to a medical environment that cares for the health and well-being of people around the world while also creating value together with the specialists who are both its customers and its partners.

Goals of Olympus (Management Policy)

The greatest "Business to Specialist" Company

- We will strive to be the most valuable partner to experts and customers with high aspirations through the timely provision of appropriate solutions that meet their high-level needs.
- We will achieve this goal by utilizing our innovative thinking, expertise in advancing technology, operational excellence, and high ethical standards.
- Through these efforts as well as through sustainable growth, Olympus will meet the expectations of all stakeholders and act as a good corporate citizen.

Create value together with specialists

Society

- Growing pressure to limit medical costs
- Rising medical needs due to declining birth rates and aging populations
- Growing presence of emerging countries in global market
- Industry structure changes accompanying ICT development and advances (diversification)
- Accomplishment of the Sustainable Development Goals and other social issues to be addressed through businesses

II

Management Issues

customers and partners

II

Specialist

(Highly specialized customers)

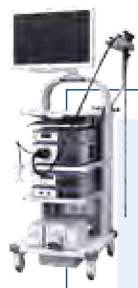
Medical Business:
- Physicians, technicians, nurses
- Medical institutions

Scientific Solutions Business:
- Researchers, developers
- Academic institutions, manufacturers

Imaging Business:
- Professional photographers
- Consumers

Key Technologies

Optical Technologies / Electronic Imaging Technologies / Precision Technologies / Biological-Based Technologies



Trusting relationships with healthcare professionals	Gastrointestinal endoscope market share (Global) More than 70% No. 1
Technology and innovation	Number of patents held in the Medical Business Approx. 8,000
Services and quality	Number of repair and service sites worldwide Approx. 200

	Biological microscope and industrial videoscope market share (Global) Approx. 40% No. 1
Source of the optical technologies that arise from microscopes, which are then adapted to cameras and endoscopes	Number of patents held in the Scientific Solutions Business Approx. 5,200

Technological driver for creating sophisticated electronic imaging technologies	Mirrorless camera market share (Japan) Approx. 25% No. 2
Synergies in procurement and production	Number of patents held in the Imaging Business Approx. 4,900

Competitive Edge Supporting Olympus in Creating Value

Our Strengths

Value Provided by Olympus

Medical Business

Endoscopes making contributions at medical institutions worldwide

Early Diagnosis

Minimally Invasive Therapies

Improvement of Patient's Quality of Life

Contribution to Improved Medical Efficiency and Economic Benefits

Scientific Solutions Business

Microscopes used in iPS cell research

Contributions to Future of Medicine

Industrial videoscopes used for non-destructive inspections of aircraft, power plants, and other equipment

Contributions to Safety of Society

Imaging Business

Mirrorless cameras that are compact, lightweight, and easy to use while boasting high performance

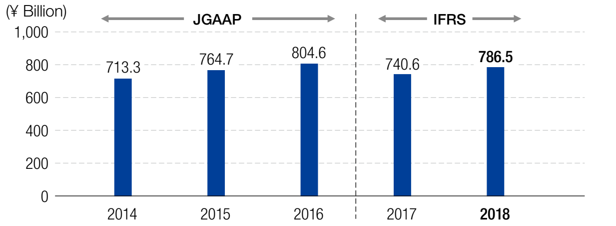
Contributions to Enrichment of People's Lives

Financial / Non-Financial Highlights

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

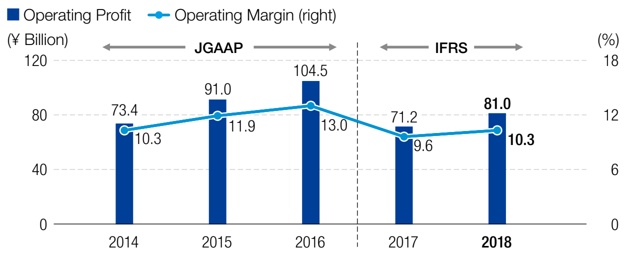
Financial Highlights

Revenue — 6% UP (YoY)



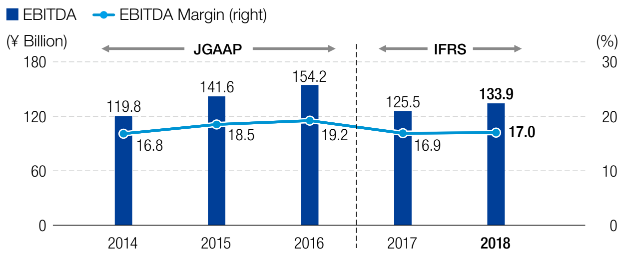
Revenue rose 6% year on year as a result of positive growth in the gastrointestinal endoscope, surgical device, and endotherapy device fields of the Medical Business.

Operating Profit — 14% UP (YoY)
Operating Margin — 0.7 point UP (YoY)



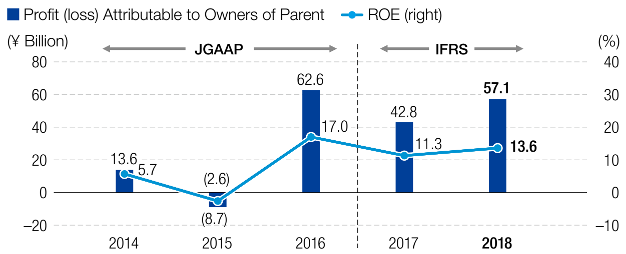
Regardless of an operating loss in the Imaging Business attributable to one-time expenses incurred due to the reorganization of production bases, operating profit increased 14% year on year because of the benefits of yen depreciation. In addition, the operating margin was up 0.7 percentage point.

EBITDA — 7% UP (YoY)
EBITDA Margin — 0.1 point UP (YoY)



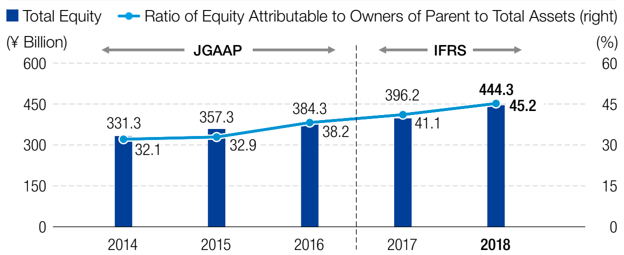
Earnings before interest, taxes, depreciation, and amortization (EBITDA) increased 7% year on year primarily as a result of the rise in operating profit. The EBITDA margin was 17.0%.

Profit (Loss) Attributable to Owners of Parent — 33% UP (YoY)
ROE — 2.3 points UP (YoY)



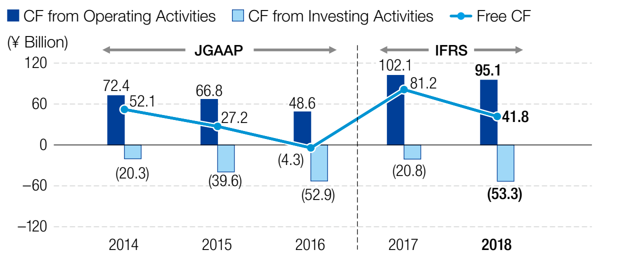
Profit attributable to owners of parent was up 33% year on year due to lower interest paid following a reduction in interest-bearing debt. ROE rose 2.3 percentage points, to 13.6%.

Total Equity — 12% UP (YoY)
Ratio of Equity Attributable to Owners of Parent to Total Assets — 4.1 points UP (YoY)



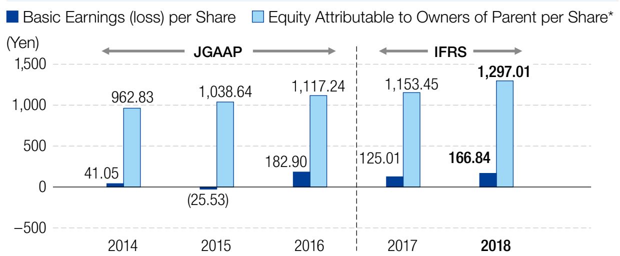
The ratio of equity attributable to owners of parent to total assets rose 4.1 percentage points due to higher retained earnings stemming from the recording of profit attributable to owners of parent of ¥57.1 billion as well as reduced interest-bearing debt.

Free Cash Flow — ¥39.4 billion DOWN (YoY)



Net cash provided by operating activities amounted to ¥95.1 billion, and positive free cash flow of ¥41.8 billion was recorded as a result of outflows related to the acquisition of Image Stream Medical, Inc.

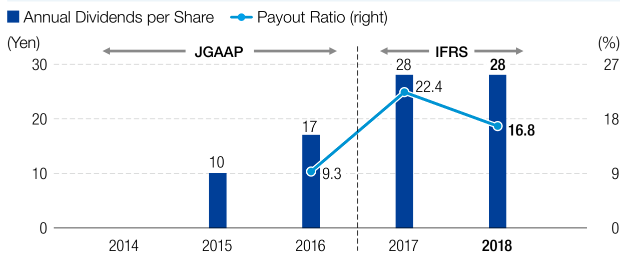
Basic Earnings (Loss) per Share — ¥41.83 UP (YoY)
Equity Attributable to Owners of Parent per Share* — ¥143.56 UP (YoY)



Basic earnings per share amounted to ¥166.84 as profit attributable to owners of parent of ¥57.1 billion was recorded. Equity attributable to owners of parent per share increased ¥143.56 year on year.

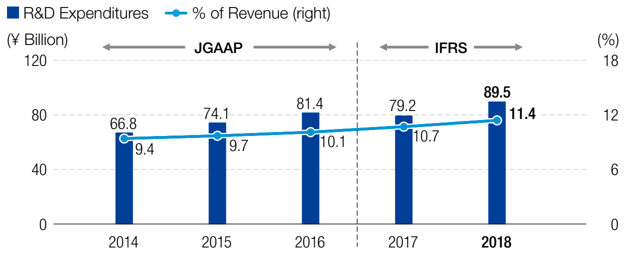
* "Total equity per share" under Japanese GAAP

Annual Dividends per Share — — (YoY)
Payout Ratio — 5.6 points DOWN (YoY)



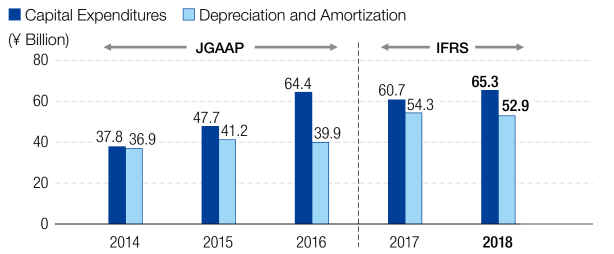
Annual dividends per share were ¥28, the same level as in fiscal 2017. The dividend payout ratio was 16.8%. (The total return ratio was 23.2%.)

R&D Expenditures — 13% UP (YoY)
Percentage of Revenue — 0.7 point UP (YoY)



R&D expenditures were conducted in fields demonstrating growth potential, primarily in the Medical Business. One investment target was the ORBEYE surgical microscope system equipped with 4K and 3D video technologies that was launched in certain regions in October 2017. We conduct investments targeting a ratio of R&D expenditures to revenue of between 9% and 10%.

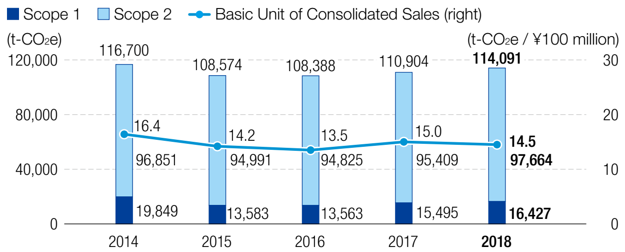
Capital Expenditures — 8% UP (YoY)
Depreciation and Amortization — 2.5% DOWN (YoY)



Capital expenditures rose as a result of investments in the redevelopment of gastrointestinal endoscope product factories in Europe and the construction of a training and service center in South Korea. Depreciation and amortization was relatively unchanged year on year.

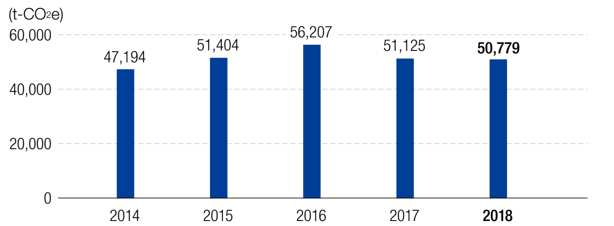
Non-Financial Highlights

Greenhouse Gas (GHG) Emissions[*1, *2] — 2.9% UP (YoY)
GHG Emissions per Unit of Productions — 3.3% DOWN (YoY)



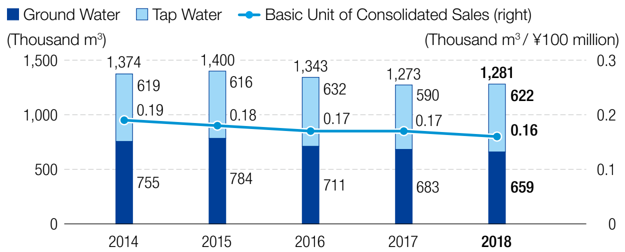
The majority of the energy consumed by Olympus is in the form of electricity. In order to reduce electricity use, we are promoting energy-saving activities in daily operations, utilizing renewable energy, introducing energy-saving equipment, and developing manufacturing technologies that use less energy and resources. In this manner, the Company is working to reduce the environmental impact of its manufacturing operations.

Transportation-Related GHG Emissions — 0.7% DOWN (YoY)



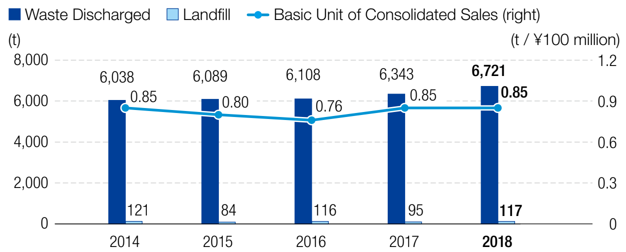
Olympus is working to reduce CO_2 emissions from logistics by lowering transportation loads through the reduction of product and packaging weights, improving transportation efficiency, and accelerating the modal shift toward transportation methods that produce less CO_2.

Water Use[*1] — 0.6% UP (YoY)
Water Use per Unit of Production — 5.9% DOWN (YoY)



Olympus uses water to wash product components. To reduce water use, the Company is continuously developing production methods that require less water and inspecting equipment to prevent leakage. We are also working to minimize the environmental impact by monitoring wastewater treatment facilities and conducting appropriate maintenance and by managing the quality of wastewater.

Waste Emissions[*1] — 6.0% UP (YoY)
Waste Emissions per Unit of Production — — (YoY)



Olympus continues to pursue higher resource productivity in its manufacturing activities through efforts at various levels. These efforts include reduction in disposal at landfills, the improvement of recycling ratios, the reduction of processing losses, and the design of products to minimize waste.

*1 Scope: Olympus Corporation and its domestic and overseas subsidiaries (excluding those of small scale)
*2 Olympus reports in the following categories under the GHG Protocol.
Scope 1: Greenhouse gas emissions resulting from the direct use of fossil fuels
Scope 2: Greenhouse gas emissions resulting from secondary utilization, such as the purchase of electric power

Contents

Olympus has declared its endorsement of the Ten Principles of the United Nations Global Compact and is participating in the compact.

Editorial Policy

The Olympus Group strives to conduct disclosure in a manner that meets the information needs of its stakeholders. As of 2018, our annual reports are being compiled as an integrated report. With the foremost aim of deepening understanding with regard to the Olympus Group, this report contains the management strategy, business activity, financial, and other information traditionally disclosed in our annual reports while also including non-financial information on social contribution, environmental, and other activities necessary to explaining the Group's efforts to create value. In constructing this year's report, we referenced the International Integrated Reporting Framework of the International Integrated Reporting Council (IIRC). We continue to provide detailed accounts of social contribution and environmental activities in our CSR reports, while the Company's corporate website provides up-to-date information on a variety of topics.

Forward-Looking Statements

This integrated report contains forward-looking statements concerning the Company's future plans, strategies, and performance. These forward-looking statements are not historical facts. Rather, they represent assumptions and beliefs based on economic, financial, and competitive data currently available. Furthermore, these statements are subject to a number of risks and uncertainties that, without limitation, relate to economic conditions, worldwide business competition, customer demand, foreign currency exchange rates, tax rules, regulations, and other factors. Olympus therefore wishes to caution readers that actual results may differ materially from its expectations.

Topics from Fiscal 2018 and More Recently

Date	Field	Details
2017		
April	Medical	Concluded final agreement related to the acquisition of Image Stream Medical, Inc. (completed acquisition in June 2018)
June	Medical	Introduced 3D surgical endoscope that supports faster and more precise surgery
	Scientific Solutions (Industrial)	Launched EPOCH 6LT miniature, lightweight ultrasonic flaw detector
September	Imaging	Released Olympus OM-D E-M10 Mark III mirrorless camera
	Corporate	Issued 22nd series of unsecured bonds
October	Medical	Launched ORBEYE surgical microscope with 4K / 3D capabilities
	Corporate	Established Technology Innovation Office under direct control of the chief technology officer
	Medical	Launched SnareMaster Plus single-use electrosurgical snares
	Medical	Established endoscope training and education center in South Korea
	Scientific Solutions (Industrial)	Launched LEXT OLS5000 3D measuring laser microscope
November	Corporate	Announced sale of stock and acquisition of treasury stock
	Corporate	Employee of Olympus received "Modern Craftsman" award from the Ministry of Health, Labour and Welfare in the Cabinet Office's Biannual Conferment of Decorations for autumn 2017
2018		
January	Medical	Commenced sales of GIF-H190N, the first intranasal gastrointestinal videoscope compatible with high-definition imaging
	Scientific Solutions (Life Science)	Launched SpinSR10 super-resolution imaging system
February	Medical	Released Endocyto ultra-high magnifying endoscope
March	Imaging	Released OLYMPUS PEN E-PL9 mirrorless camera
	Medical	Launched EasySuite® 4K next-generation integrated operating room solution in the United States

Launch of New VISERA ELITE II Mainstay Surgical Endoscopy System

Spring 2017 saw the full-fledged launch of the VISERA ELITE II, our new mainstay surgical endoscopy system, in Japan and Europe. This system features several unique functions developed based on input from the medical field. It is therefore anticipated to drive the future growth of our surgical device operations.

VISERA ELITE II

1. Improved usability
- All-in-one system
- Space saving and low-cost realized through integration of processor, light source, and 3D image processor and intuitive controls via LCD touch panel

2. Higher observation capabilities
- New infrared observation function
- Increased NBI brightness
- Higher resolution (Enhanced coloring of bleeding sites, more natural colors, etc.)

3. Multipurpose platform
- Compatible with a wide range of hospital departments (Efficient operation within hospitals through diverse scope lineup and extensive range of observation modes)

Our Purpose is "making people's lives healthier, safer and more fulfilling."

As we continue to exercise the spirit of our founders, we will also require an ability to swiftly change course founded on a receptiveness toward new ideas that are in tune with the times and on a propensity toward quick decisions and actions. We aim to evolve Olympus into a truly global company with a strong corporate constitution in order to achieve ongoing growth and development. Our new corporate philosophy will guide us in this pursuit.

Hiroyuki Sasa
President and Representative Director

Message from the President

Revision of Corporate Philosophy and New Commitment

Olympus will celebrate the 100th anniversary of its founding in 2019, and we have redefined our corporate philosophy in light of this momentous occasion. The philosophy maintains the desire to contribute to society through our businesses that we have fostered and built upon throughout our long history. At the same time, it incorporates the new ideas and attitudes that will be necessary in order to continue growing in this highly volatile era. The redefinition of our corporate philosophy was advanced through a massive project that involved participation from more than 300 employees across the globe. This approach was adopted with the aim of having employees root the philosophy in their own actions, rather than having it be a creation of management handed down.

Olympus has much to pride itself on, including its employees, products, and the value it provides to society in the form of early diagnosis and minimally invasive therapy through its endoscope operations, which are No. 1 in the world. However, a glance to the future will reveal that we cannot become complacent. We cannot expect past successes to continue to be applicable as society and markets change. Rather, we must be able to escape from current norms and preconceptions to enact swift action so that we can always address the most fundamental aspects of customer needs if we hope to win out against global competition. Moreover, as our organization grows rapidly on a global scale, it will be crucial to share our values and behavior expectations with employees around the world in order to remove the barriers dividing employees in different regions and advance as a united One Olympus. It was this recognition that inspired us to redefine our corporate philosophy.

It can be expected that a company with a firm set of values and a clear sense of direction will produce better results and grow more continuously than one that lacks these qualities. The new corporate philosophy defines Our Purpose and Our Core Values. These principles represent our promise to stakeholders. I hope that all stakeholders, not just all employees, will recognize the commitment encapsulated in the corporate philosophy.

Operating Environment and Impact on Performance

Looking at the macroeconomic environment from a medium-to-long-term perspective, we will see that there has been no significant change from the initial outlook for megatrends put forth at the time of the formulation of 16CSP. This holds true for trends such as the growing presence of emerging countries, rising medical needs due to declining birth rates and aging populations, and growing pressure to limit medical costs as well as for the impact of these operating environment trends on our businesses. Nevertheless, we are witnessing changes in the current operating environment. These changes can be seen in the enactment of the new European Union Medical Devices Regulation; the increase in regulatory requirements for medical device application and registration centered on emerging countries; the stricter requirements for cleaning, disinfection, and sterilization (reprocessing) being implemented largely in the United States; and other factors pertaining to quality and regulatory assurance. These changes are accelerating at a pace that is exceeding all expectations.

Throughout fiscal 2018, we proceeded to address this tightening of quality and regulatory assurance requirements. We instituted a massive shift of personnel to quality and regulatory assurance divisions based on a top-down approach while fundamentally revising the process of development activities to rationalize this process. We thereby aimed to enhance our ability to respond to operating environment changes. In the short term, these efforts restricted our ability to move ahead with the development of new products, resulting in delays in the launch of certain products and otherwise having a significant impact on our operations. As the necessary internal systems have begun taking shape, we will be working to return our businesses to the growth track going forward.

Medium-Term Management Plan 16CSP

(For five years from fiscal 2017 to fiscal 2021)

Ideal Vision

Grow into a strong global player in the medical field

Management Policies

- To be the greatest "Business to Specialist" Company
- One Olympus

Based on these policies, we will meet and exceed the expectations of all stakeholders through ongoing growth while acting as a good corporate citizen* to contribute to society by making people's lives healthier, safer, and more fulfilling around the world.

* Olympus defines a good corporate citizen as a company that adheres to social norms, makes appropriate contributions to society, and fulfills other basic expectations as normal parts of everyday action

Management Goals*

After securing an appropriate level of financial soundness, we will constantly achieve ROE (capital efficiency) of 15% through balanced improvements in profitability and business growth and double the bottom EPS (earnings) over the next five years.

Capital Efficiency: ROE 15%	Profitability: Operating Margin 15%
Business Growth: EBITDA Double-digit growth	Financial Soundness: Equity Ratio 50%

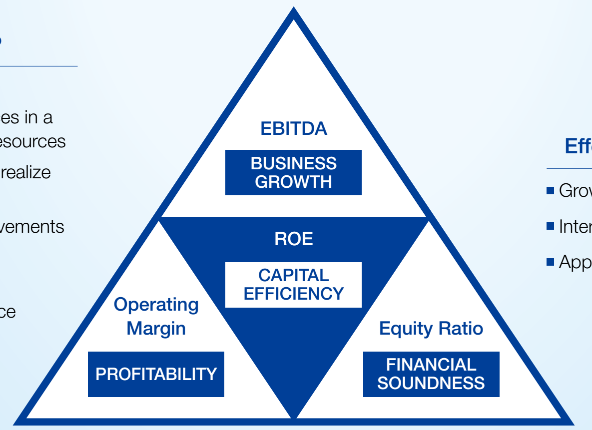
* Announced on March 30, 2016

Generate Management Resources

Balance-Oriented Management Emphasizing ROE

Priority Strategies of 16CSP

1. Take action to grow businesses
2. Acquire necessary management resources in a timely manner and fully leverage these resources
3. Advance forward-looking preparation to realize continued growth
4. Pursue further business efficiency improvements
5. Enhance management on a global and Groupwide basis
6. Strengthen Quality / Regulatory assurance functions and internal control, promote strict compliance



Effectively Utilize Capital and Funds

- Growth investments (R&D, M&A, etc.)
- Internal reserve enhancement
- Appropriate shareholder returns

Optimally Allocate Management Resources

Progress on Management Goals

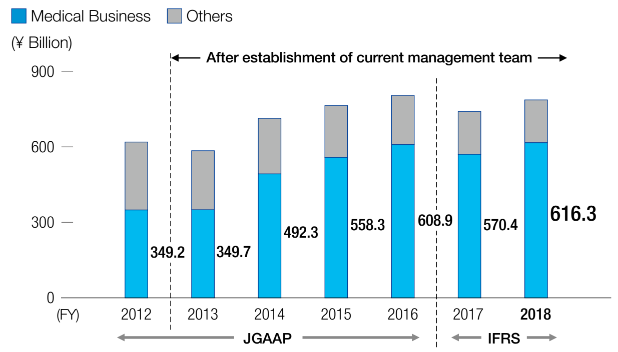
	FY2017 (JGAAP)	FY2017 (IFRS)	FY2018 (IFRS)
ROE	19%	11%	**14%**
Operating Margin	10.2%	9.6%	**10.3%**
EBITDA	–16% (¥129.8 billion)	– (¥125.5 billion)	**+7% (¥133.9 billion)**
Equity Ratio	43%	41%	**45%**

Review of 16CSP

Performance has not quite gone as anticipated over the past two years. Nevertheless, the Medical Business posted an 80% increase in revenue in comparison with six years ago. This business has continued to grow steadily while driving Companywide performance, even posting record-breaking revenue despite its mainstay gastrointestinal endoscopes being in the latter half of their product cycle. The strong growth of the Medical Business has helped us achieve a roughly 30% increase in consolidated revenue, despite the contraction of the Imaging Business.

The 16CSP may have gotten off to a slow start, but this does not change the basic strategies we need to implement. However, I regret having to state that, given the current operating environment, we currently need to prioritize addressing the more stringent quality and regulatory assurance requirements, improving our reprocessing systems, and creating the foundations for rationalizing the process of development activities. We therefore would like another two to three years to reach the targets set forth in 16CSP.

Revenue*



* After exclusion of impact of transference of Information & Communication Business

Medical Business Progress and Future Policies

The Medical Business continues to function as Olympus' growth driver. In this business, we have proceeded to implement the up-front investments required for future growth while moving forward with initiatives based on the priority measures of 16CSP. We have made particular progress in the surgical device field, which we recognize as being core to the growth of the Medical Business. The 4K surgical endoscopy system, which is positioned as a strategic product, has helped us convert customers using competitors' products to our products. In addition, through coordination with Image Stream Medical, Inc. (ISM), which we acquired in June 2017, we have had success in new business negotiations with several major integrated delivery networks in North America, the largest market for the Medical Business. Also in North America, we have been developing a system that integrates marketing, development, and manufacturing with the aim of boosting production and improving efficiency of the continuously growing THUNDERBEAT energy device. Looking to other regions, performance has been exceptionally favorable in Asia and Oceania, which has demonstrated consistent, double-digit growth driven by strong performance in the gastrointestinal endoscope field, the surgical device field, and the endotherapy device field.

That being said, there are still issues needing to be addressed, and we recognize that a top priority going forward will be ensuring that new mainstay products can be launched in all fields without further delays. I am convinced that the course set in our strategies for the Medical Business is not mistaken. We will therefore be continuing this course as we strategically allocate resources to the surgical device field to make up for delays.

Scientific Solutions Business Progress and Future Policies

In the Scientific Solutions Business, we will advance global structural reforms to boost efficiency and profitability.

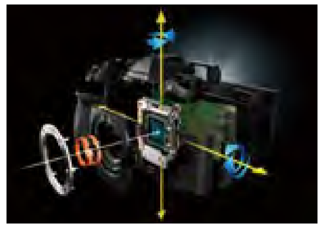
In the life science field, we are revising our strategies based on current conditions. The execution of government research budgets in developed countries is proving sluggish in this field. Against this backdrop, we will selectively concentrate resource allocation, changing our focus to boosting profitability rather than pursuing the expansion of sales. In regard to our biological microscopes, which have large market shares, we will supply cutting-edge solutions aimed at the cancer, neuroscience, and stem cell research markets, among others. At the same time, we will look to cater to new needs arising from the increase in digital pathological examinations stimulated by the advancement of preventive medicine and the acceleration of regenerative medicine and drug discovery research through private-public partnerships. It is likely that biological microscope operations will only experience limited growth during the period of 16CSP. We will therefore be seeking to generate profits through business structure reforms.

The industrial field, meanwhile, is enjoying strong performance in all regions. However, growth fell below targets in this field during the first year of 16CSP as a result of poor market conditions. Looking ahead, we will pursue profitable growth in the industrial field by accelerating the expansion of portfolios targeting customer segments that are anticipated to drive growth. Specifically, we will forge ahead with the customer segment-oriented strategies described in 16CSP amid the favorable conditions being seen in the global market as we pursue growth in existing businesses while simultaneously bolstering product portfolios. We will also address new needs in fields where we anticipate future growth, such as smart factories, automotive inspection, and infrastructure monitoring.

Future Policies for the Imaging Business and Position as a Companywide Technology Driver

The Imaging Business, which has represented a major issue for management, is steadily moving toward a state in which it can continue generating operating profit as we advance the measures of 16CSP. In fact, we were able to achieve our long-held goal of turning a profit in this business in fiscal 2017, the first year of 16CSP. To further entrench profitability into this business, we decided to cease operations at the Olympus factory in Shenzhen, China, in May 2018. Overseas production for the Imaging Business will be consolidated into the Vietnam factory going forward, and we will also concentrate investments on this factory in order to develop production technologies and cost control technologies along with a production system that boasts higher quality and competitiveness.

Moreover, as we explained to stakeholders in the past, the Imaging Business boasts incredibly sophisticated imaging technologies as well as advanced digital and network technologies that are a step ahead of the technologies of the Medical Business and the Scientific Solutions Business. In this business, we have succeeded in the development of cutting-edge, high-performance image stabilization technologies and high-speed imaging technologies that have yet to be incorporated into endoscopes and microscopes and that eclipse those of our competitors. The Imaging Business thus functions as a driver of Companywide technologies by enabling us to apply the technologies it develops to the Medical Business and the Scientific Solutions Business. Currently, we have divided our camera development staff into two teams. One team is responsible for the development of sophisticated camera technologies. The other team is tasked with working together with development teams from the Medical Business and the Scientific Solutions Business to reduce costs. Moving forward, we will commence full-fledged, low-cost mass production in the Medical Business to expand our single-use device operations. The camera mass production technologies of the Imaging Business will have an important role to play in this undertaking.


5-axis image stabilization function built into body of Olympus OM-D E-M1 Mark II

Future initiatives in the Imaging Business will include improving production capabilities and efficiency through the smooth transfer of production to the Vietnam factory and boosting competitiveness through the creation of products that are appealing to specialists. The Imaging Business will continue to contribute as a Companywide technology driver as we advance these initiatives.

Evolution into a Truly Global Company for the Next 100 Years

Under 16CSP, we will solidify our foundations for achieving ongoing growth to prepare us to become a world leader in the Medical Business and to evolve into a truly global company going forward. Reforms to the awareness of employees will be crucial to this evolution. Currently, around 80% of Olympus' sales come from overseas, indicating the global nature of its businesses. At the same time, we understand that there is a significant disparity between the Company and what has become standard for the global market. Reforming awareness will require time, but we are committed to evolving into a truly global company by entrenching this awareness and recognition and realizing improvements based thereon.

Innovation Initiatives

In October 2017, we established the Technology Innovation Office. This move was taken based on the acknowledgment that investments in innovation for constantly generating new value for society will be absolutely essential to the continuity of our business and to the improvement of our corporate value. One particular focus of this office will be the acceleration of open innovation through the development of systems for collaborating with external entities. Within this office, we have assembled engineers from throughout Olympus who specialize in advanced technologies that are competitive. This includes the inventor who was awarded the Medal with Purple Ribbon as part of the Cabinet Office's Biannual Conferment of Decorations in spring 2017 for the development of an endoscopy system that utilizes the Company's narrow band imaging (NBI) technologies. This team will aspire to create the innovation necessary for the future of Olympus. For example, Olympus has taken its first step toward the provision of solutions that contribute to better surgery quality by expanding the range of information surgeons can acquire through visual means in the operating room.

Furthermore, Image Stream Medical, Inc. (ISM), which was acquired in June 2017, possesses technologies that instantly integrate various images and data from operating rooms to be deployed both inside and outside of these facilities. These technologies can be used to create solutions that contribute to better surgery quality and are also innovations that Olympus would not have been able to develop by itself, even after years of effort. As we advance into the future, our goal will always be to align ourselves with the needs of the times. With this in mind, we will accelerate the evolution of our technologies, incorporating outside technologies when appropriate, in the pursuit of ongoing growth.

The ability to make decisive investment decisions, or to strike when the iron is hot, so to say, will be crucial to winning out against the competition. For this reason, we plan to strengthen our ability to generate cash flow while efficiently allocating management resources so that we can implement the initiatives necessary for accomplishing our objectives.

▸ For details, please refer to "R&D Activities" on page 48.

Reinforcement of Frameworks to Target Higher Levels

An important measure in reinforcing our frameworks for sharing values and strategies on a global basis was the transition to a matrix-style operational structure conducted in April 2015. Three years have passed since this transition, during which we have seen the steady entrenchment of the mind-set of the matrix style of business operation. In addition, we have been making progress in the cross-business application of superior initiatives, successful undertakings, and other best practices, and the steady changes occurring during this period have become palpable.

In April 2017, we instituted a new executive management team. With choosing members for this new team, we took steps to reinforce our global management system by appointing non-Japanese senior managers from subsidiaries in Europe and the Americas as executive officers. This decision was based on our realization that we could not compete with only Japanese people in global positions. This ability to overcome language barriers and HR-related obstacles to actively appoint global talent to global positions will be important and of significant meaning to Olympus as it seeks to compete with overseas rivals as a global company. Olympus currently employs 36,000 individuals, over 60% of whom work overseas. Non-Japanese individuals have also been appointed to head our compliance and legal affairs functions. In the future, we will examine the possibility of introducing global human resource systems that allow for talented, non-Japanese individuals to be assigned to important positions as part of our efforts to develop a business base that will enable us to compete on the global stage.

Becoming a truly global company will require that we target a higher stage as we strengthen our various systems. Therefore, accomplishing this objective will entail reworking organizational structures and chains of command and reporting to better match the matrix style of business operation. In addition, we will need to furnish a global and Groupwide management framework that will allow for more rapid decision-making and strategy execution coupled with more effective control of risks pertaining to management. With the strengthening of global and Groupwide corporate governance underpinning these efforts, we will also seek to effectively assess and control risks that threaten to impede the strategies of 16CSP. We will need to sufficiently examine those risks that could have a particularly large impact on the accomplishment of our targets. However, if we overexert ourselves in controlling smaller risks, Olympus could lose momentum, which in turn would impact its strategies. This framework therefore incorporates general principles on the extent to which specific risks should be controlled.

Turning now to the Medical Business, the pillar supporting our growth, it is not enough that we only address current regulations. Instead, we will need to strengthen our compliance systems in this business with an eye to the regulations that could be enacted 10 years from now. We have been enhancing compliance divisions across the globe, starting in the United States and then expanding these efforts to other regions, and making our regulations and standards more rigorous as part of this undertaking. Meanwhile, the Medical Affairs Office has been established to promote the acquisition and verification of medical evidence, while the Government Affairs Office, which was formed in January 2018, is responsible for coordination with government agencies. Nevertheless, given the central position of the Medical Business at Olympus, we recognize that there is a need to further bolster our compliance systems and to enhance quality and regulatory assurance systems on a global basis. It will therefore be crucial for us to view all aspects of this business, including human resource systems, financial strategies, and compliance systems, through the lens of global standards as we determine the changes that need to be made. Olympus is poised to evolve into a truly global company, and we need to seize this opportunity in order to live up to the expectations of our stakeholders.

Pursuit of Higher Corporate Value

We expect that the operating environment will undergo various changes as we move forward. It will therefore be all the more important for us to share and entrench Our Core Values, which define the values we share throughout our global operations, among everyone at the Olympus Group. When every employee at Olympus fully understands the corporate value and raison d'être of the Company, reflecting this understanding in their work and in their actions, we will be able to contribute to society with operational excellence and unparalleled products and services. These contributions will in turn lead to a higher reputation and increased performance for Olympus. Employee motivation will likely rise together with our reputation and performance, inspiring employees to practice even higher degrees of operational excellence, which will drive subsequent improvements in corporate value. This process will thus result in the "Spiraling Up" concept, and this is a concept that we are passionate about creating and sustaining.

Always mindful of Our Core Values, everyone at Olympus is united in their commitment to achieve Our Purpose: "making people's lives healthier, safer and more fulfilling."

Note: Olympus adopted International Financial Reporting Standards (IFRS) from fiscal 2018. “Equity ratio” under Japanese GAAP (JGAAP) is equivalent to “ratio of equity attributable to owners of parent to total assets” under IFRS and “total net assets” under JGAAP is equivalent to “total equity” under IFRS.

By optimally allocating and fully utilizing our management capital and resources, we will generate cash flows and achieve growth that exceeds capital costs in our pursuit of improved corporate value.

Yasuo Takeuchi

Director, Vice President and
Chief Financial Officer

Message from the CFO

Progress of the Financial and Capital Strategies of 16CSP

Issuer Rating Upgrade from Rating Institution

For Olympus, responding to the securities litigations related to the deferred posting of past losses and recovering financial creditability have been important management tasks. I take great pride as CFO in our ability to report to stakeholders that we have been making steady progress in addressing these tasks. Specifically, we reached a settlement in the last remaining securities litigation with institutional investors in July 2018. This settlement marks the resolution of all the issues that had previously presented risks with regard to the past scandals.

As CFO, reinforcing our financial position has been one of my priorities, and Olympus has been seeing improvements in return on equity (ROE) and equity capital in accordance with plans. In terms of our financial soundness, a massive recovery has been seen in the equity ratio. While this ratio stood at 4.6% on March 31, 2012, it soared to 45.2% on March 31, 2018, as our financial position was fortified through the reduction of interest-bearing debt. The 50% equity ratio goal set forth by 16CSP is thus now within our reach.

Progress in Financial and Capital Strategies under 16CSP

16CSP target: ROE of 15% ► 14% in fiscal 2018 (progress in line with plans)

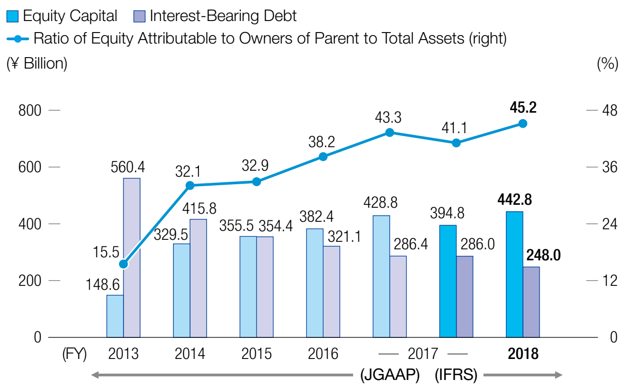
Goals	Initiatives	Progress
Increase profitability (profit attributable to owners of parent)	Strengthen financial position	• Equity ratio target of 50% forecast to be achieved ahead of schedule due to reduction of interest-bearing debt
	Improve credit ratings	• Issuer rating raised to single A, an increase of two levels during 16CSP (R&I)
	Diversify funding sources	• Fund procurement costs down (issuance of publicly available corporate bonds and commercial paper)
Improve asset efficiency	Reduce fixed assets	• Appropriate control of shares held for purposes other than pure investment (sale of stock in Terumo Corporation and financial institutions) • Downsizing of balance sheet (sale of U.S. lease receivables and global reorganization and sale of fixed assets)
Control financial leverage	Improve shareholder returns	• Phased increase in dividend payments targeting total return ratio of 30%

As a result of the ongoing improvement in our financial position, we have succeeded in improving our credit ratings. For example, Rating and Investment Information, Inc. (R&I), raised our issuer rating to a single A in July 2018. Reasons cited for this decision included our earnings rooted in our world-leading gastrointestinal endoscope operations and our relatively high competitiveness in the surgical device field. In addition, R&I referenced the high reliability of our overall ability to generate earnings and cash flows and the continuous improvements to our financial balance being achieved through profit accumulation and debt reduction. Praise was also directed toward our efforts to enhance our management structure in such a way as to allow for management that actively incorporates outside input as well as other improvements to stability.

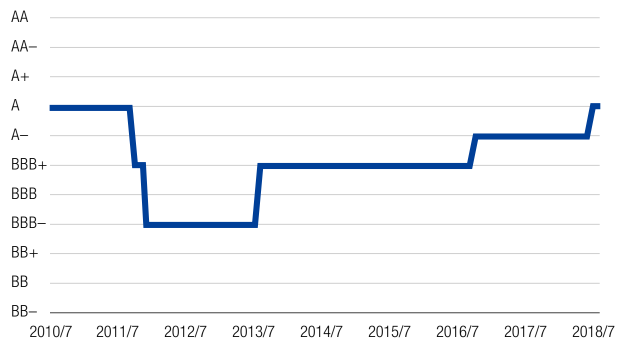
Credit ratings are crucial to being able to easily procure funds from global capital markets. Accordingly, we will continue working to improve our ratings by remaining mindful of financial stability and capital efficiency. Moreover, we are balancing overseas assets and liabilities to instill an added degree of resilience to foreign exchange rate fluctuations into our financial position.

Conversely, we recognize that the slow progress with regard to EBITDA, an indicator of business growth potential for which a target has been set in 16CSP, is an issue. This issue is due in part to delays from our initial schedule for introducing new products. We therefore must maintain financial soundness to ensure that we are able to conduct the investments necessary for compensating for these delays going forward.

Equity Capital / Interest-Bearing Debt / Ratio of Equity Attributable to Owners of Parent to Total Assets



Issuer Ratings



Policy Regarding Allocation of Management Resources

Our policy for allocating management resources over the medium-to-long term is to focus on strengthening our balance sheet while effectively utilizing capital to fund further growth. We are essentially done with the reorganization of non-core business domains, and we next plan to prioritize the allocation of resources to growth fields centered on the Medical Business. R&D expenditures will be conducted selectively while carefully discerning the anticipated benefits of each investment. At the same time, we will actively invest in innovation to remain in step with new technological advancements and continue growing into the future.

▶ For details, please refer to "Message from the President" on page 14.

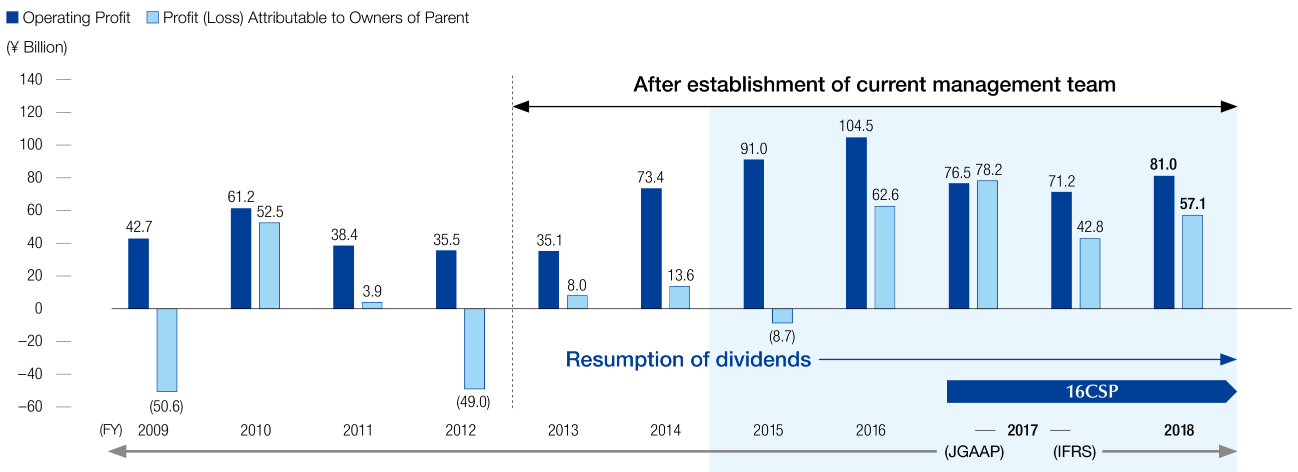
As for capital expenditures, we are augmenting manufacturing equipment and repair bases centered on the Medical Business with an eye to 10 years down the line. The three Tohoku factories, our principal manufacturing bases, were expanded and renovated to improve production efficiency and allow them to better accommodate the growth of the Medical Business. We are now moving ahead with the reorganization, consolidation, and establishment of repair bases in Europe, North America, and other overseas regions. The basic strategy of 16CSP is to target organic growth. However, we will also proactively examine potential mergers and acquisitions as necessary to facilitate and accelerate the advancement strategies.

Furthermore, we recognize the need to turn our attention to the efficient allocation of management resources toward improving our non-financial value. By this, I refer primarily to the Olympus brand, our expertise, and our human capital, which are all sources of pride. Part of my job is to guide us in generating cash flows by fully utilizing our management resources.

Shareholder Returns

Our basic policy is to issue ongoing shareholder returns while maintaining a sound financial base and prioritizing investments in the Medical Business and other growth fields to improve corporate value. It was in fiscal 2015 that we resumed dividend payments after having refrained from making payments during the prior three years. We have continued to issue shareholder returns each year thereafter. In fiscal 2018, we issued dividend payments of ¥28 per share, making for a dividend payout ratio of 17% and a total return ratio of 23%. We plan to issue dividend payments of ¥30 per share in fiscal 2019. Our financial position has improved substantially, putting our goal of an equity ratio of 50% within reach. We are therefore committed to living up to shareholder expectations through phased increases in dividend payments.

Consolidated Performance



Capital Cost and ROE Policies

In 16CSP, we have defined four important management indicators, based on which quantitative performance is to be evaluated. These indicators are ROE, the operating margin, the growth rate of EBITDA, and the equity ratio. The underlying principle behind our decision to set these indicators is for us to maintain ROE of 15% over the long term through earnest business reforms to improve profitability and asset efficiency, even as our financial leverage decreases due to efforts to ensure financial soundness. The target figure of 15% for ROE represents a level that will exceed our capital costs after financial soundness has been achieved through an appropriate capital structure. In addition, this is the level that Olympus will have to reach in order to stand shoulder-to-shoulder with other global medical equipment manufacturers and continue growing indefinitely.

Moreover, we believe that responding to the expectations of our shareholders and other stakeholders, and pursuing a balanced increase in the differing types of value sought by shareholders, customers, employees, and business partners, will in turn lead to improved corporate value. Sustained improvements to corporate value will require that we continue to generate returns that meet the expectations of our stakeholders while maintaining financial soundness, thereby ensuring that our business can achieve stable growth over the medium-to-long term. We will also need to maintain the financial position necessary for supporting efforts to meet these needs. Based on this premise, we will practice management that emphasizes the four management indicators I just mentioned, the perspectives they represent, and the balance among them with the aim of improving corporate value.

Management Emphasizing ROE

ROE of 15% = Profit* / Equity capital

- Achieve ROE level necessary to compete with global companies and realize ongoing growth
- Improve profitability and capital efficiency (growth potential) to maintain ROE of 15% over long term

		(JGAAP) FY2016 (Results)	(JGAAP) FY2017 (Results)	(IFRS) FY2017 (Results)	(IFRS) FY2018 (Results)	FY2021 (Targets)
Profitability	Ratio of profit* to revenue = Profit* / Revenue	7.8% ↗	10.5% ↗	5.8%	7.3% ↗	Approx. 11% ■ Increase operating margin ■ Improve balance of other income and expenses
×						
Asset efficiency	Total asset turnover = Revenue / Total assets	0.8 times ↗	0.8 times →	0.8 times	0.8 times →	Approx. 0.9 times ■ Improve business asset efficiency ■ Improve corporate asset efficiency
×						
Financial leverage	Total assets / Equity capital	2.6 times ↘	2.3 times ↘	2.4 times	2.2 times ↘	Approx. 2.2 times ■ Manage financial leverage ■ Conduct BS-based management

* Profit attributable to owners of parent

Tasks to Be Accomplished in Surviving Global Competition

Olympus is developing its business around the world. I am therefore tasked with the important responsibility of exercising headquarters functions in overseeing the regional management in charge of operations in specific regions. I feel strongly that Olympus will need to place great emphasis on global ideas going forward if it hopes to achieve ongoing growth. Equally important will be to fully and efficiently utilize our management resources on a global scale. The revision to Japan's Corporate Governance Code has made the possibility of appointing non-Japanese directors a topic of discussion from the perspective of diversity within boards of directors. For Olympus, however, I think that diversity of management needs to be prioritized before diversity of the Board of Directors. Effective global coordination among functions can increase our ability to execute strategies in research and development, sales, services, and all other areas of the value chain. However, this type of global coordination will expose us to various different cultures, ways of thinking, and laws. For this reason, heightening our effectiveness along the value chain will require that we strengthen the headquarters functions that are responsible for global oversight. Moreover, it will be vital to strengthen these functions not as Japanese headquarters functions but as global headquarters functions. Such strengthening will be impossible if our headquarters functions consist entirely of Japanese people who do not understand foreign cultures and ways of thinking. If we do not appoint more non-Japanese individuals to management positions at our Tokyo headquarters, we will not be able to generate the ideas and make the decisions necessary to compete on the global stage. It is true that massive changes have been made to Olympus' corporate governance over the past six years. However, the Company still lacks the necessary speed when it comes to transforming its business operations. Diversity is crucial to Olympus at the moment. As we practice global and Groupwide management going forward, I will seek to fulfill the role of promoting diversity.

Global Special Feature Vol. 1: AMERICAS

Acceleration of Business Growth in the Americas

Olympus Corporation of the Americas (OCA) continues to demonstrate its stability and good health, contributing approx. more than 30% to Olympus' global annual revenues.
Nacho Abia, President & CEO of OCA, and Todd Usen, President of the Medical Systems Group OCA, explain the Company's groundwork for success and strategic plans for driving growth well into the future.

Q How would you define the current position of Olympus' business in the Americas and achievement against the 16CSP?

Abia

Our business in the Americas is in good health, and continues to grow despite some challenges in the market. We currently contribute 34% to the global annual revenues for the Company; something for which we are very proud. Our businesses in the United States and Canada remain strong, and our Latin America Division has demonstrated great strides over the last several years by enhancing governance and compliance, communication, and relationships with distributors. There is a significant amount of opportunity in emerging markets such as Mexico and Brazil, and we continue to identify new opportunities to grow our businesses and help meet the needs of our customers and the people in these regions.

The 16CSP continues to guide our business activities and decision-making. We have made significant progress in some areas—such as EndoTherapy, the Surgical Business and Company Culture—while we continue to work towards achieving other goals outlined in the 16CSP. At the same time, we must remain agile as a company and adapt our priorities at any time to focus on what is ultimately best for the business and our stakeholders.

Q How would you define the groundwork for success in the Americas and keeping the business in good health?

Abia

Overall, the success of our Company is built on the foundation of three key components: People, Efficiency, and Investments. Above all else, people make up the fabric of our Company. We have a team of strong and dedicated employees who are committed to carrying out our purpose of making people's lives healthier, safer and more fulfilling every day.

Over the last few years, we have placed a strong emphasis on hiring talented and tenured individuals from outside the Company to assume a breadth of executive-level and senior management roles, many within our Medical Business. We are extremely fortunate to have these talented individuals join Olympus from other prominent medical device and pharmaceutical companies, as they continuously strengthen our leadership and move the Company forward.

Efficiency is also a key component to success. In 2013, I established an internal business practice known as "E3," which strives to ensure that everything we do as a company is Effective, Efficient, and Excellent. As part of this initiative, I encouraged employees to continuously be mindful of how we can achieve E3 on a daily basis. Today, E3 is ingrained in our culture. Over the years, it has created a very cost-conscious mentality. Employees are respectful of spending, and proactively consider where we can be more efficient in our processes and operations. Because of these efforts, our SG&A has remained level over the years.

S P E C I A L F E A T U R E

Nacho Abia

President & CEO, Olympus Corporation of the Americas (OCA)

Todd Usen

President, Medical Systems Group, Olympus Corporation of the Americas (OCA)

SPECIAL FEATURE

Some other focus areas for improving efficiency and maximizing operations include modifying organizational structures to ensure the right people are in the right roles across the Company, further advancing globalization, and applying our “One Olympus” mentality of working together across businesses, entities and regions.

Thanks to our successful efforts in efficiency, we have positioned ourselves well to invest in the Company. Investments are critical for any company’s success; and you must be willing to invest in order to grow a business. We feel strongly about the merit of this approach and continue to make wise, thought-out investments. In the last five years, we have invested in several large-scale projects, while maintaining level expenses year-over-year. These projects include three new manufacturing and repair facilities to expand our capabilities and customer service; system implementations to improve efficiency such as SAP, Salesforce, and Salesforce Asset Management; and a brand initiative to further promote our brand and build equity.

Finally, over the last year, business development has become a focal point and critical activity for driving growth, especially within our Medical Business. Todd Usen, President, Medical Systems Group, Olympus Corporation of the Americas, will explain more about our growth strategies in this area.

In October 2017, Olympus commenced operations of its new National Service Center East and medical asset warehouse/distribution center in Bartlett, Tennessee. An investment of more than $12 million, the 110,000 square-foot facility is projected to create approximately 280 jobs in disciplines such as medical device repair, distribution, and management.

Q Would you explain your main focus areas for the Gastroenterology & Respiratory (GI&R) and Surgical businesses?

Usen

A major focus of ours is on Infection Prevention. We take our role in enhancing patient safety very seriously and continuously seek to improve the next generation of our products. Our ultimate goal is not to control infections but to prevent them.

For the Gastroenterology & Respiratory (GI&R) business, two keys areas of focus will be artificial intelligence (AI) and therapeutic endoscopy. The integration of AI into colonoscopy procedure holds great promise for the future of GI screening for physicians and patients. By incorporating AI, we are investing in technology that will elevate all clinicians while unlocking new ways to treat disease for patients. In addition, we are always striving, whether organically or inorganically, to enhance our endoluminal therapy portfolio to meet the clinical needs of our customers and lead the way in identifying new treatment modalities.

For the Surgical Business, our key initiatives are System Integration, Big Screen Surgery and Adjacent Markets. We have greatly strengthened our enterprise system integration capabilities and are well-positioned to seize new opportunities, thanks to our acquisition of Image Stream Medical, Inc., in 2017. Our integration solutions allow surgical and interventional clinicians to virtually connect and collaborate in ways that have not been possible, practical, or cost-effective before.

The only fully integrated 4K imaging chain available for healthcare use, VISERA 4K UHD allows operating room (OR) personnel to get closer to the operating field as they view cases live on a 55-inch operative display that magnifies anatomical features to deliver more visual information to the entire surgical team.

Big Screen Surgery with 4K capabilities has been a game changer for surgery and for Olympus, positioning us well against our competitors. Olympus offers the only fully integrated 4K imaging chain available for healthcare use. Through this cutting-edge technology, we are able to address unmet needs in surgical imaging. Operating room (O.R.) personnel can now view cases live on a 55-inch operative display that magnifies anatomical features to deliver more visual information to the entire surgical team. Additionally, ORBEYE—our 4K-3D Video Microscope used for surgical visualization and winner of a 2018 Edison Award—represents an area of growth as we aim to promote the device across multiple specialties such as neurosurgery, spine, microsurgery, ENT and cardiac. Furthermore, we will focus on adjacent markets and growing our presence in office-based technology and procedures, and seek new opportunities for selling to offices. We will expand our strategy in gynecology and women’s health, building upon our already strong core competencies in this area.

The precise 4K-3D digital images from the new ORBEYE surgical microscope can enable more accurate surgery by providing high-resolution 3D imaging of the structure of tissue, blood vessels and other features.

Q What is your vision for the future of Olympus’ US Medical Business (medium-to long-term goals)?

Usen

To continue to thrive as a global technology leader and healthcare provider, we will concentrate on several key areas. Meeting the value needs of our customers and focusing on the “voice of our customers” is top priority. The Voice of the Customer today consists of the provider (physician), the patient, and the payer. We must understand the needs of all three to fully create, and bring value to our customers.

We must also continue to emphasize our offerings and solutions beyond capital equipment and evolve to a procedure-based company, emphasizing disposable and minimally invasive device technologies. We will continue exploring a presence in adjacent markets and specialties, such as orthopedics, where our technology can improve outcomes and enhance patient satisfaction.

Both organic and inorganic growth will be critical for the future health of our Medical Business. Mergers and acquisitions have become a critical activity for driving growth, and will continue to be part of our strategy moving forward. Within the last year, we have successfully invested in more than six inorganic growth opportunities including the acquisition of Image Stream Medical. Further enhancing relationships with Group Purchasing Organizations and Integrated Delivery Networks in the United States will also be part of our strategy. Over the last couple of years, we have taken our key account management to a much higher level by successfully restructuring the internal team focused on these relationships. The team has been very successful and recently signed some major partnership agreements including Kaiser, Providence, North Well and North Shore.

Finally, to truly be prepared for the future, we must continue to provide value and prove our value. Competition in the medical device industry is becoming more difficult and companies are becoming more powerful as they join forces. Within Olympus, we must share our skills and knowledge globally, and work together to advance our globalization efforts. This unification will enable us to further diversify our offerings, adapt to the needs of our customers, and establish new solutions for patient care.

Olympus is a company committed to people, and what we do truly matters. This is why we must prove our value day after day, and never become complacent with the status quo.

AMERICAS

At a Glance

Olympus generates approximately 80% of its sales in the Medical Business, which primarily operates in the gastrointestinal endoscope field, where it holds a share of more than 70% of the global market. The Company's other businesses include the Scientific Solutions Business, which deals in microscopes and non-destructive testing equipment, and the Imaging Business, which sells digital cameras. These three businesses constitute the business domains of Olympus.

Consolidated Performance
(Fiscal 2018)

Revenue

¥786.5 billion

YoY (after foreign exchange adjustment): +2%

Operating Profit

¥81.0 billion

YoY (after foreign exchange adjustment): −1%

EBITDA

¥133.9 billion

YoY: +7%

Profit Attributable to Owners of Parent

¥57.1 billion

YoY: +33%

ROE

13.6%

YoY: +2.3 pts.

FCF

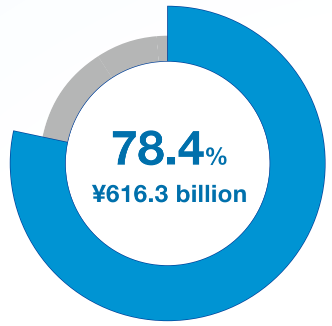
¥41.8 billion

YoY: −¥39.4 billion

Note: Figures for "FY2019 (Forecast)" represent forecasts released on August 7, 2018.

MEDICAL BUSINESS

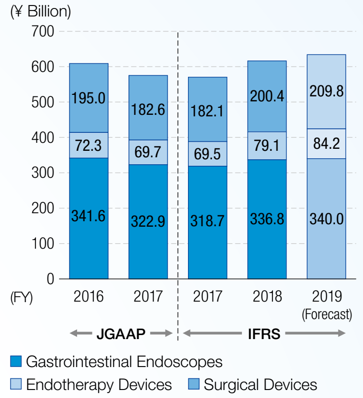
Share of Revenue



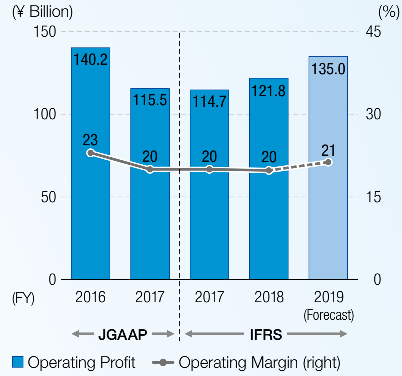
Business Description

In the Medical Business, Olympus supplies various types of medical equipment, including gastrointestinal endoscopes that contribute to the early diagnosis of diseases, surgical endoscopes that allow for minimally invasive therapies for reducing the burden placed on patient bodies, and energy devices. By providing such equipment, we are contributing to a medical environment that cares for both the physical health and the mental health of people around the world.

Revenue

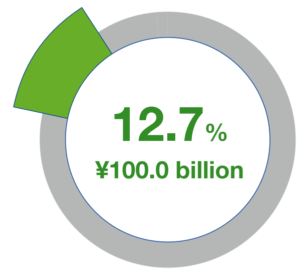


Operating Profit / Operating Margin



SCIENTIFIC SOLUTIONS BUSINESS

Share of Revenue

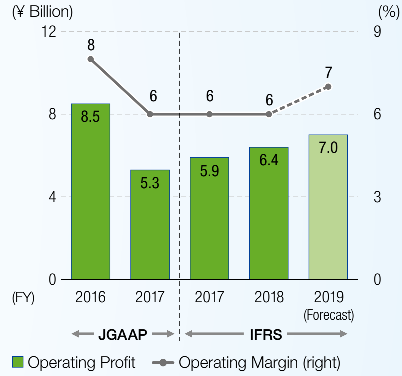


Business Description

The Scientific Solutions Business provides microscopes, which Olympus has been manufacturing since its inception. These microscopes are used in various fields, whether for conducting such clinical examinations as blood tests or pathological examinations related to cancer diagnosis, assisting advanced research in the life science and medical fields, or performing quality control on manufacturing lines. Furthermore, the industrial videoscopes and ultrasonic flaw detectors offered in this business are used in inspections and examinations underpinning the safety of social infrastructure.

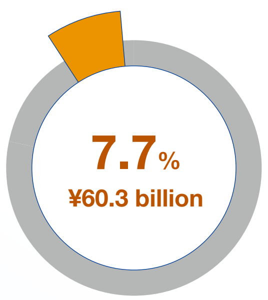
Revenue

Operating Profit / Operating Margin



IMAGING BUSINESS

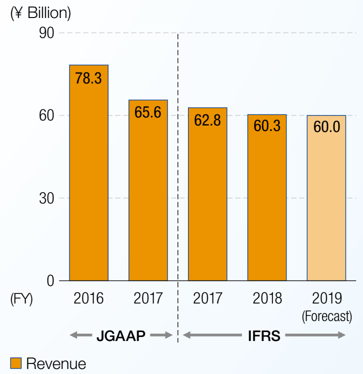
Share of Revenue



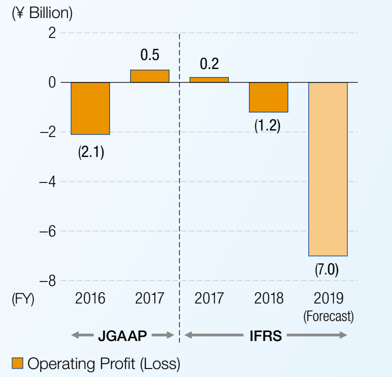
Business Description

The Imaging Business provides Olympus brand cameras, which boast unparalleled image quality realized through world-leading lens processing technologies and have won the hearts of photographers around the world. We continue to introduce the world to such unique cameras as our compact, lightweight mirrorless cameras that offer the same level of performance as single-lens-reflex cameras and our Tough series of dustproof, waterproof cameras that are ideal for outdoor use.

Revenue



Operating Profit (Loss)



OTHERS

Share of Revenue 1.3%
¥9.9 billion

In Others, we provide bone replacement material and other biomaterials. In addition, this segment is responsible for seeking out new businesses and conducting R&D activities in relation to such businesses. To develop future pillars supporting the Company, we are searching for new business opportunities and advancing R&D and discovery activities for acquiring technologies.

Review of Business Segments

MEDICAL BUSINESS

Focused on the two types of value provided by early diagnosis and minimally invasive therapy, we seek to help reduce healthcare expenses and improve patient quality of life.

Olympus is one of the few healthcare companies capable of providing a full lineup of solutions for early diagnosis, centered on gastrointestinal endoscopes, and minimally invasive therapy, primarily through endotherapy devices and surgical devices. Going forward, we will continue striving to help reduce healthcare expenses, which are rising on a global scale, and improving patient quality of life by offering technologies, products, services, and solutions of the highest caliber.

Business Management Officer, Medical Business

Akihiro Taguchi

S — Strengths

- More than 70% share of global gastrointestinal endoscope market
- Technological capabilities that led to development of world's first practical gastrocamera and have continued to lead innovation
- Position as only manufacturer to deal in both imaging equipment and energy devices
- Network of approx. 200 repair and service sites worldwide
- 4K, 3D, and other products differentiated with high resolution and quality

W — Weaknesses

- Position as follower in surgical device field after European and U.S. companies
- Limited systems for acquiring clinical evidence on medical and economic benefits
- Insufficient lineup of surgical devices for procedures requiring open surgery and other treatments
- Lacking lineup of single-use products

O — Opportunities

- Growing healthcare awareness; rising demand for early diagnosis due to spread of cancer prevention enlightenment
- Increased demand for minimally invasive therapy methods
- Insufficient number of physicians trained in endoscopic procedures and space to improve medical techniques in emerging countries
- Progress in medical system reforms worldwide
- Rise in illness case numbers due to population aging

T — Threats

- Strengthening medical equipment regulations worldwide
- Downward pressure on selling prices due to increased influence of GPOs and IDNs
- Appearance of overseas rivals due to reorganization of medical equipment industry
- Impacts of foreign exchange rate fluctuations (yen appreciation)

Operating Environment and Business Opportunities

In developed countries, where populations are rapidly aging, as well as in emerging countries, which are experiencing high economic growth, the improvement of patient quality of life and the control of both healthcare and social security expenses have become urgent priorities. At the same time, this drive to limit healthcare expenses will likely result in a decrease in the number of facilities (endoscopic treatment facilities and operating rooms), despite the rise in case numbers that is projected to occur in conjunction with population aging. Under these trends, it will not be enough to simply supply quality products; there will also be an increased emphasis on the economic benefits of these products to the medical field.

Olympus possesses technologies for the development and manufacture of medical equipment for advancing progress in terms of early diagnosis and minimally invasive therapies. These technologies place the Company in a prime position to contribute to the medical industry. By leveraging this strength, the Medical Business will seek further business expansion by providing technologies, products, services, and solutions of the highest caliber.

Looking ahead, it can be expected that the operating environment will grow increasingly difficult as more stringent regulations are instituted for medical equipment and various other legal requirements are made more rigorous. In light of this situation, we will strengthen our management structures on a global basis while always keeping an eye on 10 years in the future.

Changes in the Current Operating Environment

There has been no significant change to the outlook for megatrends from the time of the formulation of 16CSP. However, we are seeing some changes in the current operating environment. These changes include the institution of the new European Union Medical Devices Regulation, the increased regulatory requirements for medical device application and registration centered on emerging countries, and stricter requirements for cleaning, disinfection, and sterilization (reprocessing) being implemented largely in the United States. At the same time, IoT, AI, robotics, and other technologies continue to advance. The pace of these changes is accelerating much faster than anticipated.

The initial numerical targets of 16CSP have been revised to reflect the impact of these operating environment changes on the Medical Business.

► For details, please refer to the "KPI (16CSP)" section on page 32 as well as the "KPI (16CSP)" sections on the pages for each business unit.

Overall Strategy for Medical Business

Investment Policy

The Medical Business is Olympus' growth driver, and we therefore intend to conduct the investments necessary for each of its functions. We will strengthen the sales, R&D, manufacturing, and quality and regulatory assurance functions and also conduct efficient investments to increase growth potential and profitability. With regard to investments in the manufacturing function, we will establish systems for responding to growth in demand for our products worldwide by bolstering manufacturing lines and optimizing global production systems with an eye to 10 years from now. In Japan, the principal site of gastrointestinal endoscope manufacturing, new facilities at our Aizu, Shirakawa, and Aomori factories have already been constructed. Looking ahead, we will continue to transfer the manufacture of certain endotherapy devices from Aomori to Vietnam. In North America, meanwhile, we will expand manufacturing lines and pursue increased efficiency with regard to energy devices and other products at our Brooklyn Park plant.

Sales Function Investments Response to North American GPOs and IDNs, enhancement of training Reinforcement of sales systems and promotion activities in emerging countries	**R&D Investments** Development of technologies for next-generation projects and future businesses Strengthening of single-use device technologies
QA/RA Investments Reinforcement of quality management systems Enhancement of medical affairs functions	**Manufacturing Function Investments** Create globally optimized production systems (including repairs) with an eye to 10 years from now

Growth potential
Balance
Efficiency

Expansion of Businesses in Growth-Driving Emerging Countries

Initiatives to expand operations in emerging countries have been positioned as an important component of Olympus' growth strategies. When viewed from a medium-to-long-term perspective, there is substantial room for the expansion of markets in emerging countries, meaning that these markets will be integral to the ongoing growth of the Company. Increasing the number of physicians capable of safely using endoscopes will be key to Olympus' growth. We aim to facilitate this increase by bolstering training support. At the same time, we are reinforcing service systems to cater to the rising demand for endoscope repair services. Through these efforts, we will pursue dramatic growth.

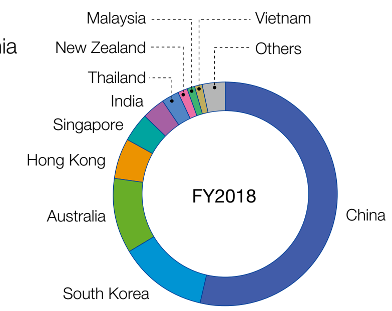
Olympus' Market Presence

(1) Ratio of Revenue and CAGR Held in Asia / Oceania

	FY2013	FY2018	CAGR (5-year) (%) (FY2013–FY2018)
Endoscopes	15%	20%	16%
Surgical Devices	12%	17%	18%
Endotherapy	11%	19%	22%
Medical Business Total	**13%**	**19%**	**17%**

(Local currency basis)

(2) Distribution of Sales by Country in Asia / Oceania



(3) Margins for Market Expansion in Emerging Countries

		Number of Endoscopists per Million People
China		22
Singapore		28
Malaysia		17
Philippines		4
Indonesia		2
Vietnam		6
Thailand		4
India		5
(Reference)	Japan	250
	South Korea	120

Source: Olympus Corporation (based on publicly available data)

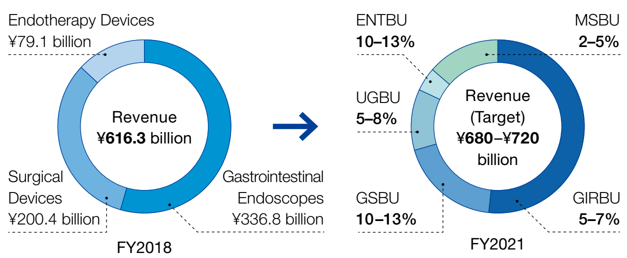
Business Portfolio Strategy

The prior three divisions of the Medical Business have been reorganized to form five business units. We will target increased sales and profits by growing operations in these five business units as well as in peripheral areas.

Overview of Business Units

- Gastrointestinal Endoscopes → GIRBU, MSBU
- Endotherapy Devices → GIRBU
- Surgical Devices → GSBU, UGBU, ENTBU, MSBU

Medical Business Portfolio and Growth Two Years from Now (CAGR)*



* FY2020–FY2021

Priority Measures

1	Expand dominant GI market share and improve profitability while realizing substantial growth in ET and surgical business operations	▪ Continue on from the former medium-term management plan
2	Shift from installation-based Medical Business model to procedure-based Medical Business model	▪ Develop of business model for expanding single-use device operations
3	Expand operations in emerging countries	▪ Countries with sufficient medical infrastructure: Position as growth driver and continue appropriate investment ▪ Countries without sufficient medical infrastructure: Contribute to medical infrastructure development
4	Strengthen ability to respond to GPOs / IDNs*1	▪ Respond to market structure changes exemplified by growing presence of GPOs / IDNs in North America ▪ Propose value as One Olympus with unified R&D, manufacturing, and service functions ▪ Establish processes for acquiring GPO / IDN contracts and strengthen project management
5	Strengthen QA/RA*2 functions	▪ Reinforce global quality management systems with eye toward external requirements expected 10 years from now ▪ Strengthen global QA and RA systems in consideration of future business development ▪ Reinforce medical affairs function
6	Improve productivity	▪ Improve productivity of all functions (R&D, manufacturing, sales and marketing, and service)

*1 GPOs: Group purchasing organizations; IDNs: Integrated delivery networks
*2 Quality assurance / Regulatory assurance

Accomplishments in Fiscal 2018 and Future Measures (Tasks)

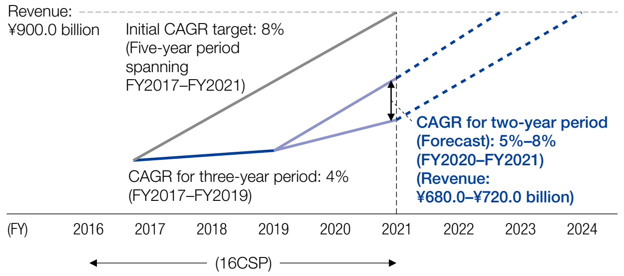
Accomplishments

- Strong performance in Asia and Oceania in gastrointestinal endoscope, surgical device, and endotherapy device fields and continuation of double-digit sales growth
- Establishment of training and service centers in Thailand and Dubai to further expansion in emerging markets
- Favorable progress in augmentation of repair infrastructure centered on Europe and North America
- Smooth progress in converting rival companies' customers into Olympus customers by utilizing 4K surgical endoscopy systems in the surgical device field
- Construction of development and production systems in North America to bolster production capacity and efficiency with regard to THUNDERBEAT, as this product enjoys ongoing double-digit sales growth
- Rapid progress in new business negotiations with several major IDNs in North America, the largest market for the Medical Business, thanks to coordination with ISM (acquired in June 2017)
- Expansion of endotherapy device operations in line with plans (particularly with regard to acceleration of sales promotions in the endoscopic retrograde cholangio-pancreatography (ERCP) field)

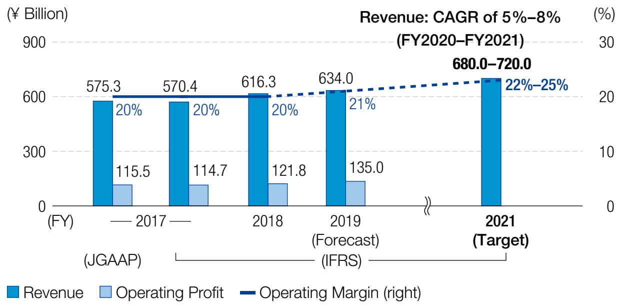
Future Measures (Tasks)

- Development and commercialization of new products
- Enhancement of response to legal regulations and reprocessing (cleaning, disinfection, and sterilization) requirements
- Work reforms and streamlining to guarantee earnings
- Pursuit of ongoing sales growth for gastrointestinal endoscopes by enhancing sales promotion programs prior to introduction of next-generation systems, encouraging scope upgrades, and launching high-value-added products
- Achievement of growth that exceeds market growth rates in surgical endoscope field by approaching institutions using competitors' products with Olympus' strategic 4K systems and soliciting value of new VISERA ELITE II
- Continuous enhancement of product lineup and strengthening of sales organizations and systems to promote sales of single-use devices in endotherapy device field

KPI (16CSP)



Note: Foreign exchange assumptions have been revised to ¥105 to US$1 and ¥130 to €1 (¥115 to US$1 and ¥130 to €1 at time of the formulation of 16CSP).



Patient Safety First

Stronger Reprocessing (Cleaning, Disinfection, and Sterilization) Initiatives to Ensure the Safety of Medical Devices

Olympus takes its role in enhancing patient safety very seriously. We are continuously seeking to improve our products, provide guidance on their safe and effective use and increase the ease and efficacy of endoscope reprocessing. Our ultimate goal is not to control infections potentially associated with endoscopy but to prevent them. Together with the facilities that use our devices, and in collaboration with government and academic institutions, we can act as a powerful force in driving toward this goal.

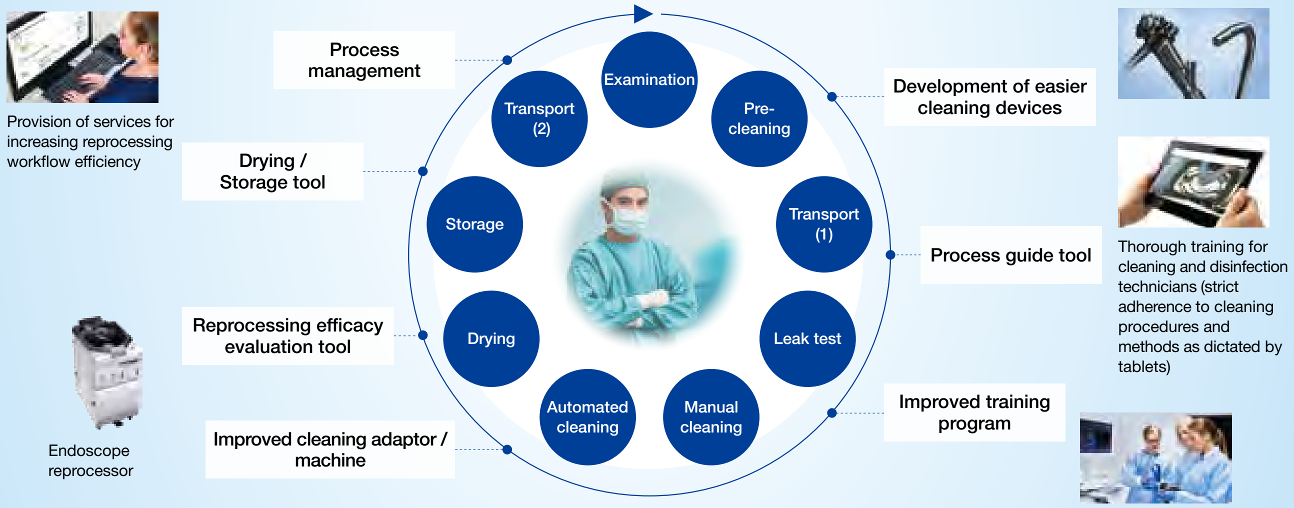
Changing Environment Surrounding Endoscopes

Infection risks are rising in the medical field due in large part to the global emergence of multidrug-resistant bacteria. Because Olympus products are used in facilities around the world, our company is committed to playing an important role in addressing this more complicated landscape. This commitment comes with great responsibility. The responsibility to push ourselves and to ensure that safe, effective products reach those who need them the most.

Among our first steps is to develop efficient reprocessing procedures upon which technicians and healthcare providers can rely.

Devices and Systems Designed for a Safe, Effective Journey

Olympus is dedicated to continually elevating infection prevention by providing comprehensive solutions with products, usage guidelines, and maintenance methods designed to improve safety and effectiveness. As part of our ongoing efforts, we are focused on developing next-generation products that enhance and facilitate effective infection prevention, globally. We are committed to developing solutions for healthcare professionals that help improve clinical outcomes and enhance quality of life for patients.



Enhancement of Testing Systems for Verifying Reprocessing Effectiveness

Olympus invested approximately ¥4.0 billion in the enhancement of its systems for performing tests to verify cleaning and disinfection effectiveness. Through this enhancement, we aim to develop systems that will enable us to swiftly respond to the requirements and challenges faced worldwide.

Designed for Quality and Safety First—and An Eye on the Next Generation

Our new duodenoscope is a side-viewing scope characterized by high-resolution imaging and narrow band imaging (NBI) capabilities. Post-procedure, reprocessing is performed by detaching the disposable distal cap and cleaning and disinfecting the tip of the scope. In addition, we have developed a new adaptor that can be attached to the tip of the duodenoscope to inject a cleaning solution, meant to improve cleaning efficiency.

Note: Upon regulatory approval. Not for sale in North America as of September 30, 2018

MEDICAL BUSINESS

Gastrointestinal and Respiratory Business Unit (GIRBU)

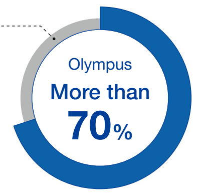
The GIRBU grows the business and improves its profitability, as the Company's core business which supports the entire Olympus, with its share of more than 70% of the global gastrointestinal endoscope market. We will continue to grow operations in the surrounding businesses, e.g., Respiratory, Reprocessing, Endoscopic Ultrasound (EUS), Capsule Endoscopy, and IT fields. We will also continue to invest in boosting our share of the endotherapy device market. The GIRBU contributes to early detection and minimally invasive therapies through its business operations.

Head of GI&R Business Unit Katsuyuki Saito

Global Market Share / Competitors (As estimated by the Company)

Endoscope Field

FUJIFILM
HOYA



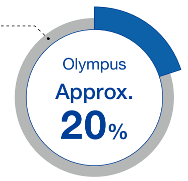
EVIS EXERA III /
EVIS LUCERA ELITE

Market Scale (Growth Forecasts)

¥350 billion–¥370 billion
(CAGR: 4%–6%)

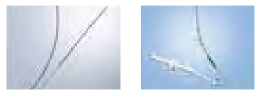
Endotherapy (ET) Field

Boston Scientific
Cook Medical



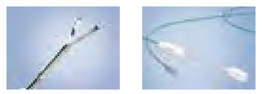
Market Scale (Growth Forecasts)

¥370 billion–¥390 billion
(CAGR: 4%–6%)



ERCP*1 and EUS-ET
(Balloon with knife, aspiration needle)

EMR and ESD*2 products
(Knife series)



Hemostasis and stricture dilation products (Hemostasis clip, Metal stent)

*1 ERCP: Endoscopic Retrograde Cholangio Pancreatography
*2 EMR: Endoscopic Mucosal Resection
ESD: Endoscopic Submucosal Dissection

Operating Environment / Risks and Opportunities

Operating Environment

Developed countries	■ Rising case numbers due to aging populations and higher cancer prevention awareness ■ Ongoing increase in need for endoscopic therapies ■ Higher requirements for quality and efficiency ■ Increased concern for disinfection and sterilization processes
Emerging countries	■ Wider range of business opportunities accompanying economic growth ■ Need for training to spread procedure usage

Strengths of Business Unit

- Dominating global market share for gastrointestinal endoscopes
- High-quality, global repair service infrastructure network
- Comprehensive training facilities and programs

Focuses for Business Growth

- Maintenance of endoscope market share and improvement of profitability
- Expansion of operations in fields peripheral to endoscopes
- Investment in endotherapy devices and expansion of market share for these products
- Contributions to development of endoscopic medicine in emerging countries

Opportunities

- Rising case numbers due to aging populations and higher cancer prevention awareness
- Projected increase in number of lung cancer patients, particularly in emerging countries
- Higher global awareness of cleaning, disinfection, and sterilization

- Potential for requirements for high-level disinfection and sterilization to become more stringent in response to infection issues
- Price competition resulting from global trend toward reducing healthcare costs
- More stringent cleaning, disinfection, and sterilization requirements

Risks

Business Strategies / Priority Measures

1	Secure Strong Market Leader Position in Gastrointestinal Endoscope Business and Improve Profitability through Selection and Concentration
2	Expand Business in Respiratory, Reprocessing, Endoscopic Ultrasound, Capsule Endoscopy, and IT Fields
3	Realize Business Growth in Emerging Markets
4	Expansion of Endotherapy Device Business (Single-Use Devices)

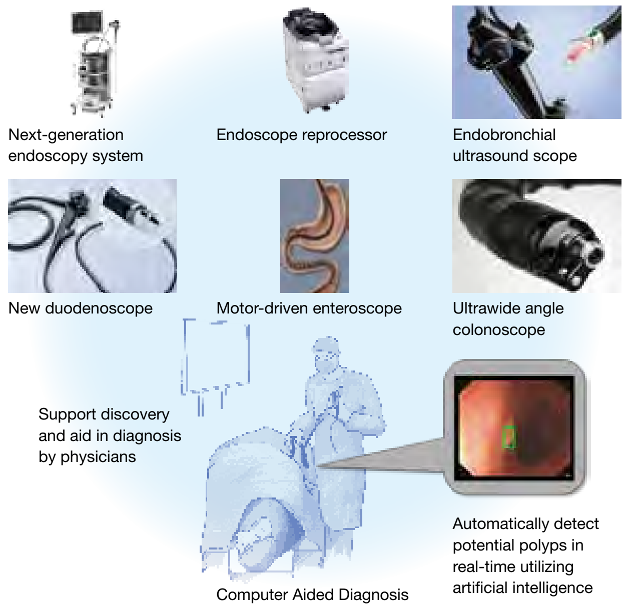
Accomplishments in Fiscal 2018 and Future Measures (Tasks)

1 Secure Strong Market Leader Position in Gastrointestinal Endoscope Business and Improve Profitability through Selection and Concentration

In the gastrointestinal endoscope field, where we boast unparalleled strength, we will pursue sustainable sales growth through the introduction of high-value-added products. At the same time, we will work to boost the efficiency of R&D, manufacturing, and sales functions. In fiscal 2018, Olympus launched four new scopes in developed countries, which will be followed by the introduction of additional scopes matched to market needs during fiscal 2019. Meanwhile, business performance was strong overall, with double-digital sales growth in emerging countries, especially in China. Looking ahead, Olympus will deliver products that improve diagnostic and therapeutic procedure efficiency to meet demand in clinical settings under pressure to cut healthcare expenses.

To properly deal with infection risks in markets, interest in reprocessing and in single-use endoscopes is increasing. Olympus will offer comprehensive risk mitigating measures with regard to its reusable endoscopes. One noteworthy example of these measures is our new, easy-to-clean duodenoscope. We are also strengthening reprocessing training and providing educational tools and reprocessing management systems. In addition, Olympus will study the feasibility of commercializing its unique single-use endoscopes in fields where single-use endoscopes bring certain benefits.

Products and Technologies That Drive Future Growth (Renderings)



Next-generation endoscopy system
Endoscope reprocessor
Endobronchial ultrasound scope
New duodenoscope
Motor-driven enteroscope
Ultrawide angle colonoscope
Support discovery and aid in diagnosis by physicians
Automatically detect potential polyps in real-time utilizing artificial intelligence
Computer Aided Diagnosis

4 Expansion of Endotherapy Device Business (Single-Use Devices)

Strong sales in our prioritized fields of endoscopic retrograde cholangio pancreatography (ERCP), endoscopic mucosal resection (EMR), and endoscopic submucosal dissection (ESD) are contributing to smooth business growth. In fiscal 2018, Olympus bolstered its endotherapy product portfolio through collaboration with partners and introduced competitive products matched to market needs. Going forward, we will continue developing competitive products while bolstering our lineup of products through collaboration with partners. We will expand our market share by seeking to augment our manufacturing capabilities, as one of the key initiatives under 16CSP, and rolling out appealing products matched to market needs in a timely manner.

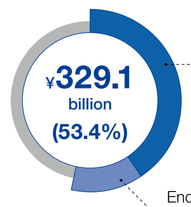
KPI (16CSP)

	Initial CAGR target (Five-year period spanning FY2017–FY2021)	CAGR for 1st half of 16CSP* (Three-year period spanning FY2017–FY2019)	CAGR target for 2nd half of 16CSP* (Two-year period spanning FY2020–FY2021)
GIRBU	7%	3%	**5–7%**
Endoscopes	6%	1%	**4–7%**
Endotherapy Devices	9%	7%	**6–9%**

* Figures announced on September 5, 2018

Revenue / Share of Revenue by Field

(FY2018)



MEDICAL BUSINESS

General Surgery Business Unit (GSBU)

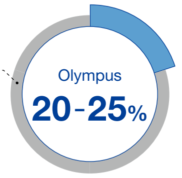
Olympus is actively allocating management resources to the general surgery field with the aim of growing operations into a second core business after gastrointestinal endoscopes. Specific goals with this regard include working to establish 4K and 3D surgical endoscopes as the de facto standard and developing a business model for single-use devices, which must be purchased and used for each individual case.

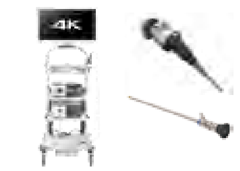
Head of General Surgery Business Unit Tomohisa Sakurai

Global Market Share / Competitors (As estimated by the Company)

Surgical Imaging

STORZ
Stryker
Richard Wolf
Arthrex





4K surgical endoscopy system

Market Scale (Growth Forecasts)

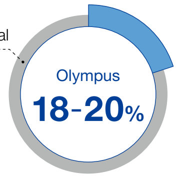
¥260 billion–¥290 billion (CAGR: 2%–4%)

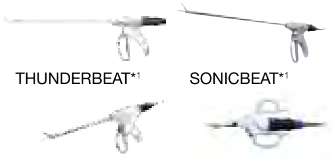
VISERA ELITE II*: Surgical endoscopy system compatible with infrared and 3D observation functions

* Upon regulatory approval. Not for sale in North America as of September 30, 2018

Surgical Energy Devices

ETHICON
Medtronic
Applied Medical



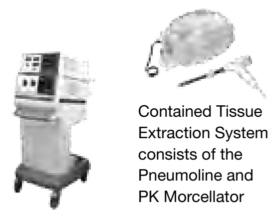


THUNDERBEAT*1 SONICBEAT*1

THUNDERBEAT Open Extended Jaw*2 THUNDERBEAT Open Fine Jaw*2

Market Scale (Growth Forecasts)

¥160 billion–¥180 billion (CAGR: 3%–5%)



Contained Tissue Extraction System consists of the Pneumoline and PK Morcellator

Integrated energy system with advanced bipolar and ultrasound technology

*1 For laparoscopic surgery and open surgery
*2 For open surgery

Operating Environment / Risks and Opportunities

Operating Environment

Surgical imaging	■ Growing maturity of 3D system market over the medium term and normalization of imaging sensors and data transferring technology compatible with 4K systems driving acceleration of full 4K system introduction ■ Distinctive R&D activities related to special light imaging technologies being advanced by various companies and permeating the market
Surgical energy devices	■ Maturity to progress in European, Japanese, and Chinese markets while the United States remains the largest market for energy devices

Strengths of Business Unit

- Only manufacturer to provide both the surgical imaging devices and the energy devices necessary for endoscopic surgery
- High-resolution and high-quality 4K, 3D, and other systems
- Operating room integration field business foundations reinforced through acquisition of Image Stream Medical, Inc.

Focuses for Business Growth

- Growth greatly exceeding market growth rate
- Establishment of new de facto standard in surgical imaging market
- Development of single-use device business model

Opportunities

- Rising demand for increasing clinical and economic efficacy
- Growing demand for minimally invasive therapy due to increased detection of early stage diseases through early diagnosis
- Expansion of minimally invasive therapy markets in emerging countries

- Greater emphasis on cost performance stemming from growing pressure to limit healthcare costs
- Focus on centralized purchasing through GPOs and IDNs
- Entry into market by low-cost manufacturers

Risks

Business Strategies / Priority Measures

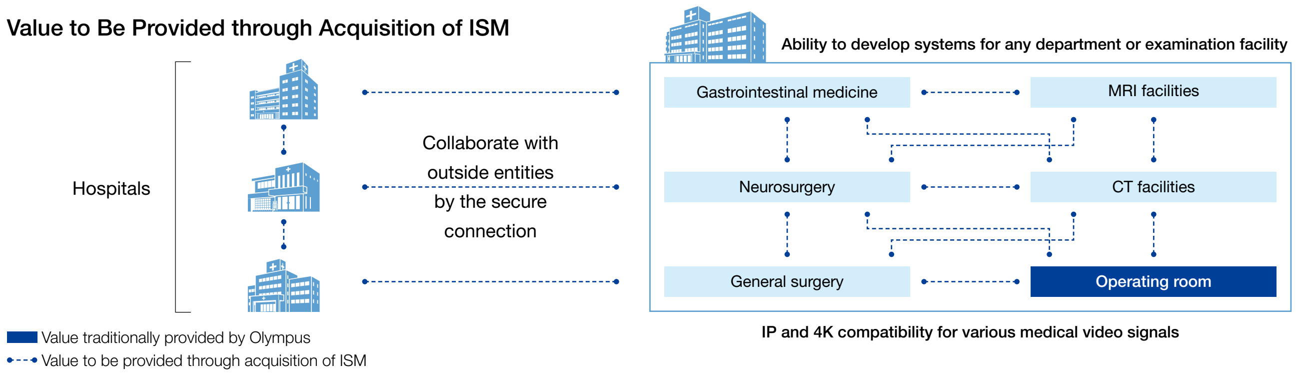
1	Establish New De Facto Standard in Surgical Imaging Market
2	Fully Leverage Strengths of Olympus in Gastrointestinal Endoscope Field
3	Secure No. 3 Position in Energy Device Market and Encroach upon No. 2 and No. 1 Positions
4	Establish Single-Use Device Business Model

Accomplishments in Fiscal 2018 and Future Measures (Tasks)

1 Establish New De Facto Standard in Surgical Imaging Market

Sales in the surgical imaging market showed year-on-year growth largely as a result of the impressive performance of the VISERA ELITE II—the next-generation successor of a mainstay surgical endoscopy system—which has been introduced into the European and Japanese markets. The VISERA ELITE II has attracted much praise as a competitive product which reflected many physician's needs, to support swift and accurate surgeries by the infrared and 3D observation. The acquisition of North American company Image Stream Medical, Inc. (ISM), in June 2017 brought Internet protocol (IP)-based image management solutions and systems integration operating foundations. This move augmented Olympus' value proposition to customers, which had been an area requiring improvement, and facilitated Olympus efforts to receive large-scale orders from integrated delivery networks. Meanwhile, our 4K surgical endoscopy system, which was developed by Sony Olympus Medical Solutions Inc., has been positioned as a product for approaching customers who have mainly used rival products and encouraging them to convert to Olympus products. Approximately 70% of the sales of our 4K systems have been from customers converted to Olympus products in this manner. Looking ahead, we will continue to solicit the value of these competitive products to raise their level of recognition in the market and thereby expand our market share while establishing these products as the new de facto standard for 4K and 3D systems in the surgical imaging market.

Value to Be Provided through Acquisition of ISM



3 Secure No. 3 Position in Energy Device Market and Encroach upon No. 2 and No. 1 Positions

THUNDERBEAT, a strategic product, continues to deliver strong performance, posting double-digit sales growth each year. THUNDERBEAT is an energy device that integrates advanced bipolar and ultrasonic energy. As a platform, the system is compatible with our lineup of THUNDERBEAT products for laparoscopic and open surgeries as well as with the SONICBEAT ultrasonic energy device and the bipolar PK device that can be utilized to approach a wide range of clinical departments. We will continue expanding our energy device market share by bolstering our lineup of products through the development of devices that are compatible with various surgeries and procedures. One example is the THUNDERBEAT Type-S, which features refined basic functions and was released in fiscal 2018. At the same time, we will grow our single-use device operations.

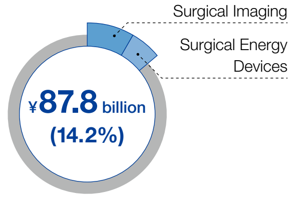
KPI (16CSP)

	Initial CAGR target (Five-year period spanning FY2017–FY2021)	CAGR for 1st half of 16CSP* (Three-year period spanning FY2017–FY2019)	CAGR target for 2nd half of 16CSP* (Two-year period spanning FY2020–FY2021)
GSBU	11%	5%	**10–13%**
Surgical Imaging	10%	3%	**11–14%**
Surgical Energy Devices	14%	9%	**9–12%**

* Figures announced on September 5, 2018

Revenue / Share of Revenue by Field

(FY2018)



MEDICAL BUSINESS

Urology / Gynecology Business Unit (UGBU)

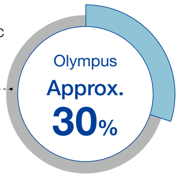
The UGBU is supporting Olympus' continuous business expansion as a core business unit. We aim to achieve sustainable growth through the reinforcement of our existing business structure by gained through the gastrointestinal business and the surgical device technologies. In addition, we will take advantage of our solid sales network to expand our business domain while also acquiring new technologies.

Head of Uro / Gyn Business Unit
Minoru Okabe

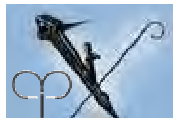
Global Market Share / Competitors (As estimated by the Company)

Urology

Karl Storz
Richard Wolf
Boston Scientific
Cook Medical
CR Bard



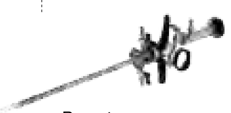

Flexible cystoscope

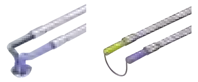

Flexible ureteroscope


Stone treatment devices (single-use)

Market Scale (Growth Forecasts)

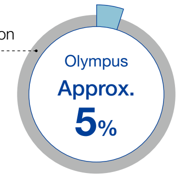
¥170 billion–¥190 billion (CAGR: 2%–4%)


Resectoscope


Therapeutic electrodes

Gynecology

Karl Storz
Richard Wolf
Johnson & Johnson




Flexible hysteroscope

Market Scale (Growth Forecasts)

¥40 billion–¥50 billion (CAGR: 2%–4%)

Operating Environment / Risks and Opportunities

Operating Environment

Urology	▪ Approx. 1.0 million benign prostatic hypertrophy and bladder tumor resection procedures conducted annually; increasing cost awareness associated with day surgery and prevention of reoccurrence ▪ Approx. 1.8 million stone treatment procedures conducted annually; number of high-efficacy endoscopic treatments (ureteroscopic lithotripsy) rising (CAGR: 4%)
Gynecology	▪ Previously, no competitor with an overwhelming gynecology market share, with the field mostly served by multi-specialty companies offering a wide range of products, including those outside of the gynecology field, but potential for massive companies to enter the market through M&A activities that may drive the consolidation of the market

Strengths of Business Unit

- Robust TURis* product lineup and high installation base share
- Competitive visualization (NBI) and treatment (TURis) technologies
- Superiority in terms of rigid endoscope and high-frequency resection device technologies that can be applied to the gynecology field

* TURis: Transurethral Resection in Saline

Focuses for Business Growth

- Maintenance of sufficient share in flexible endoscopes and TURis markets (flexible endoscope market share of more than 60%)
- Expansion of urinary tract stone management market share (share of 14% in Europe, the United States, and Japan)

Opportunities

- Increase in the needs to treat difficult cases more efficiently
- Anticipated spread and establishment of examination and surgical procedures using flexible cystoscopes in emerging countries and Europe
- Shift toward day surgery and other minimally invasive therapies in the gynecology field

- Elongated lead times for commercializing and launching products
- Customer retention activities of earlier market participants

Risks

Business Strategies / Priority Measures

1	Urology: Secure Dominant Shares in Markets for Flexible Endoscopes and TURis Products That Leverage Technological Prowess of Olympus
2	Urology: Strengthen Urinary Tract Stone Management Business Operations to Expand Market Share
3	Gynecology: Increase Market Share by Leveraging Existing Products and Technologies

Accomplishments in Fiscal 2018 and Future Measures (Tasks)

1 Urology: Secure Dominant Shares in Markets for Flexible Endoscopes and TURis Products That Leverage Technological Prowess of Olympus

By utilizing the strength of the narrow band imaging (NBI) technologies we originally developed for use in gastrointestinal endoscopes, Olympus has achieved the top market share for cystoscopes. In addition, we are growing sales of TURis electrodes for benign prostatic hypertrophy and bladder tumor resection by leveraging the strength of the high-performance, high-frequency technologies we have accumulated in surgical energy device operations.

In fiscal 2018, TURis electrodes for benign prostatic hypertrophy and bladder tumor resection saw favorable performance in all regions. Case numbers for both of these treatments are displaying an upward trend. Seeking to take advantage of this trend to drive the ongoing growth of TURis electrode sales during the second half of 16CSP, we will continue to reinforce the competitiveness of our products while also strengthening customer contact points and sales capabilities. We will also enhance our ability to cater to the needs of group purchasing organizations (GPOs) and integrated delivery networks (IDNs) while improving support for healthcare professionals to promote the wider use of these procedures.


Transurethral resection of prostate


Therapeutic electrode


Flexible cystoscope

2 Urology: Strengthen Urinary Tract Stone Management Business Operations to Expand Market Share

Similar to cystoscopes, we have won the top market share for flexible ureteroscopes, which are used for treating urinary tract stones and kidney stones, by taking advantage of our small diameter scope technologies. The new flexible ureteroscopes first launched in Europe feature superior resolution, exceptionally small diameters, and high durability. In addition, we will strengthen our sales systems in Japan and Europe to grow sales of stone treatment devices (single-use products), which are used with flexible ureteroscopes to treat urinary tract stones.

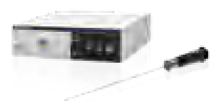
Furthermore, Olympus enhanced its urinary tract stone management product portfolio with the March 2018 release of a laser lithotripsy system in Europe. We also incorporated the production technologies of Cybersonics, Inc., a company that designs and manufactures medical devices based on ultrasonic technologies, in April 2018. As a result, Olympus is now equipped to develop and manufacture lithotripsy systems in-house. Looking forward, we will seek to further elevate Olympus' position in the urinary tract stone management field.


Urinary stone treatment


Flexible ureteroscope


Stone treatment devices


Laser lithotripsy system


Ultrasonic lithotripsy system

Enhanced our urinary tract stone management product portfolio

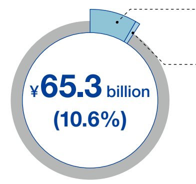
KPI (16CSP)

	Initial CAGR target (Five-year period spanning FY2017–FY2021)	CAGR for 1st half of 16CSP* (Three-year period spanning FY2017–FY2019)	CAGR target for 2nd half of 16CSP* (Two-year period spanning FY2020–FY2021)
UGBU	8%	5%	**5–8%**

* Figures announced on September 5, 2018

Urology	▪ Flexible Scopes: Acquire and maintain dominating No. 1 share (more than 60%) ▪ Stone Treatment Devices (single-use): Share: 14% (Europe, U.S., and Japan)
Gynecology	TCRis Electrodes: Share: 5% (U.S.)

Revenue / Share of Revenue by Field
(FY2018)



MEDICAL BUSINESS

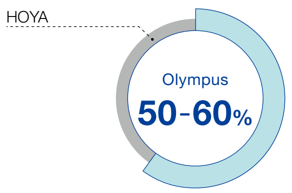
Ear, Nose, and Throat Business Unit (ENTBU)

The ENTBU will continue to grow its operations by utilizing the Company's core competencies and capitalizing on the strong growth potential of the ENT business. Specific efforts will include expanding the range of areas in which this business unit is active by leveraging the technologies developed in gastrointestinal endoscope and surgical device operations. We will also aggressively invest in both sales network reinforcement and product development to increase earnings capacity.

Head of ENT Business Unit Georg Schloer

Global Market Share / Competitors (As estimated by the Company)

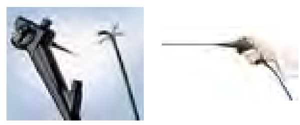
Laryngology



VISERA ELITE II*

Market Scale (Growth Forecasts)

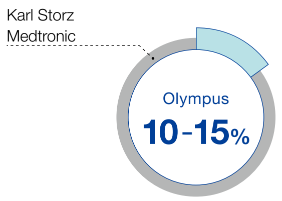
¥15 billion–¥17 billion (CAGR: 4%–5%)



Flexible endoscopes

* Upon regulatory approval. Not for sale in North America as of September 30, 2018

Rhinology / Otology



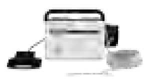
Debrider (DIEGO ELITE)

4K camera head and rigid scope

Market Scale (Growth Forecasts)

Rhinology	¥22 billion–¥24 billion (CAGR: 4%–5%)
Otology	¥5 billion–¥7 billion (CAGR: Less than 1%)

High-frequency ablation system (CELON ELITE)



Lens cleaner sheath (InstaClear)

Operating Environment / Risks and Opportunities

Operating Environment

Laryngology	▪ Improved recognition of NBI benefits ▪ Rising needs for early diagnosis
Rhinology / Otology	▪ Increased needs for high-resolution, wide-color-spectrum images through HD and 4K systems ▪ Sinus surgeries and procedures using debriders commonplace in developed countries

Strengths of Business Unit

- Competency with regard to imaging devices and endoscopes in particular
- Wide-ranging R&D resources in imaging technology field
- Extensive product portfolio in rhinology and otology fields

Focuses for Business Growth

- Maintenance of dominating No. 1 share in laryngology field through constant pursuit of high value
- Commencement of ESS* imaging business (share of more than 10%)
- Expansion of ESS treatment business (share of more than 20%)

Opportunities

- Higher number of endoscopic examinations due to rise in case numbers of laryngeal and pharyngeal cancer and population aging
- Increasing demand for high-value-added products due to development of more advanced ESS procedures
- Rising expectations for sinusitis treatments in outpatient and office settings

- Downward pressure on prices by low-end video systems
- Rising barrier to entry into the ESS market created by monopolizing companies
- Intensified competition creating additional barriers for participation

Risks

* ESS: Endoscopic sinus surgery

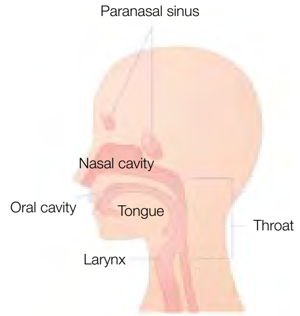
Business Strategies / Priority Measures

1	Laryngology: Expand ENT Flexible Endoscope Operations Centered on "Videonization"
2	Rhinology: Acquire ESS Operations
3	Establish Global Sales Systems

Accomplishments in Fiscal 2018 and Future Measures (Tasks)

1 Expand ENT Flexible Endoscope Operations Centered on "Videonization"

As a result of our ongoing efforts to solicit the medical benefits of narrow band imaging (NBI) in examinations of the laryngeal and pharyngeal region, the transition from fiberscopes to videoscopes progressed smoothly on a global basis. In fiscal 2019, we have already introduced several new videoscope products. These new products include an ENT videoscope that is 30% lighter than previous offerings and which features a completely new, ergonomically based control section as well as a videoscope that is capable of being manipulated in four directions. Through sales promotions focused on such new products, we aim to increase sales of flexible endoscopes and thereby grow our ENT field operations.



Nose and throat

Flexible endoscope which offer ergonomic new control section

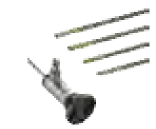
Laryngeal and pharyngeal region examinations are conducted by inserting flexible endoscopes via the nasal cavity.

2 Acquire ESS Operations

Olympus continues to focus on spreading use of its ESS treatment device (DIEGO ELITE), and it also anticipates growth in its ESS field imaging and treatment device operations. In fiscal 2019, we will move forward with efforts to propose the unique "See & Treat" value advocated by Olympus by combining products such as DIEGO ELITE, 4K camera systems, and the InstaClear lens cleaning sheath in order to further expand our ENT field operations through these efforts.

Endoscopic sinus surgery

Lens cleaning sheath (InstaClear)



4K rigid scopes

DIEGO ELITE

Clogged paranasal cavities are cleared by making incisions with debriders, while observing the site via endoscopes, to extract the pus that has accumulated in the cavity.

3 Establish Global Sales Systems

Olympus is continuously enhancing its ENT product sales functions centered on Europe and Asia. Through sales strategies based on focus products identified in consideration of regional characteristics, we achieved increased performance in both of these regions in fiscal 2018.

KPI (16CSP)

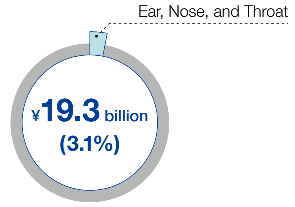
	Initial CAGR target (Five-year period spanning FY2017–FY2021)	CAGR for 1st half of 16CSP* (Three-year period spanning FY2017–FY2019)	CAGR target for 2nd half of 16CSP* (Two-year period spanning FY2020–FY2021)
ENTBU	13%	12%	10–13%

* Figures announced on September 5, 2018

Laryngology	Flexible Scopes: Maintain dominant No. 1 share by pursuing even higher levels of product and service value
Rhinology	▪ ESS Imaging: Achieve market share of more than 10% ▪ ESS Debriders: Achieve market share of more than 20%

Revenue / Share of Revenue by Field

(FY2018)



MEDICAL BUSINESS

Medical Service Business Unit (MSBU)

We recognize the Medical Service Business Unit as supplying a core competency of Olympus toward maintaining the highest quality of our medical devices. This business unit will continuously strengthen customer contact points to provide ongoing support for the overall growth of the Medical Business. Specifically, we aim to further enhance relationships with customers and grow our medical service business.
To this end, we will allocate the management resources necessary for establishing and reinforcing service system foundations in emerging countries that are projected to grow rapidly while providing services matched to various customer needs.

Head of Medical Service Business Unit Yoshihito Shimizu

Business Strategies / Priority Measures

1	Expansion of Service Contracts*1
2	Reinforcement of Surgical Device Field Services
3	Deployment of Efficient Repair Services and Improvement of Productivity

Accomplishments in Fiscal 2018 and Future Measures (Tasks)

Olympus has continued working to improve customer satisfaction by realizing impeccable repair quality and shortening repair turnaround times. Looking ahead, we will redouble our efforts for preventing product failures and increase the number of service contracts that respond to various customer needs and realize high levels of customer satisfaction. In addition, we will enhance endoscopic medicine support services.

In fiscal 2018, performance was strong in all regions, leading to growth in line with our expectations. Seeking to develop even more appealing service contracts, we enhanced our service contract management systems and performed analyses of data on the frequency of use cases prior to product failures*2 in order to facilitate preventive maintenance activities. In regard to services for the surgical device field, our efforts are focused on services that contribute to improvements in device operating rates. At the same time, we are smoothly reforming our base network centered on Europe and the United States, which includes reorganizing, consolidating, and establishing new repair bases. We commenced operations at a repair base in Portugal in April 2017, and completed construction of our second repair base in North America in October 2018, located in Bartlett City, Tennessee, the United States. In the following month of November, operations commenced at a new base in Dubai that will serve the Near and Middle East. In the future, we are planning to further enhance our network of repair bases in the Near and Middle East and in Asia. Coordination will be pursued with the manufacturing function in order to maximize the benefits of the consolidation of repair bases as we move ahead with the reorganization and reinforcement of our repair functions. Although repair bases will be consolidated, service bases will be maintained to function as contact points with customers in order to improve efficiency, quality, and profitability while also enabling us to provide services that thoroughly satisfy our customers.

*1 Service contracts: Single- or multiple-year contracts providing service coverage including free repair, priority access to loaners, regular inspection, and preventive maintenance training
*2 Frequency of use cases prior to product failures: Data usable for planning preventive maintenance training based on customer use patterns

KPI (16CSP)

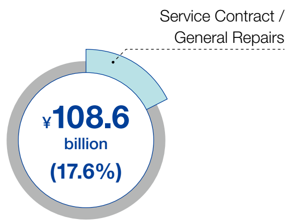
	Initial CAGR target (Five-year period spanning FY2017–FY2021)	CAGR for 1st half of 16CSP* (Three-year period spanning FY2017–FY2019)	CAGR target for 2nd half of 16CSP* (Two-year period spanning FY2020–FY2021)
MSBU	5%	7%	2–5%

* Figures announced on September 5, 2018

Key points	■ Increase number of service contracts ■ Expand service operations for surgical devices

Revenue / Share of Revenue by Field

(FY2018)



Repair Base Strategy for Improving Efficiency and Profitability

With regard to endoscopes used in the medical field, it is important to ensure that patients are always able to undergo endoscopic examinations and therapy safely and with peace of mind. An important responsibility of medical device manufacturers is thus to make ongoing contributions to the medical field by offering swift repairs in the event of a product failure and preparing loaners*3 to be provided when needed. Olympus has developed an industry-leading global service network consisting of approximately 200 repair and service bases to ensure that it is able to provide quick responses to the needs of the medical field. In addition to offering highly satisfying services to customers, we are reorganizing our repair bases to further improve the efficiency and profitability of our medical service business.

*3 Loaners: Products temporarily loaned to customers when the product they have purchased is undergoing repairs

Medical equipment repair and service sites:
Approx. 200 worldwide
Major repair*4 sites:
Approx. 50 worldwide
(improve repair and service QCD*5 through coordination with manufacturing sites)

*4 An overhaul involves the dismantling, inspection, and repair of malfunctioning equipment
*5 QCD: Quality, Cost, Delivery

Strategies in North America

Consolidation of Repair Operations into Two Bases to Construct Efficient Repair System

We seek to improve the efficiency of repair services in the United States by consolidating all repair operations into two bases, one located in San Jose, California, and the other in Bartlett, Tennessee. The San Jose base will function as a repair headquarters in the United States as well as handling repairs in the western portion of the country, while the Bartlett base will be responsible for dealing with repairs in the eastern portion. In addition, a warehouse for managing demo products has been built at the Bartlett base to allow for more efficient management of demo products through coordination with repair divisions. We also anticipate technological synergies between the Bartlett base and manufacturing divisions to be generated through the neighboring surgical device production base. The North American market is the largest market for the Medical Business. By streamlining our repair systems in this market, we aim to improve profitability while also allowing for the provision of swift and high-quality repair services.


Bartlett repair base

Strategies in Europe

Productivity Improvements through Transmission of Manufacturing Technologies and Expertise

Olympus' largest European manufacturing base is located in Hamburg, Germany. In fiscal 2019, we established a repair base next to this manufacturing base to enable swifter business activities. Through close coordination between these two bases, we will seek to transmit manufacturing expertise to the repair base to the greatest extent possible in order to heighten the technological prowess of repair divisions. We thereby aim to realize improved repair productivity while also preparing for the institution of more rigorous regulations on repair functions projected to occur in the future. In addition, we have established a new repair base in Coimbra, Portugal, to further enhance our network of major repair bases. Looking ahead, we will target higher levels of profitability by consolidating repair bases while delivering services that maintain points of contact with customers in order to heighten customer satisfaction.


Repairs being conducted at repair base in Coimbra

SCIENTIFIC SOLUTIONS BUSINESS

We help make people's lives healthier, safer, and more fulfilling around the world by supplying innovative products and services for supporting scientific research, pathological diagnoses, and inspections of manufacturing and social infrastructure.

The Scientific Solutions Business delivers high-quality products and services for a variety of markets. In this business, we will continue to strengthen points of contact with customers as we establish frameworks that will enable us to respond to changing needs by supplying optimal solutions. At the same time, we will advance global business structure reforms to improve profitability while also investing in growth fields.

Head of Scientific Solutions Business Unit

Toshihiko Okubo

Strengths (S)

- Superior technological prowess and quality for optical, imaging, ultrasound, and XRF technologies
- Top-class market shares for all product segments
- Global sales, marketing, and service networks
- Total solutions provided through diverse product lineup

Weaknesses (W)

- High susceptibility to changes in economic conditions of specific regions and countries
- Technological maturity of certain products
- Increased manufacturing and sales costs for certain products

Opportunities (O)

- Long-term demand growth for social infrastructure construction in emerging countries and aging social infrastructure maintenance in developed countries
- Continuous growth in demand in aviation, automotive, and other manufacturing industries
- New needs arising from regularization of regenerative medicine

Threats (T)

- Large foreign exchange rate movements
- Trend toward limiting capital expenditures by private-sector companies
- Delayed execution of government budgets and budget cuts in various countries
- Emergence of alternative technologies
- Economic slowdown in emerging countries
- Cyclical trends in specific customer segments

Operating Environment and Direction of Strategies for the Scientific Solutions Business

Operating Environment and Business Opportunities

In the short term, we are witnessing improvements in conditions for the semiconductor and electronic components industries due to increased demand in relation to the Internet of Things (IoT) and automotive products. Trends related to capital investment are also showing an upturn thanks to increases in natural resource prices. In the medium-to-long term, we anticipate growth in the Scientific Solutions Business to be driven in part by market expansion stemming from investment in aviation, transportation, and other social infrastructure. We also look forward to the emergence of full-fledged markets for digital pathological examinations and drug discovery and regenerative medicine support businesses.

Direction of Strategies for the Scientific Solutions Business

In the life science field, we deliver cutting-edge solutions for the cancer, neuroscience, and stem cell research markets, among others, with our high-share-holding microscopes. Olympus also endeavors to address the new needs arising from the increase in pathological examinations stimulated by the advancement of preventive medicine and the acceleration of regenerative medicine and drug discovery research through private-public partnerships. During the period of 16CSP, we anticipate that growth in microscope operations will be limited. We will therefore be seeking to generate profits through business structure reforms while investing in growth fields. As for the industrial field, the Company is making steady progress in the customer segment-oriented strategies described in 16CSP amid favorable conditions in the global market, and it will thereby pursue growth in existing businesses while simultaneously bolstering product portfolios. At the same time, we aim to cater to new needs in the future growth fields of smart factories, automotive inspection, and structure monitoring.

Market Shares and Portfolios

	Biological Microscopes	Industrial Microscopes	Industrial Videoscopes	Non-Destructive Testing Equipment	X-Ray Fluorescence (XRF) Analyzers
Field	Life Science	Industrial			
Share	40–50%	30–40%	35–45%	30–40%	25–35%
Competitors	Nikon, Zeiss, Leica	Nikon, Zeiss, Leica	GE	GE	Thermo Fisher
Products					
Uses	Biological and medical research and pathological examinations	Contribution to improvements in efficiency and quality in industry as well as in safety and security in everyday lives			
	Basic life science research and clinical pathological examinations aimed at better understanding illnesses and other topics	Semiconductor, electronic component, and automotive part inspections, etc.	Aircraft engine inspections, etc.	Plant and pipeline inspections, etc.	Resource and environmental surveys, RoHS directive compliance, etc.
Customer Segment	LS Research Clinical (Pathological Examination) Regenerative Medicine Support & Drug Discovery Support	Manufacturing / Environment & Natural Resource / Infrastructure Maintenance			

Priority Measures

1	Improve Earnings Capacity and Keep Operating Margin Consistently above 10% through Initiatives Tailored to Customer Segments	■ Achieve organic growth in industrial and pathological examination fields ■ Improve profitability by reforming business processes and cutting costs in existing business
2	Actively Expand Portfolios Targeting Customer Segments in Which Particular Growth Can Be Anticipated in Consideration of Company Strengths and Market Growth Potential	■ Expand lineup of solutions that contribute to increased inspection quality, productivity, and efficiency for customers
3	Broaden Scope of Development of Drug Discovery and Regenerative Medicine Solutions to Further Long-Term Growth	■ Conduct up-front investments in future growth

Accomplishments in Fiscal 2018 and Future Measures (Tasks)

Accomplishments

- Contributions from industrial microscopes, non-destructive testing equipment, and other industrial field products due to recovering natural resource prices and favorable conditions in the semiconductor and electronic component markets
- Proactive expansion of product portfolios for manufacturing, infrastructure maintenance, and other customer segments in which we can anticipate market growth and leverage Company strengths
- Strong performance in component business supplying components that utilize advanced optical technology and are meant to be embedded in other equipment and for non-destructive testing equipment designed to be incorporated into automated inspection processes

Future Measures (Tasks)

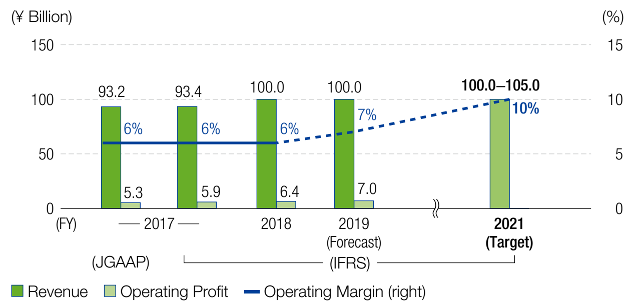
- Further improvement of business efficiency to increase profitability in the life science field
- Advancement of R&D ventures to expand portfolios and implementation of other strategies for creating new sales opportunities
- Ongoing reinforcement of customer contact points and development of fundamental technologies to achieve long-term growth in the regenerative medicine support field anticipated to see market growth in conjunction with future advancement of research

KPI (16CSP)

	FY2021 (Initial targets)	FY2021 (After Sep. 2018 revision)
Revenue	¥130.0 billion	**¥100.0–105.0 billion**
Operating Profit	¥13.0 billion	**—**
Operating Margin	10%	**10%**

Key Points
- Strengthen earnings capacity to keep operating margin consistently above 10%

Note: Foreign exchange assumptions have been revised to ¥105 to US$1 and ¥130 to €1 (¥115 to US$1 and ¥130 to €1 at time of the formulation of 16CSP).



IMAGING BUSINESS

We will provide people with joy and make their lives more fulfilling through the supply of mirrorless cameras and other innovative products.

The Imaging Business is steadily transforming its business structure. Looking ahead, we will pursue stable earnings by identifying customer needs to supply products and services that are uniquely Olympus through the development, manufacture, and sale of high-value-added products.

Head of Imaging Business Unit

Shigemi Sugimoto

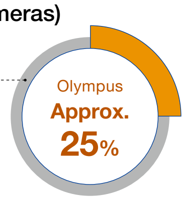
S Strengths
- Unique technologies accumulated by concentrating on mirrorless cameras
- Competencies in designing and manufacturing compact, lightweight, high-performance lenses
- Leading share in mirrorless camera market (domestic)

W Weaknesses
- Small shares of massive U.S. and Chinese markets

O Opportunities
- Ceased contraction of single-lens-reflex camera market due to growth of mirrorless cameras

T Threats
- Intensified competition in mirrorless camera market
- Further evolution of smartphones and tablets

Domestic Market Share (Mirrorless Cameras)



Digital Cameras

Mirrorless interchangeable-lens cameras, compact digital cameras, digital camera-related products, digital camera lens barrels, optical components

Others

IC recorders, binoculars

Application of Imaging Business Technologies to Other Businesses

The Imaging Business functions as a Companywide technology driver, and technologies developed in this business are being applied to other Olympus businesses.

Technology	Business of Application	Area of Contribution
① Advanced digital technologies	Scientific Solutions Business	Development of regenerative medicine solution prototypes using Wi-Fi and ICT
② Low-cost production and design technologies ③ Mobile technologies	Medical Business	Development of next-generation energy devices using shortened, low-cost development processes and mass-production and miniaturization technologies

Operating Environment and Forecasts

Faced with a rapidly contracting digital camera market, we pushed forward with structural reforms to shrink the Imaging Business to a more appropriate scale. We thus sought to realize a business structure that will enable the Imaging Business to continue generating profits, despite the reduction in sales, by revising cost structures and strengthening sales activities pertaining to high-margin interchangeable lens products. The result was enhanced earnings structures.

Meanwhile, the mirrorless camera market is witnessing intensified competition due to the entry of new rivals. Olympus is strengthening sales of mirrorless camera through ongoing selection and concentration and risk control measures.

Priority Measures

1	Advance Ongoing Business Structure Reforms	■ Focus on the development of high-value-added mirrorless cameras (primarily OM-D series) and interchangeable lenses (PRO series) boasting competitive prices ■ Develop systems that allow for improved efficiency in new product manufacturing start-ups and mass production by transferring production to Vietnam ■ Increase the procurement of finished units and establish systems for Companywide purchasing
2	Improve Responsiveness to Market Changes	■ Monitor the market scale and Olympus' share to respond to changes in conditions by improving sales function efficiency and advancing the selection and concentration of target market segments
3	Minimize Inventory Risks	■ Reduce product supply lead times and lower risks associated with overdependence on certain regions to shorten inventory turnover periods
4	Contribute to Olympus as Groupwide Technology Driver	■ Establish comprehensive range of technologies for 4K and 8K video, development of devices necessary for recording at these resolutions, and optimization of interface with outputs (monitors) ■ Apply advanced digital, low-cost manufacturing, and mobile technologies—which are created through the process of developing and manufacturing OM-D series cameras and PRO series lenses—to other businesses

Accomplishments in Fiscal 2018 and Future Measures (Tasks)

Accomplishments

- Advancement of structural reforms to generate stable earnings
  - Ceasing of operations at a Chinese manufacturing subsidiary
  - Transference of production to the Vietnam plant, reduction in ratio of manufacturing costs to revenue
- Reinforcement of earnings foundation
  - Improvement of product quality through enhancement of quality assurance systems and reduction of fixed costs through revision of sales systems
- On-schedule introduction of OM-D E-M10 Mark III and two M. Zuiko PRO series lenses due to concentration on development of mirrorless cameras

Future Measures (Tasks)

- Ongoing advancement of structural reforms to maintain profitability
  - Commencement of operations at Vietnam factory after transference of production (augmentation of production capacity and improvement in efficiency)
  - Reinforcement of sales function after streamlining through selection and concentration (response to changes in conditions)

TOPIC

Honored with Camera Grand Prix 2018 "Lens of the Year" Award and Top Share for Mirrorless Cameras and IC Recorders for Three Consecutive Years

The M. Zuiko Digital ED 17mm F1.2 PRO high-performance, single vision lens was honored with the Camera Grand Prix 2018 "Lens of the Year" award. Olympus is the first company to achieve this high honor for three consecutive years. In addition, Olympus honored the top share in the BCN AWARD 2018 for its mirrorless cameras and IC recorders for the third straight year.

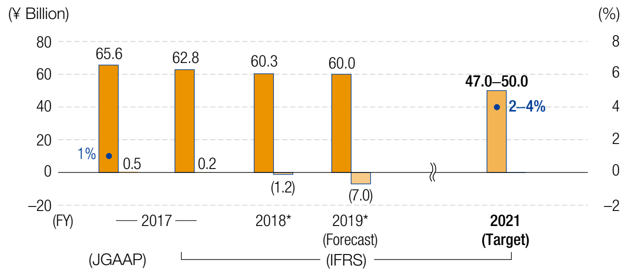
Development team for the M. Zuiko Digital ED 17mm F1.2 PRO

KPI (16CSP)

	FY2021 (Initial targets)	FY2021 (After Sep. 2018 revision)
Revenue	¥55.0 billion	¥47.0–50.0 billion
Operating Profit	¥2.0 billion	–
Operating Margin	4%	2–4%

Key point ■ Target consistent profitability rather than sales scale

Note: Foreign exchange assumptions have been revised to ¥105 to US$1 and ¥130 to €1 (¥115 to US$1 and ¥130 to €1 at time of the formulation of 16CSP).



■ Revenue ■ Operating Profit (loss) ▬ Operating Margin (right)

* Operating loss recorded due to expenses related to ceased operations at Chinese manufacturing subsidiary

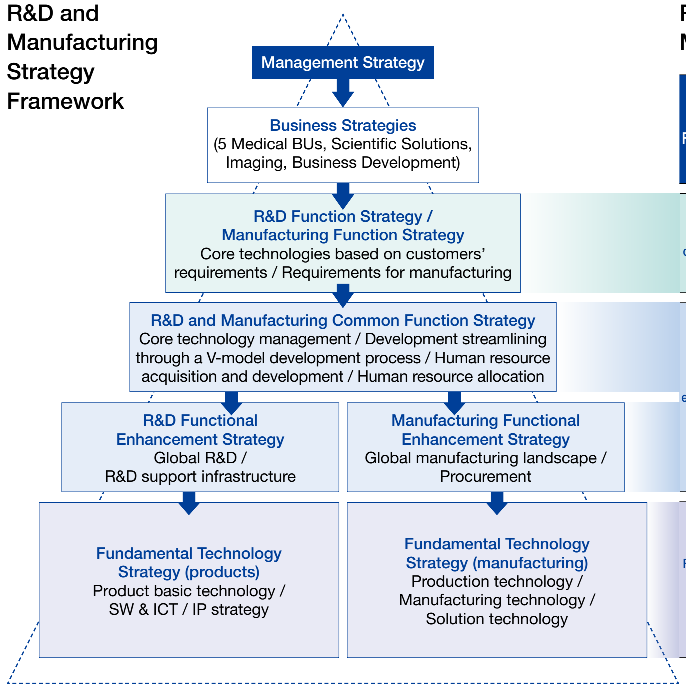
R&D Activities

Product innovation at Olympus, and the eventual commercialization of all Olympus products, is rooted in the Company's policy of developing advanced technologies with the next 10 years in mind. New ideas and new technologies from Olympus lead to brighter futures for individuals and society.

Basic Policy

Olympus provides value in the form of early diagnosis and minimally invasive therapies through the supply of endoscopes, microscopes, digital cameras, and other proprietarily developed products. We refer to the differentiated technologies that allow us to create such value for customers as "core technologies," and these core technologies arise from our core competencies in optical technologies, electronic imaging technologies, precision technologies, and biological-based technologies. It is the goal of the R&D Group to support Olympus in creating value that exceeds customer expectations on into the future and in constantly providing competitive products and services. We will therefore continue striving to enhance and develop new core technologies.

R&D and Manufacturing Strategy Framework



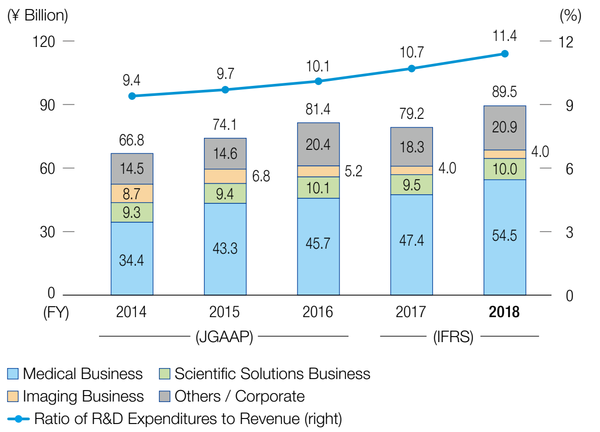
Relationship between R&D Strategy Framework and Management Targets

Strategy Framework		Relationship to Management Targets: Capital efficiency (Development efficiency improvement)	Profitability (Cost of sales ratio reduction)	Business growth (Sales expansion)	Business growth (Preparations for new businesses)
Business field technology development function strategies	Medical		○	○	
	Scientific Solutions				
	Imaging				
Functional enhancement strategies		○	○		
Fundamental technology strategies	Basic technology	○			○
	Production technology		○	○	○
	Manufacturing technology		○		
	Solution technology	○			

Overview of R&D Activities

In fiscal 2018, total R&D expenditures increased 13.0% year on year, to ¥89.5 billion, and the ratio of R&D expenditures to revenue rose 0.7 percentage point, to 11.4%. The R&D function of Olympus aims to provide technical support to the Medical Business and other businesses and to continue to evolve the Company's core technologies. We conducted more than 60% of R&D expenditures in the Medical Business. These expenditures were primarily used to fund the development and subsequent launch of products such as ORBEYE, a surgical microscope with 4K, 3D capabilities, and Endocyto, an ultra-high magnifying endoscope that is capable of performing real-time imaging in the manner of a microscope down to the cellular level. In other businesses, we developed imaging processing technologies, including those using AI, and robotics technologies and engaged in other R&D activities to further our mainstay businesses.

R&D Expenditures / Ratio of R&D Expenditures to Revenue



Message from the CTO

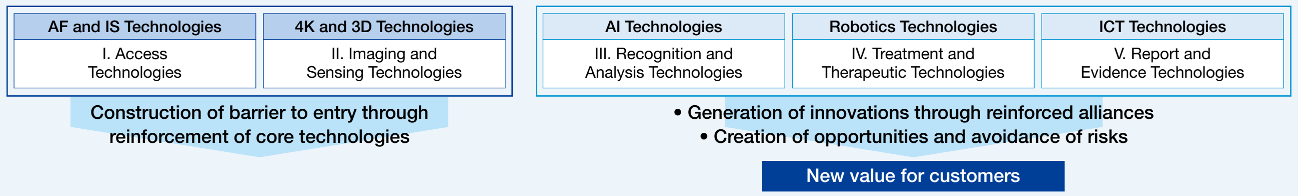
Olympus will breed business innovation that gives form to dreams with new ideas and technologies to create value for customers the likes of which have never been seen.

Haruo Ogawa
Chief Technology Officer, Head of R&D Group

Enhancement of Overall Level of Technology through Core Technology Monitoring

To support Olympus in enacting its management policy of "To be the greatest Business to Specialist Company," we have defined five core technology groups based on customer workflows. We already boast strength with regard to the autofocus and other technologies contained in group I and the 4K and 3D technologies of group II. Groups III, IV, and V, however, are areas that require strengthening. We sought to facilitate efforts to accumulate such strength by constructing frameworks for monitoring the numbers of core technologies and their levels. This undertaking was kicked off immediately following the establishment of 16CSP. We are implementing a PDCA (plan-do-check-act) cycle in accordance with this undertaking by assessing and analyzing our core technologies from the objective viewpoint of our competitors, formulating and implementing measures related to these technologies, and reviewing said measures. These initiatives are steadily generating results, and we are seeing an increase in the overall level of our core technologies and their competitiveness in groups III, IV, and V and in other areas.

Core Technology Groups Arranged from the Perspective of Workflows to Create Customer Value



Generation of Innovations in Step with New Technological Advancements

Various companies from other industries are advancing into the medical device market with the goal of capitalizing on its anticipated growth. Viewing the risks this situation creates as opportunities, Olympus established the Innovation Promotion Office to draft and execute innovation strategies. Moreover, we have identified three strategic themes for the Company to prioritize based on analyses of the operating environment and risks of the overall medical industry.

We refer to these activities as X INNOVATION, or "cross innovation." In the past, Olympus exercised self-sufficiency in the development of new products by leveraging the strengths of its core technologies. In the future, however, we will look to address social risks by providing solutions through collaboration with other companies.

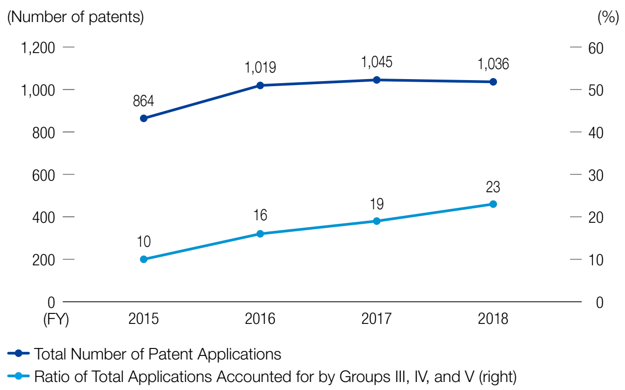
I would now like to introduce the themes on which we will base such activities in the Medical Business. First of all, we will target the development of next-generation endoscopic examination workflows (Endoscopy Intelligent System). On this front, we will look to support endoscopic treatments with AI, ICT, and robotics technologies. We also aim to help reduce the burden placed on healthcare professionals and offer greater ease in the procedures they must perform by simplifying cleaning and disinfection processes and providing means of confirming the effectiveness of these processes. In the surgical device field, we endeavor to offer solutions that assist surgeons in making decisions and conducting surgeries by using operating room systems integration, AI, and robotics technologies. With unprecedented ideas and bold strategies and initiatives, we will seek to generate innovations in step with new technological advancements.

Intellectual Property Activities

Management of Intellectual Properties for Core Technologies

Olympus' core technology management strategy for research and development activities categorizes core technologies linked to customer value into five technology groups based on customer workflows. The Company's core technology management practices are designed to provide balanced support for five technology groups with regard to intellectual properties. In addition to acquiring intellectual property rights for technologies developed by Olympus, we implement other initiatives for creating a strong patent portfolio, which includes incorporating technologies developed by other companies. Of the five technology groups, we recognize that strengthening technologies related to groups III, IV, and V will be of particular importance to future growth. Accordingly, we are stepping up patent applications in these groups while advancing intellectual property strategies that coincide with the growth of our business.

Total Number of Patent Applications over Past Four Years and Ratio of Total Applications Accounted for by Groups III, IV, and V



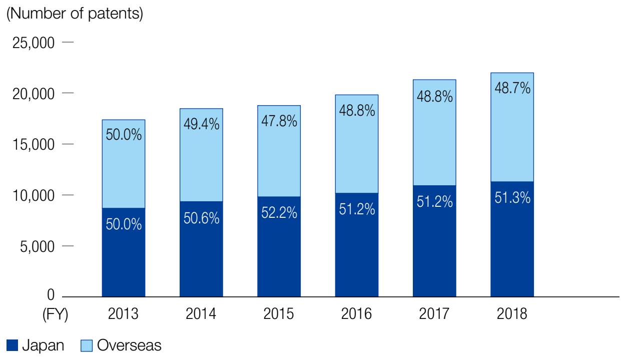
Replacement of Patent Portfolio

During fiscal 2018, the second year of 16CSP, the Company abandoned of approximately 3,000 of the roughly 20,000 patents it held on March 31, while applying for around 5,000 new patents. In this manner, we are moving ahead with the replacement of our patent portfolio by abandoning of those patents from which we cannot anticipate future synergies when considering the Company's strategies. By sustaining a sound patent portfolio while maintaining upkeep fees for intellectual property rights at an appropriate level, we aim to support innovative R&D activities by Olympus.

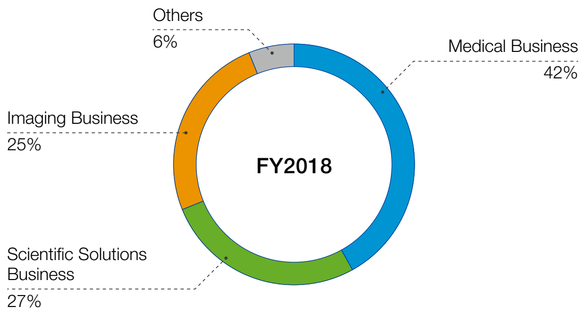
Patent Replacement Figures for Past Two Years

(Number of patents)	Held	Abandoned	New	Total
FY2016	19,825	—	—	19,825
FY2018	16,738	3,087	5,249	21,987

Number of Patents Held in Japan and Overseas



Share of Patent Applications by Business Portfolio



TOPIC

Olympus was selected as the 2017 Top 100 Global Innovators by U.S. investigation firm Clarivate Analytics (formerly the Intellectual Property & Science business of Thomson Reuters). Clarivate compiles this list by analyzing intellectual property and patent trends based on its patent data to identify the world's most innovative companies and institutions. Olympus has been selected for inclusion in each of the seven years since the inception of this list.

(Right) Hirofumi Hino
Representative Director,
Clarivate Analytics (Japan) Co., Ltd.
(Left) Masaaki Yamagishi
Division Manager,
Intellectual Property &
Licensing Division

Partner and Customer Assets

Olympus aspires to be the greatest "Business to Specialist" Company. In order to accomplish this objective, we must view specialists, including healthcare providers, researchers, and other highly specialized customers and partners, as more than just the target of our business; we must view them as important management resources.

Reason for Positioning Partners and Customers as Important Management Resources

Olympus has committed itself to product creation activities based on an acute understanding of the needs of specialists. The strengths accumulated through this process have been utilized to swiftly supply solutions and services that accurately address customer needs. Olympus will continue to contribute to a medical environment that cares for the health and wellbeing of people around the world while also creating value together with the specialists who are both its customers and its partners.

OLYMPUS
Resolve issues by leveraging highly specialized skills

Specialist
Highly specialized needs and issues

Partners (Highly specialized customers)

Medical Business
- Physicians, technicians, nurses
- Medical institutions

Scientific Solutions Business
- Researchers, developers
- Academic institutions, manufacturers

Imaging Business
- Professional photographers
- Consumers

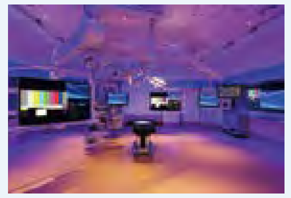
Creation of Value Together with a Partner and Customer

Masafumi Inomata
Medical Department Professor
(Lecturer on gastric system and pediatric surgery), Oita University

Together with Olympus, I seek to shape the future of medical practices, valuing the safety and peace of mind of patients throughout the entirety of this undertaking

I am involved in a project spearheaded by the Japan Agency for Medical Research and Development, an organization supported by the Ministry of Education, Culture, Sports, Science and Technology; the Ministry of Health, Labour and Welfare; and the Ministry of Economy, Trade and Industry. As part of my involvement in this project, I am working together with Olympus to develop an unprecedented new procedure known as Smart Endoscopic Surgery, a technique that utilizes artificial intelligence to realize higher levels of safety. Currently, physicians must call upon their own skills and experience when performing difficult or complicated procedures. With this next-generation surgery system, however, we will bring the surgical field into the future by providing a variety of safety control features. For example, monitors may be used to display where vessels lie hidden in adipose tissue or alarms can be sounded when instruments contact a part of the body that is not to be cut.

One reason doctors such as myself keep using Olympus products is that the Company makes products that match our needs. In addition, Olympus' ability to respond to our needs is extraordinary. In the past, I took part in a development project at Olympus for a new product to be used in endoscopic surgery for treating colorectal cancer. Such surgeries can require endoscopes to be manipulated in the small space inside the pelvis, which is said to be one of the most difficult surgery sites. If an ultrasonic coagulation and cutting device is used for surgeries in this site, it will produce mist that will eventually obstruct the field of vision. We asked Olympus to refine their product so that we could perform surgeries while eliminating this mist; Olympus was able to meet this request. In June 2018, I once again partnered with Olympus to establish the EndoALPHA Room at Oita University. This facility is equipped with the latest 4K, 3D fluorescence imaging and other technologies as well as a next-generation surgical environment in which two teams can simultaneously perform rectal cancer and esophageal cancer operations. Of course, all aspects of this facility have been designed with patient safety as the top priority. Improving surgery quality is, no doubt, a matter of importance. That being said, it is equally important to develop technologies that will respond to the needs that will emerge in the medical field five to 10 years down the line. I hope that Olympus will take a long-term perspective in its product development ventures while always incorporating the voice of the medical field.



EndoALPHA Room at Oita University

Industry-Academia-Government Partnership with Olympus to Train Physicians in Emerging Countries

I serve as an instructor in a program organized by the Japan International Cooperation Agency for training physicians in endoscopic surgery. Through this program, I collaborate with Olympus to perform annual training on safe surgical procedures and medical device use in Thailand, Russia, and other emerging countries. Emerging countries face a severe lack of endoscopists, and industry-academia-government partnerships are crucial to training physicians in such countries. This is because, in addition to capable instructors, such training requires quality programs, environments, and support systems. In this regard, Olympus provides training facilities and also has local personnel in emerging countries who, being well acquainted with the surgical facilities of the country and circumstances facing local physicians, are able to support instructors from Japan. I find this program to be most meaningful, as increasing the number of endoscopists and endoscopic surgeons in emerging countries will grant patients more opportunities to undergo minimally invasive surgeries.

Human Resources

Olympus views its human resources as the most important management resource to ensuring its sustained growth. We therefore respect the individuality of employees as we seek to become an organization that can furnish swift and systematic responses to changes in the operating environment.

Basic Policy Regarding Human Resources

Olympus faces a rapidly changing operating environment. In order for the Company to grow and return value to society, it is crucial that all employees pursue self-growth as independent and socially minded craftspeople to become able to respond appropriately to social change. We revised our corporate philosophy in May 2018 and clarified Our Purpose, which lays out the aims of the company, and Our Core Values, the values that all employees should share. We also defined Our Behaviors, guidelines concerning the concrete actions to be taken, to reflect Our Core Values in the activities of individual employees. We are implementing this new corporate philosophy in each workplace, working together with human resource divisions on a global scale. In particular, we are focusing on holding workshops for managers, key figures in this promotion.

Olympus thus believes in the importance of respecting the individuality and unique skills of its employees and, trusting in their ambition and enthusiasm, accurately evaluating their achievements and providing appropriate rewards. Our human resource development approach places an emphasis on the growth of each employee, encouraging their independent and voluntary motivation for self-development.

Major Initiatives

1. Global Human Resource Strategy and Human Resource Development

Human resource divisions in each region are currently working together to establish a common global human resource structure and system to recruit and foster people who can work globally, and to utilize them in an optimum manner. We plan to reinforce our corporate competitiveness by establishing and implementing a worldwide human resource strategy.

As a part of this strategy, we offer the President's Award with the aim of motivating employees and invigorating our workplaces. The scope of the award has been broadened to a worldwide scale since last year, with the objective of strengthening the sense of Group engagement.

Ceremony for the President's Award

2. Promotion of Diversity

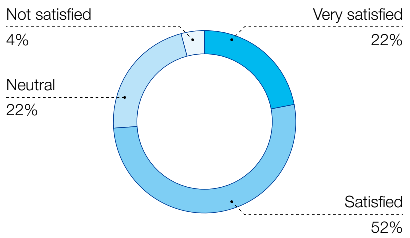
As one example of our efforts to promote diversity in Japan, we formulated an action plan as a general business operator in accordance with the Act on Promotion of Women's Participation and Advancement in the Workplace in April 2016. Based on this plan, we have expanded the range of employees to which our telecommuting system is available, and we are providing Work-Life Integration training for management with an eye to systematically cultivating female employees as well as management candidate cultivation training aimed at promoting female employees to management positions.

Training programs for female candidates for management positions have been continuing since 2016. The satisfaction level is also increasing. A number of employees reported that the training programs changed their viewpoint and behavior, and expressed positive comments, such as, "I started thinking about how to lead a team as a whole rather than keeping track of their business progress."

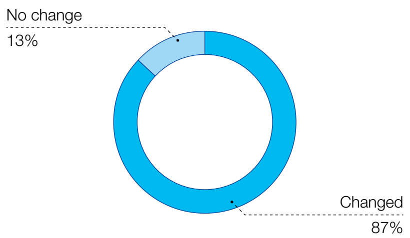
Overseas subsidiaries are also organizing environments in which diverse human resources can work actively. For example, Olympus Corporation of the Americas runs special interest groups called Colleague Affinity Networks (CANs) as a part of its diversity and inclusion program. The 10 CANs offer opportunities to increase understanding of the different backgrounds of employees working together as colleagues for Olympus. Each CAN connects people by providing seminars on intercultural understanding, career development support, mentoring and coaching, and support for working parents. For example, the Women's CAN proposed and implemented a Companywide "Integrated Schedule Options" program aimed at creating a better work-life balance and allowing employees to work from an alternative location or work alternative hours. Meanwhile, subsidiaries in Germany are receiving consultation from a third-party specialist firm on how to assist employees seeking to balance their work with child-rearing or providing long-term care to family members. Subsidiaries in the United States and the United Kingdom have worked to address this issue by establishing daycare centers, each of which are attended by between 80 and 90 children, to offer aid to working parents.

Survey Results for Female Candidates for Management Positions

More than 70% were satisfied with the training program



Nearly 90% felt they experienced changes in their viewpoint and behavior after the training program



Performance

	FY2016	FY2017	FY2018
Ratio of female managers	1.4%	1.9%	2.3%
Ratio of female full-time employees	13%	14%	14%
Ratio of female new graduate hires	19%	25%	17%

3. Promotion of Health and Productivity Management

In Japan, Olympus' goal is to foster a corporate culture in which all employees are in good physical and mental health and are filled with vitality in order to help every employee enjoy a healthier and happier life. We are therefore deploying measures to support the health improvement efforts of employees through coordination with the Health Insurance Association. We also announced the Olympus Health Declaration in April 2018 to maintain and improve the health of our employees and their families. In addition to the Quit Smoking program, we are focusing on raising awareness about preventing lifestyle diseases and cancer prevention. We will also promote health maintenance and enhancement among employees, such as by recommending lifestyle changes, encouraging regular checkups and complete examinations for cancer screening, and advice when hospital visits are required. In addition, overseas subsidiaries are promoting employee health through various initiatives of their own. Examples of these initiatives include early cancer detection campaigns, lifestyle disease prevention and improvement seminars, establishment of physical and mental health consultation venues, and provision of financial aid for enrollment in fitness gyms and participation in sports activities.

Olympus Health Declaration*

To Contribute to Make People's Lives Healthier and Happier

Olympus corporate philosophy states that its purpose is making people's lives healthier, safer and more fulfilling. We value the health and energy of our employees and their families as the foundation for achieving this vision.

The Company is committed to instigating the following measures to promote healthy lifestyles among employees and families.

1. The Company believes that the health of its employees is an important management challenge and will create a corporate culture that gives the highest priority to occupational health and safety.
2. The Company will prepare a working environment in which employees can work in an active and healthy manner—both physically and mentally.
3. The Company supports the continuing health of each employee and their family in collaboration with the Health Insurance Association.

* Only applies to Olympus Corporation and subsidiaries in Japan

External Recognition

<Japan>

Inclusion in 2018 Excellent Enterprise of Health and Productivity Management—White 500 Selection

Olympus is strategically practicing health and productivity management with a constant focus on employee health management. As a result of these efforts, the Company was chosen for consecutive selection in the 2017 and 2018 Inclusion in Excellent Enterprise of Health and Productivity Management—White 500, which is jointly compiled by the Ministry of Economy, Trade and Industry, and Nippon Kenko Kaigi, out of recognition for the excellence it has exhibited in this area. Going forward, Olympus will continue to contribute to society by creating a workplace environment that helps improve the health and vitality of employees and their families and by supporting customer health through its business activities.

Acquisition of "*Kurumin*" Certification

Olympus has continued to establish action plans based on the Act on Advancement of Measures to Support Raising Next-Generation Children through which it has advanced various initiatives, including promoting Work-Life Integration, facilitating understanding in this regard, and introducing a telecommuting system. These efforts have been recognized by the Ministry of Health, Labour and Welfare, which has designated Olympus as a "*Kurumin*" certified company.

<Overseas>

Olympus Europa SE & Co. KG Received Award for Healthcare Efforts

Olympus Europa SE & Co. KG in Germany received the Corporate Health Award. The Corporate Health Award is known in Germany mainly for promoting corporate health welfare. The assessment for this award includes the company's approach to promoting the comprehensive health of its employees, continuous health promotion activities, welfare programs, and company management's commitment to the corporate health program. Out of 304 candidate companies across 12 industry categories, Olympus became one of the 12 companies selected for the award.

Corporate Governance

As the Olympus Group approaches the 100th anniversary of its founding in 2019, it is developing global-level corporate governance systems by strengthening both the active and passive elements of these systems.

The pages that follow compile an account of a discussion between the outside directors who serve as chairmen of the Compensation Committee and the Nominating Committee, respectively, as well as an outside Audit & Supervisory Board member responsible for monitoring and supervising the Board of Directors. With the chairman of the Board of Directors as the moderator, these individuals discussed how best for Olympus to achieve governance that boasts the necessary active and passive elements and to develop its management team.

Sumitaka Fujita
Outside Director
(Chairman of the Board)
Chairman of the Compensation Committee

Michijiro Kikawa
Outside Director
Chairman of the Nominating Committee

Katsuya Natori
Outside Audit &
Supervisory Board Member

Global-Level Corporate Governance Effectiveness Improvements and Management Team Development

Discussion between Outside Officers

Evaluation of the Executive Management Team and the Effectiveness of the Board of Directors

Fujita

When Olympus instated the new management team in 2012 in the wake of the series of scandals, the Company's first priority was to recover from the state of crisis in which it had been placed as a consequence, and drastic governance reforms were instituted accordingly. This was the first stage of Olympus' governance reforms. It was at this stage that the Company appointed outside directors, who were also designated as independent directors as stipulated by the Tokyo Stock Exchange, to form a majority of the members of the Board of Directors in order to improve its effectiveness. In addition, the Nominating Committee, the Compensation Committee, and the Compliance Committee were established on a voluntary basis, even as Olympus continued to employ the Company with Board of Company Auditors system described in the Companies Act of Japan. Each of these committees were chaired by an outside director and had a membership primarily comprising outside directors. Olympus then moved on to a new stage of governance reforms during which it shifted its focus toward growth strategies. At this stage, Olympus adopted a forward-looking perspective in discerning the businesses that would be continued and those from which it would withdraw and in drastically reallocating management resources to growth fields. As such, one focus of Olympus was assembling an optimal executive management team for supporting those efforts. The next stage will entail a transition to a global management team. The Company will need to strengthen its management team to accomplish this goal, making this a challenge that must be tackled going forward.

Kikawa

I became a director at the Company two years ago, after the completion of the drastic governance reforms. Accordingly, there are some internal aspects of Olympus that I have yet to fully understand. The Board of Directors meets 26 times a year, nearly twice the frequency of most Japanese companies. In addition, briefings are always held before Board meetings, during which members of executive management provide us with the information necessary to make informed decisions. Outside directors are thereby able to voice opinions responsibly. This method is beneficial, and I therefore feel that this approach has made the Board of Directors at Olympus function highly effectively.

Natori

Similar to Mr. Fujita, I became an outside Audit & Supervisory Board member when the new management team was instated, making this my seventh year with Olympus. Back then, there was a long laundry list of issues to be addressed in order to escape from the state of crisis the Company was in at that time. With the recovery of society's trust being of utmost importance, there was a need to quickly have the Security on Alert Designation placed on the Company's stocks removed, to boost capital under precarious conditions with an equity ratio of less than 4%, and to engage in securities litigations levied against the Company by shareholders in response to the drop in stock price. Moreover, it was a new executive management team comprising individuals without director experience who were suddenly forced to tend to this long laundry list. The highly experienced outside directors provided level-headed advice and support to the new management team as it went about this task. Various discussions were held during this process, and sometimes differences of opinions arose, but we were able to surmount the challenges that we faced. The memory of finally escaping the worst of the worst is still vividly clear.

Pre-Board meeting briefings can sometimes be insufficient to even lay the groundwork for fruitful discussions. In Olympus' case, however, outside officers raise tough questions and points at briefings, and explanations are revised based on this input over the course of an entire day so that supplementary explanations can be provided at the actual meetings of the Board of Directors. This process increases the number and length of meetings, but I believe that it is a very functional approach for improving the effectiveness of the Board of Directors.

Fujita

There is always a risk that governance reforms will fail to go beyond structural changes. It is therefore important to take the extra step to reform the mind-sets of senior management. Throughout the process of the reforms I explained, the executive management team maintained a strong and earnest commitment to reforming governance, tackling one challenge at a time to bring us to where we are today. I have praise for Olympus' management in this regard. From my outside perspective, I often saw areas needing improvement, and I was very frank in voicing these concerns. The executive management team was receptive toward this input, which they used to drive improvements. Furthermore, Olympus holds base tours for outside directors and provides us with the information necessary to develop an understanding of its products and technologies. This understanding allows for more in-depth discussions at Board meetings and creates an environment in which outside directors are able to be effective in their roles through the Board of Directors.

Governance and Challenges at Olympus' Next Stage

Fujita

The next stage for Olympus' corporate governance reforms will entail a transition to a global management team. I was hoping to take this opportunity to ask you gentlemen for your opinions on how Olympus should structure its governance and management and the vision it should pursue during this stage. As you know, approximately 80% of the Company's sales currently come from overseas, meaning that operations are already in the global phase. I therefore would like to hear your thoughts on how to enhance these operations and how Olympus should go about evolving into a truly global company in both name and substance.

Kikawa

In my opinion, the next stage for Olympus is still the second stage. The Company has escaped from its state of crisis and is preparing to move on to its next stage, but that will be big step. The current management team still has the sense of urgency that will motivate it to overcome any challenge. Transferring this sense of urgency to the next management team will be crucial going forward. Accordingly, it will be important to determine what type of governance will allow for this transference to occur.

Michijiro Kikawa

Natori

There are many different approaches toward global management. In the past, I worked at a global company headquartered in the United States. This company took an exhaustive approach toward pursuing overall optimization on a global scale. This was an extreme approach that meant prioritizing global optimization above regional optimization and sometimes led to policies that were disadvantageous to specific regions. This approach was also reflected in corporate governance. If the head office made a decision, it was treated as an order to be applied throughout the entire organization. Reports were to be submitted on the implementation of these orders, and these reports would be checked and instructions would be issued to address any insufficiencies. This cycle was rigorously enforced. I do not know how applicable this approach would be to Japanese companies. However, I can say that I still do not see a clear direction for Olympus in its pursuit of global management. There is still a need for ongoing discussions by the Board of Directors to formulate concrete plans for bridging the gap between the current state and Olympus' goals with regard to global compliance, governance, and its businesses.

Fujita

I too see major obstacles that will need to be overcome for Olympus to realize a global management team. I think there might be a need to discuss whether or not it would be a good idea to directly apply the approach of a U.S.-based global company to Olympus. Conversely, the current management team will be insufficient when it comes to further enhancing the Company's already global operations. This insufficiency can be clearly seen in the Board of Directors; everyone is Japanese. Although the Olympus Group does have non-Japanese executive officers, integrating more non-Japanese individuals into the management team will be a task needing to be addressed in the future. If this integration is realized, then I can see Olympus becoming a truly global company. However, this will not be without challenges as changing just the types of individuals who are appointed as officer will not be enough. The Company will also need to manage, cultivate, and position human resources from a global perspective. Developing and positioning human resources in a manner that is comprehensive down to the individual employee level will thus be a challenge needing to be overcome.

Recent years have seen an increase in individuals interested in corporate value that also accounts for non-financial factors, such as environmental, social, and governance (ESG) factors, going beyond traditional corporate value based on financial elements. I think one could say that Olympus' corporate philosophy and business model are in line with this trend. What are your opinions on this matter?

Kikawa

The very structure of the Company's business contributes to and creates value for society, and I therefore think Olympus should keep moving forward on this course. The healthcare industry is one of the few remaining growth industries. As venture companies and various other competitors enter this industry, Olympus will need to develop a unique position. As this is a very broad industry, it would not be prudent for the Company to attempt to excel in all sectors of the industry. Rather, it should leverage its superior technological and development capabilities to contribute to the health and happiness of people in the sectors where it exhibits excellence.

Natori

Each of Olympus' businesses is beneficial to people and to society and is thus highly valuable to society and greatly appreciated by all. These long-developed businesses are something to be proud of. In this business, however, Olympus must not become overly preoccupied with profits. The bar is always rising when it comes to consideration for the human rights of factory workers, fair trade, and the environment as well as for the reinforcement of corporate governance and compliance. As such, Olympus will need to be able to communicate its efforts on these fronts to people outside of the Company as concretely as possible.

Revision of Japan's Corporate Governance Code and Issues for Olympus

Cultivation of Future Candidates for Future Management Positions and Related Issues

Fujita

Japan's Corporate Governance Code was revised in June 2018. The revised code contains stipulations pertaining to the diversity of directors, suggesting not just the appointment of women to director positions but also the utilization of non-Japanese and other diverse individuals. Other issues put forth include the clarification of procedures for nominating and dismissing chief executive officer (CEO) and the functionality of nominating committees. There is also room for discussion regarding compensation systems. Mr. Kikawa, what is your opinion on these matters as the chairman of the Nominating Committee?

Kikawa

Olympus does not employ the Company with Nominating Committee, etc., system described in the Companies Act of Japan. Accordingly, the Nominating Committee is positioned as an advisory body, and determining how the committee should function is thus an issue we need to address. At Olympus, external institutions are utilized to select director candidates. Also, candidates for executive officers positions with special titles are recommended to the Nominating Committee. We interview these candidates and then report our opinions to the Board of Directors. By having the committee examine candidates to ensure that they are suitable for appointment, rather than leaving such decisions entirely to the discretion of the president, we are able to ensure objectivity in the nomination process. The next task we need to address will be examining plans for cultivating successors for the position of president and as well as policies for nomination and dismissal. Determining how to proceed with this task is an issue, but I plan to move forward while consulting with the other committee members.

Natori

As this is a matter for executive management, it might not be my place to comment as an Audit & Supervisory Board member. Speaking from my experience, however, many companies in the United States have adopted similar succession plans. In these plans, officers will name successors who can take up office one year in the future, three years in the future, and on the following day. A single successor is chosen for the following day just in case something happens to the officer in question. Several successors may be selected for one year and three years in the future, but it is said that different successors should be named for each period. Moreover, officers are required to explain why each successor is suited to the position and provide clear reasons for their selection along with details on the strengths and weaknesses of successors, among other factors. Division managers also name successors in this manner. The successors named are examined by nominating committees or boards of directors based on the rationale for their selection and their potential to determine if they are suitable. This process prevents individuals from choosing successors who will be beneficial to them or who will allow them to exercise influence even after stepping down. Exercising the functions of Olympus' Nominating Committee and its Board of Directors to eliminate such possibilities would no doubt contribute to the creation of transparent succession plans.

Katsuya Natori

Fujita

Sumitaka Fujita

I feel the same way. A problem with Japanese companies is that they sometimes function somewhat as a "company community (collective)." Everyone is seen as a comrade, and lifetime employment is guaranteed. Officers are chosen from among these comrades, and the president is chosen from among the officers. Moreover, it is the president who chooses auditors. This system has been very problematic. A functional nominating committee incorporating the perspectives of outside directors is vital to addressing this situation. Another important factor is to continuously evaluate directors and especially the president, and to make decisions regarding nominations and dismissals based on those evaluations. This approach should also be applied to executive officers. There will always be concern for the degree to which people from outside of a company can understand its inner workings. However, this issue can be addressed through various frameworks. Appropriately establishing and updating these frameworks and effectively evaluating directors is of extreme importance. I hope we can rely on Mr. Kikawa for those evaluations. In Europe and the United States, it is common for nominating and compensation committees to be separate but have overlapping members. However, I think there is room to examine the possibility of creating an integrated nominating and compensation committee.

Natori

On the topic of evaluations, when I was at IBM, the company once found itself on the brink of bankruptcy. However, Louis V. Gerstner Jr., an individual from outside of the company, was appointed as CEO and was able to reverse the downward trend in performance. In his book *Who Says Elephants Can't Dance?: Inside IBM's Historic Turnaround*, Gerstner Jr. explained his reason for naming Samuel J. Palmisano, a long-time IBM employee, as his successor by saying that only someone who has spent years working at IBM can understand the company's worth. Another reason Gerstner Jr. cited was Palmisano's passion. He told the directors of IBM at the time that rational evaluations were not enough, the CEO also needed to be passionate. This statement won the support of the directors. I believe that such passion is especially important to the president of a company.

Compensation Systems

Fujita

It is common in Japanese companies for there to be disparity between the levels of responsibility of directors and their compensation. When directors and executive officers diligently work to improve the corporate value of their companies, one must ask if the compensation they receive appropriately reflects those efforts. I feel that the compensation of such individuals is incredibly low and there is a particularly poor balance between the ratios of fixed and performance-linked compensation. In general, the portion of fixed compensation is very high. Meanwhile, questions to be examined pertaining to compensation include whether compensation systems sufficiently provide incentives, if payments should be made in cash or stock, and what indicators should be used for performance-linked compensation. Olympus has reworked its compensation systems several times in consideration of these questions. Currently, 50% of corporate officer compensation is fixed compensation while the remaining 50% is variable, performance-linked compensation. About half of the variable compensation is linked to short-term performance and is paid, in principle, in cash. The other half comprises restricted stock (RS) compensation and performance-linked, performance share unit (PSU) paid in stocks. The current system may not yet be ideal, but it is nonetheless the product of ongoing revisions based on the issues identified.

(Corporate Officer Compensation page 65).

Kikawa

Olympus' compensation system is very easy to understand and the evaluation standards are convincing. Mr. Fujita, you speak of how the compensation of directors at Japanese companies is low when compared with other countries. I do not think there is a need to raise compensation to the levels seen in other countries. However, if Olympus is to recruit global talent during its next stage, it will of course be necessary to develop a compensation system that will be suited to this task.

Natori

Mr. Kikawa touches on one of the strong points of Japanese companies. The presidents, employees, and everyone else at Japanese companies work together as a united team for simple and modest compensation. This modesty is reflected in the attitudes of Japanese managers. As an Audit & Supervisory Board member, this might not be for me to say, but I cannot help but feel sorry for the presidents of Japanese companies. The CEOs of U.S. companies are clearly overpaid, and, in comparison, the presidents of Japanese companies receive too little given the weight of their responsibilities and the burdens placed upon them. Global companies based in the United States generate around 10% of their global sales and 20% of their income in Japan. However, the difference between the level of compensation of the CEOs at the U.S. headquarters of these companies and the presidents of their Japanese subsidiaries is not a factor of 10, but rather a factor of 50 or even 100. Given this reality, it might be necessary to slightly revise compensation amounts. I do not think such a change would immediately result in individuals choosing to continue to serve their companies as advisors or honorary presidents, and higher levels of pay could also encourage managers to retire and leave their companies earlier. However, such compensation would provide an incentive to individuals aspiring to become managers in Japanese companies.

Fujita

My opinion runs close to that of Mr. Natori. If Olympus is to target a global management team, it will need superior global talent, and the current compensation system may not be sufficient to secure such talent. I think that incentives should be tied to more challenging targets and that fluidity of movement in managers may be necessary at times. What I mean to say is that, if compensation schemes do not contribute to the retention of managers, Olympus might not be far from the day when it finds itself lacking talented human resources. This is still a relatively new concept to Japan, but it will be important to consider medium-to-long-term indicators and the incentives provided by compensation amounts in order to develop a system that contributes to retention.

Diversity in the Management Team

Fujita

As Olympus shifts to a global management team, the Company will need to address the lack of diversity among directors in terms of nationality and gender. I think that the overall fluidity of managers among Japanese companies is too low. Generally, people join a company and stay until they retire. This in and of itself is not a bad thing. However, increased fluidity among managers, including middle managers, would contribute to greater dynamism in Japanese companies. The same goes for Olympus. A higher amount of fluidity among managers would help the Company incorporate a wider range of valuable wisdom. Such fluidity would bring with it the risk of talented Olympus employees leaving to go to other companies, but this might be beneficial for the corporate sector in Japan overall. Increasing management fluidity and diversity with regard to boards of directors are issues faced by all Japanese companies, Olympus included.

Natori

I think that there is a happiness to be gained by spending one's entire professional life at a single company. Just as people choose companies, companies also choose their people, and this relates to the topic of diversity. Appointing individuals from outside of the company is not the only way to increase competitiveness, and it goes without saying that if a company does not rigorously develop its own employees, it will be unable to win out against its rivals. When you quit a U.S. company, they tell you that you can come back once, but not a second time. The underlying meaning in this statement is "come back and help us after you have gained skills elsewhere." It could be said that an increase in fluidity is inevitable going forward.

Kikawa

When it comes to diversity, it would best to take the perspective of deciding what Board of Directors composition Olympus needs at any given time, appointing individuals with extensive management experience or from legal circles as necessary, for example, with consideration for the current composition and the composition that will be required in the future. As far as gender goes, the ratio of female employees at Olympus is around the average, but I have not seen a female employee give a presentation at a meeting of the Board of Directors. This situation suggests that there might be a need to provide female employees with more opportunities to exercise their talents.

Natori

At global companies based in Europe or the United States, talented individuals who can contribute are utilized whether they be male, female, from another country, or even a member of the LGBT community. These companies do not let such attributes influence their decisions. Moreover, such companies will take whatever steps necessary to keep talented individuals from leaving, whether that be paying retention bonuses or using other means. Conversely, employees who do not perform are reprimanded or shown the door. These companies are truly meritocracies. From this perspective, the promotion of diversity could be seen as more than just the protection of individuals or an act of philanthropy; it could be seen as a measure for increasing a company's competitiveness.

Fujita

The concept of employee retention is almost nonexistent in Japan, and this concept may not yet be necessary. Many traditional Japanese companies still assume that employment is for life. Accordingly, these companies do not incorporate the concept of employee retention into their compensation schemes. Lifetime employment as a system definitely has its benefits. However, under this system, one must wait around 30 years to become a corporate officer, no matter what management skills they possess or how suited they are, and this situation can lead to a significant loss of opportunities. This issue is not limited to Olympus. A little bit of change in this regard will likely end up being a plus for the Company in the long term.

Kikawa

I think that the traditional approach was enough when Japanese companies were limited to their domestic confines. However, now that Japanese companies are seeking to compete on the global stage, this approach is losing its viability.

Fujita

I hope that Olympus' executive management team will develop frameworks for appointing human resources who will take into consideration what we have just talked about.

Olympus' Corporate Governance

Basic Stance toward Corporate Governance

All our activities are based on our corporate philosophy, "Making people's lives healthier, safer and more fulfilling." In accordance with this philosophy, we will work for our shareholders and other stakeholders in order to realize ongoing corporate growth and medium-to-long-term improvements in corporate value. This philosophy also drives us to establish, implement, and continuously improve systems for ensuring the appropriateness and reliability of financial reports and the effectiveness and efficiency of operations.

Olympus is continuously strengthening its corporate governance system, positioning this task as a top management priority. In addition, we endorse the goals of Japan's Corporate Governance Code, which was formulated in March 2015 (revised in June 2018), and, in principle, we are complying with and have implemented measures based on the principles of the code. Through such efforts, we seek to ensure effective corporate governance based on our fiduciary duty to shareholders; our responsibilities to customers, employees, communities, and other stakeholders; and the aforementioned corporate philosophy.

WEB **Corporate Governance Policy:**
https://www.olympus-global.com/company/governance/policy.html

Corporate Governance Structure

Basic Corporate Governance Policies

In order to enhance the oversight functions of the Board of Directors, which is membered by a majority of highly independent outside directors, Olympus fills the position of chairman of the Board of Directors with a director who does not have business execution responsibilities in order to establish a clear divide between business execution and oversight functions. In addition, the Nominating Committee and the Compensation Committee, both of which were established voluntarily by the Company, consist of a majority of highly independent outside directors and are also chaired by such directors.

With regard to the composition of the Board of Directors, the Company considers the diversity of experience, knowledge, and skills of the Board of Directors, regardless of nationalities, ethnicities, and genders of its members. We also secure sufficient time for meetings of the Board of Directors to ensure that all directors are able to fulfill their duties and responsibilities.

Overview of the Corporate Governance Structure

The Board of Directors consists of 11 members, six of whom are outside directors, representing a majority. In principle, the Board of Directors meets once per month and approves important management proposals made by the president, the highest authority for executive management, while exercising appropriate oversight of business execution. The position of chairman of the Board of Directors is filled by a director who does not have business execution responsibilities. The term of directors is set at one year to allow their performance to be evaluated on a yearly basis and to clarify responsibility for this performance. Olympus expects the six outside directors to apply their specialized expertise in management by engaging in decision-making and oversight of the Board of Directors from an independent perspective.

Furthermore, the Board of Directors requests reports on matters that are decided by the Executive Management Committee or by the president. In this manner, the Company is strengthening governance from the perspectives of sharing information and monitoring, thereby creating systems for better ensuring the soundness of management. Olympus employs an executive officer system, which segregates the decision-making function and supervisory function of the Board of Directors from the business execution function of executive officers. In addition, the Company has set a maximum tenure period for the president and a maximum age for directors and executive officers. These restraints are in place to prevent inappropriate activities from occurring due to extended tenures of corporate officers. The Articles of Incorporation stipulate that the number of directors is not to exceed 15. Directors are to be appointed by a majority vote at the general meeting of shareholders when more than one-third of the shareholders able to exercise voting rights are in attendance.

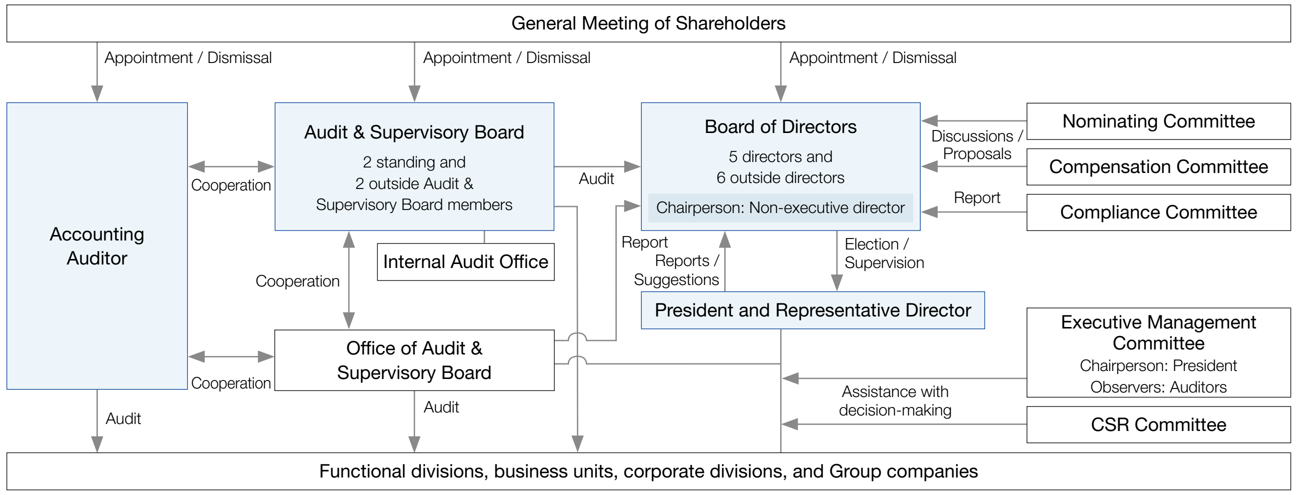
Voluntarily Established Committees

Olympus has adopted the Company with the Board of Company Auditors system for its governance system but has also incorporated aspects of the Company with Nominating Committee, etc. system by actively pursuing voluntary improvements in governance functions through the establishment of its Nominating Committee and Compensation Committee. Furthermore, the Compliance Committee, which is chaired by an outside director, was established as a body to oversee and improve the compliance system.

Overview of the Corporate Governance Structure (As of June 26, 2018)

Format	Board of Company Auditors system
Adoption of executive officer system	Yes
Directors	11
Of whom, outside directors	6
Term of directors	1 year
Audit & Supervisory Board members	4
Of whom, outside Audit & Supervisory Board members	2
Independent officers	8
Participation of outside directors in determination of remuneration	Yes
Board of Directors convened	26 times
Results-linked remuneration	Yes

Corporate Governance Structure



Overview of Each Board and Committee

Name	Chairperson	Outline	Times conducted (FY2018)
Board of Directors	Non-executive director	The Board of Directors approves important management proposals made by the president, the highest authority for executive management, and exercises appropriate oversight of business execution (meets once per month, in principle).	26
Audit & Supervisory Board	Standing Audit & Supervisory Board member	The Audit & Supervisory Board monitors and supervises the execution of duties by directors and oversees the Company's management systems. It also shares opinions with the accounting auditor in relation to annual audit plans, matters pertaining to annual financial results, and year-end audit reports (meets once per month, in principle).	30
Executive Management Committee	President	The Executive Management Committee consists of members who include the president and heads of functional organizations as well as Audit & Supervisory Board members, who attend meetings of this committee as observers. These members discuss important management matters to aid the president in decisions related to these matters (meets three times a month, in principle).	46
Nominating Committee	Outside director	The Nominating Committee comprises at least three directors selected by the Board of Directors and discusses the nomination of directors and Audit & Supervisory Board members as well as matters related to human resources.	9
Compensation Committee	Outside director	The Compensation Committee is composed of at least three directors selected by the Board of Directors and discusses matters related to director compensation.	8
Compliance Committee	Outside director	The Compliance Committee examines important matters related to Group compliance and internal control systems as well as compliance-related matters for which the Board of Directors requests advice. The findings are reported to the Board of Directors.	4
CSR Committee	Executive officer	The CSR Committee checks and issues reports on CSR plans, measures, and initiative progress and also deliberates on matters as deemed necessary by the chairman. The results of these activities are reported to the president and the Executive Management Committee (meets twice a year, in principle).	2

Composition of Committees

Name	Position	Nominating Committee (5)	Compensation Committee*1 (5)	Compliance Committee*2 (5)
Hiroyuki Sasa	President	○	○	
Kiichi Hirata	Director	○	○	
Sumitaka Fujita	Outside director (Chairman)		○ (Chairperson)	
Takayuki Katayama	Outside director		○	
Susumu Kaminaga	Outside director		○	○ (Chairperson)
Michijiro Kikawa	Outside director	○ (Chairperson)		
Tetsuo Iwamura	Outside director	○		○
Yasumasa Masuda	Outside director	○		

*1 Election of chairman through mutual voting at the first meeting of the Compensation Committee.
*2 In addition to the two members described above, the members of the Compliance Committee also include the Chief Compliance Officer and external members.

Outside Directors and Audit & Supervisory Board Members

Olympus has strengthened the corporate governance structure by appointing six outside directors, representing more than half of its 11 directors, and utilizing their objective standpoint, wealth of experience, and extensive knowledge of management. Furthermore, Olympus has increased the objectivity and fairness of management oversight by appointing two outside Audit & Supervisory Board members out of the four Audit & Supervisory Board members.

Outside directors and Audit & Supervisory Board members receive reports from the Group's Internal Audit Office about internal audits at Board of Directors' meetings. Outside Audit & Supervisory Board members also receive reports from both the Internal Audit Office and the accounting auditor at Audit & Supervisory Board meetings. In addition, outside Audit & Supervisory Board members meet with staff from the Internal Audit Office and the accounting auditor to share opinions and otherwise coordinate their efforts. Furthermore, all six outside directors are independent directors and both outside Audit & Supervisory Board members are independent officers.

Outside directors	Reason for appointment	Attendance at meetings of the Board of Directors (Met 26 times in FY2018)
Sumitaka Fujita*	Mr. Fujita was appointed so that his extensive experience and diverse knowledge as a business manager at ITOCHU Corporation may be applied to the Company's management.	26/26
Takayuki Katayama*	Mr. Katayama was appointed so that his extensive experience and diverse knowledge as a business manager at Teijin Limited may be applied to the Company's management.	23/26
Susumu Kaminaga*	Mr. Kaminaga was appointed so that his extensive experience and diverse knowledge as a business manager at Sumitomo Precision Products Co., Ltd., may be applied to the Company's management.	26/26
Michijiro Kikawa*	Mr. Kikawa was appointed so that his extensive experience and diverse knowledge as a business manager at Hitachi Construction Machinery Co., Ltd., may be applied to the Company's management.	26/26
Tetsuo Iwamura*	Mr. Iwamura was appointed so that his extensive experience and diverse knowledge as a business manager at Honda Motor Co., Ltd., may be applied to the Company's management.	20/20
Yasumasa Masuda*	Mr. Masuda was appointed so that his extensive experience and diverse knowledge as a business manager at Astellas Pharma Inc. may be applied to the Company's management.	Appointed from FY2019

Outside Audit & Supervisory Board members	Reason for appointment	Attendance at meetings of the Board of Directors and the Audit & Supervisory Board	
		Attendance at meetings of the Board of Directors (Met 26 times in FY2018)	Audit & Supervisory Board (Met 30 times in FY2018)
Katsuya Natori*	Mr. Natori was appointed so that his extensive experience and diverse knowledge as a business manager at Sun Microsystems, Inc., Fast Retailing Co., Ltd., and IBM Japan, Ltd., as well as his diverse knowledge as an attorney may be applied to the Company's management.	23/26	27/30
Atsushi Iwasaki*	Mr. Iwasaki was appointed so that his extensive experience and diverse knowledge as a certified public accountant may be applied to the Company's management.	24/26	29/30

* Independent officers

Process for Appointment of Directors and Audit & Supervisory Board Members

When selecting candidates for the position of director, the Nominating Committee discusses and interviews director candidates while referencing appointment standards and provides opinions and advice to the Board of Directors. Based on such opinions and advice, director candidates are selected by the Board of Directors, and directors are appointed by a resolution at the general meeting of shareholders.

When selecting candidates for the position of Audit & Supervisory Board member, the Nominating Committee receives input from the Audit & Supervisory Board and then discusses and interviews auditor candidates while referencing appointment standards and, after obtaining the consent of the Audit & Supervisory Board, provides opinions and advice to the Board of Directors. Based on such opinions and advice, Audit & Supervisory Board member candidates are decided by the Board of Directors, and Audit & Supervisory Board members are appointed by a resolution at the general meeting of shareholders.

Development and Selection of Successors for the President

The president recognizes that the development of successors is among their most important duties and takes steps to foster executive officers as successor candidates. The Nominating Committee monitors the development process and provides any necessary advice. As for selecting the successor, the Nominating Committee discusses whether the candidates, including those from outside the Company, are suited for the position of president and provides opinions and advice to the Board of Directors. Thereafter the successor is decided by the Board of Directors.

Standards for Judging the Independence of Outside Directors and Outside Audit & Supervisory Board Members

The Company has established its Standards for the Independence of Outside Directors and Outside Audit & Supervisory Board Members in order to put forth clear policies for judging the independence of outside directors and outside Audit & Supervisory Board members. Prior to the decision by the Board of Directors, the Nominating Committee, which is membered by a majority of outside directors, evaluates the independence of each candidate and provides its opinions and advice to the Board of Directors in order to aid in its decision.

WEB Corporate Governance Report:
https://www.olympus-global.com/company/governance/pdf/report_of_corporate_governance_2018.pdf

Strengthening of Audit and Supervisory Functions

Olympus has adopted the Company with the Board of Company Auditors system. To guarantee the strength of monitoring functions, two of the four Audit & Supervisory Board members are outside Audit & Supervisory Board members. Olympus has established the Office of Audit & Supervisory Board to support Audit & Supervisory Board members and assigned full-time employees to assist with their work. In principle, the Audit & Supervisory Board, like the Board of Directors, meets once per month.

In accordance with the Rules of the Audit & Supervisory Board and the Audit & Supervisory Board members' Audit Standard, Audit & Supervisory Board members attend important meetings, including Board of Directors' meetings, and periodically exchange opinions with directors and executive officers. In principle, they exchange opinions with the representative director four times per year. Furthermore, the accounting auditor periodically provides explanations about annual audit plans, matters regarding quarterly financial statements, and year-end audit reports. Forums for exchanges of opinions are also held as necessary. In addition, Audit & Supervisory Board members will voice opinions to the Board of Directors with regard to important matters pertaining to management decisions as they deem necessary while overseeing the Company's management systems. Moreover, outside Audit & Supervisory Board members offer input based on their respective areas of specialty while working to enhance the management oversight function.

Policies for Holding Stocks for Purposes Other Than Pure Investment and Exercise of Related Voting Rights

The Company holds shares of listed stock for purposes other than pure investment in cases in which such holdings have been deemed viable for contributing to improved corporate value over the medium-to-long term after verifying the medium-to-long-term economic rationality of such holdings and the outlook for the future. Each fiscal year, the Board of Directors verifies the appropriateness of individual holdings through a comprehensive evaluation of factors, including the purpose of a given holding and the benefits and risks associated with said holding. Those holdings that are deemed unsuitable will be downsized.

The Company exercises its rights as a shareholder in relation to stocks held for purposes other than pure investment by voting on all applicable proposals. In this voting, the Company decides whether to vote in favor of or against each proposal based on the circumstances surrounding the management of the company in question as evaluated from the perspective of improving the corporate value of this company over the medium-to-long term.

Stocks Held for Purposes Other Than Pure Investment

	FY2016	FY2017	FY2018
Number of holdings	64	57	48
Amounts of holdings (billions of yen)	68.0	27.9	26.9

Initiatives for Strengthening Corporate Governance System (Changes)

Structure of Board of Directors	Internal Control / Compliance	Corporate Officer Compensation
Prior to institution of new management team • Directors: 15 (3 of whom were outside directors)		
April 2012, institution of new management team • Directors: 11 (6 of whom were outside directors) June 2016 • Directors: 13 (8 of whom were outside directors)	April 2012– • Chief compliance officer appointed • Compliance committee chaired by outside director established • Internal whistle-blower system that is Compliance Helpline (external) enhanced	June 2013 • Stock option system introduced
June 2015 • Directors: 10 (5 of whom were outside directors)		
June 2016–Present • Directors: 11 (6 of whom are outside directors)	April 2016– • Internal Control Department established	June 2017 • Restricted share and performance-linked share-based compensation systems introduced

Initiatives for Realizing Effective Corporate Governance

Since the institution of the new management team in 2012, Olympus has been continuously strengthening its corporate governance system and enhancing its effectiveness, positioning these tasks as top management priorities.

Evaluation Results Regarding the Effectiveness of the Board of Directors

To increase the effectiveness of the Board of Directors and improve corporate value, the Company institutes annual analyses and evaluations of the overall effectiveness of the Board of Directors. Third-party perspectives are employed as part of this process. The results of these analyses and evaluations are disclosed. These evaluations have been held every year since fiscal 2015, and the fiscal 2018 evaluation was the fourth such evaluation.

WEB Evaluation Results for Effectiveness of the Board of Directors:
https://www.olympus-global.com/company/governance/board.html

Method of Evaluation

In cooperation with an external consulting firm, the Company prepared a questionnaire on the effectiveness of its Board of Directors and individual committees (Nominating Committee, Compensation Committee, and Compliance Committee) and their relationships with investors and shareholders. This questionnaire was distributed to each director (11) and Audit & Supervisory Board member (4), and the Company received answers from all of the respondents. With these replies from directors and Audit & Supervisory Board members as well as feedback from the external consulting firm, the Company did an analysis and evaluation regarding the effectiveness of its Board of Directors.

Evaluation Items, Issues, and Status of Improvement

Evaluation Items	
1. Fulfillment of the functions of the Board of Directors	4. Support system for outside directors
2. Composition and actual operation of the Board of Directors	5. Expectations for the roles of corporate auditors
3. Important committees	6. Relationships with investors and shareholders

Issues Identified in Fiscal 2017	Status of Improvement in Fiscal 2018
(1) More active discussions, particularly with regard to the ideal form of global management (including the ideal form of the Board of Directors)	(1) Discussions were conducted among members of the Board of Directors, achieving a certain degree of improvement, but the ideal form of global management will be an important topic for ongoing discussions going forward.
(2) Methods for incorporating a wider range of viewpoints into committees (Nominating Committee and Compensation Committee)	(2) Following discussions held among members of the Board of Directors in September 2017, one additional internal director and one additional outside director were appointed to the Nominating Committee and the Compensation Committee, respectively, bringing the membership of each committee to five.

Issue Identified in Fiscal 2018

Accomplishment of ideal form of global management

The issue listed to the left was identified in fiscal 2018, and ongoing discussions will be held with regard to this issue. The Board of Directors will pursue higher levels of effectiveness by formulating and instituting measures to address these issues while continuing to implement prior improvement measures.

Status of Responses to Issues Identified through Evaluation of Board of Directors

Operation of the Board of Directors	Relationship with Shareholders and Other Investors	Promotion of Diversity within the Company
June 2016– More extensive discussion on important medium-to-long-term issues June 2017– • Revision of agenda items for Board of Directors' meetings and delegation of authority for certain items to executive officers • Improvement of proposal and report documents • Entrenchment of practice of reviewing materials prior to meetings and enhancement of pre-meeting explanations to secure time for discussions	June 2016– Development of framework for periodically relaying capital markets' evaluations of Olympus to the Board of Directors	June 2017– Appointment of non-Japanese senior managers of subsidiaries in the Americas and Europe as executive officers to reinforce global executive management team

Corporate Officer Compensation

Our basic policy for corporate officer compensation is to provide compensation that is appropriate based on the duties of officers and that instills in them a strong commitment to maximizing corporate value so that the Company may live up to shareholder expectations.

Corporate Officer Compensation in Fiscal 2018

Position	Total value of remuneration (¥ million)	Total compensation by type (¥ million)				Number of directors / Audit & Supervisory Board members
		Base	Bonuses	Stock options	Retirement benefits	
Directors (excluding outside directors)	430	255	146	29	—	5
Audit & Supervisory Board members*	56	56	—	—	—	3
Outside officers	110	110	—	—	—	9

* Excluding outside Audit & Supervisory Board members

Policies for Determining Corporate Officer Compensation and Calculation Methods

The Company introduced a performance-linked share-based compensation system in June 2017. Compensation for directors, excluding outside directors, comprises monthly salaries, bonuses provided as a short-term incentive plan, and restricted share and performance-linked share-based compensation provided as a long-term incentive plan. Monthly salaries are set according to the base compensation for each position and factors such as the degree of contribution to the Company by each individual director. The amount of the total bonus is decided upon taking into consideration consolidated operating income (excluding other income, other expenses, and share of profit (loss) of investments accounted for using equity method) for the applicable fiscal year. Restricted share compensation is provided on the condition that the individual will continue to serve as a director of the Company over a predefined period, whereas performance-linked share-based compensation is linked to the achievement of predetermined performance targets. These systems issue common shares of the Company's stock to applicable directors as a form of compensation that is separate from monthly salaries and bonuses. The goals of these systems are to provide incentives for directors to work toward the ongoing improvement of corporate value and to have directors further share value with shareholders. The total of restricted share compensation and performance-linked share-based compensation approved at the general meeting of shareholders for fiscal 2017 is up to ¥500 million and 150,000 shares, 82% of which will be attributable to performance-linked share-based compensation. Outside directors only receive monthly salaries and are not eligible for bonuses, restricted share compensation, or performance-linked share-based compensation. Audit & Supervisory Board members only receive monthly salaries, which are determined through discussion among Audit & Supervisory Board members, and are not eligible for bonuses, restricted share compensation, or performance-linked share-based compensation.

Compensation of Directors (Excluding Outside Directors) by Type

	Type of compensation		Ratio		
Fixed compensation:	Monthly salaries				50%
Variable compensation:	Short-term incentives	Bonuses		25%	50%
	Long-term incentives	Restricted share compensation	6%	25%	
		Performance-linked share-based compensation	19%		
Total					100%

Note: Ratios of variable compensation by type assume 100% of all performance targets have been accomplished.

The following formulas will be used for calculating the compensation to be paid to directors in fiscal 2019.

Calculation Method for Director Bonuses

1 Total Value of Remuneration = [Consolidated operating income (excluding other income, other expenses, and share of profit (loss) of investments accounted for using equity method) in fiscal 2019 – ¥30.0 billion] × 0.22474%
× (Total sum of "officer points" for all applicable directors ÷ 663) (rounded to the nearest ¥10,000)

2 Individual Compensation = Total value of remuneration ÷ Total sum of "officer points" for all applicable directors × "Officer points" of individual director (rounded to the nearest ¥10,000)

Calculation Method for Performance-Linked Share-Based Compensation

Upon the conclusion of a defined three-year period, a number of common shares of the Company's stock will be issued to directors that is equivalent to a predetermined amount after that amount has been adjusted within the scope of 0%–150% based on the degree to which performance targets for the three-year period were accomplished.

1 Total Value of Shares to Be Issued = [(Total net income over three-year period – ¥145.9 billion) × 0.047682% + (Average net sales growth over three-year period – 3.2%) × ¥932,343,750] × (Total sum of "officer points" for all applicable directors ÷ 663)

2 Total Number of Shares to Be Issued
The total number of shares to be issued will be determined by dividing the total value of shares to be issued calculated in 1 above by the closing price for common shares of the Company's stock on the Tokyo Stock Exchange on the day prior to the resolution by the Board of Directors on the allocation of said common shares of the Company's stock (if the stock exchange did not conduct transactions on this day, the closing price from the most recent day on which transactions were conducted will be used)

3 Number of Shares to Be Issued to Individual Directors = Total number of shares to be issued ÷ Total sum of "officer points" for all applicable directors × "Officer points" of the individual

Officer Points

Chairman	President and Representative Director	Director, Vice President	Director, Senior Executive Managing Officer	Director, Executive Managing Officer	Director, Managing Officer
165	210	147	108	90	76

Internal Controls

Framework to ensure the compliance by directors and employees of the Company and its subsidiaries, in the performance of duties, to applicable laws and regulations as well as the Articles of Incorporation:

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

■ CSR Committee
Olympus shall set up the CSR Committee with the president responsible for CSR and chaired by the officer in charge of CSR, and regularly hold meetings to plan CSR activities for the Olympus Group and set objectives for and evaluate these activities.

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

Rules relating to the risk management of the Company and its subsidiaries in the event of loss and other circumstances:

1. The Company shall manage the business risks of the Olympus Group based on thorough discussions held at meetings of the Board of Directors and the Executive Management Committee, among other meetings, and appropriate internal approval procedures.

2. The Company shall manage risks, such as those relating to quality, product safety, export control, information security, occupational health and safety, the environment, and disasters, by defining responsible divisions, establishing internal corporate rules, working for risk management as the Olympus Group, and implementing related education and training.

3. The CSR Committee shall report and deliberate on plans and measures in relation to risk management and make efforts to establish and maintain a risk management system at the Olympus Group. Moreover, pursuant to the internal Rules on Risk Management and Crisis Response, each department in charge of the Company and the subsidiaries shall be aware of risks and take preventative measures, and the Company has a framework that enables prompt actions in the event of an emergency. In the event of an earthquake, fire, other natural disaster, accident, corporate ethics violation, or occurrence of another high-risk incident, the department in charge shall make immediate reports to the president, other members of the Executive Management Committee, and relevant people. Response measures will then be decided by the president.

Framework to ensure the effective performance of duties by directors of the Company and its subsidiaries:

1. The Board of Directors shall approve medium- and long-term corporate strategic plans in which the business objectives of the Olympus Group are set forth, and action plans for these, which are called annual business plans. In addition, the Board of Directors shall receive a monthly report on business performance in order to evaluate the status of the Company's annual business plan.

2. The Board of Directors shall determine the separation of duties among the president and other operating directors and approve the separation of duties of executive officers. In addition, the Board of Directors shall receive reports on their duties as performed.

3. Based on internal corporate rules including the internal rules on approval procedures and organizational matters, the Board of Directors shall approve the management organization and the separation of duties, as well as the responsibility and authority of each representative director, other operating director, and executive officer, and receive reports from major management organizations on their duties as performed.

4. The Company has defined the Group's fiscal rules, which lay down the fiscal policy that is the cornerstone of the Olympus Group's financial management, and is strengthening the governance of the Group in fiscal terms while controlling and managing funds, foreign exchange, and transactions with financial institutions for the entire Group, including subsidiaries.

Global Framework of Internal Rules

Olympus has established a platform for managing internal rules in order to ensure the ongoing improvement of management quality from the perspective of global governance and management.

Corporate Philosophy

Corporate Conduct Charter / Code of Ethics

Global Rule Structure

GHQ Corporate Governance Rule		
	OGR (Olympus Global Rule)	
	Regional Rules	Global Business Rule
	Local Rules (Entity, Business, Organization)	

Basic Policy on Information Disclosure

In addition to conducting appropriate disclosure as mandated by laws and regulations, the Company also strives to transmit information in various forms on its own accord in order to ensure the transparency and impartiality of decision-making and realize effective governance. These forms include Olympus' corporate website, integrated reports, and shareholder newsletters as well as voluntarily released timely disclosure documents. In issuing these communications, directors take care to ensure that all information disclosed is not only easy to understand but also valuable to the target recipients. Furthermore, as a large portion of the Company's shareholders are not Japanese, we provide English-language versions for the majority of these information disclosures.

Communication with Stakeholders

Seeking to facilitate sustainable growth and medium-to-long-term improvements in corporate value, the president and the chief financial officer (CFO) play a central role in our proactive efforts to communicate with shareholders. Investor relations divisions support these efforts and create systems for sharing information within the Company and relaying input from shareholders to management.

Furthermore, to protect the rights of shareholders, convocation notices for the general meeting of shareholders are sent at the earliest date possible and are made to include a comprehensive range of information. In addition, English-language versions of convocation notices are uploaded onto the Company's corporate website, and we take other steps to guarantee that such information is provided fairly to all shareholders, including those overseas, and thereby ensure that shareholders have ample information and sufficient time to properly exercise their voting rights.

Investor Relations (IR) Activities

The following investor relations activities were conducted in fiscal 2018.

Activity	Times conducted	Details
Conferences on results for institutional investors and analysts	4	Meetings or teleconferences held quarterly to explain topics from the period, focused on financial performance and forecasts
Investor Day	1	Events featuring explanations of the growth strategies of each business and product exhibitions
Facility tours and study sessions	1	Tours and study sessions of plants, repair centers, training centers, and other facilities
Conference calls for overseas institutional investors	4	Teleconferences with overseas institutional investors held on the day of financial results presentations for each quarter
Overseas IR roadshows	6	Meetings for institutional investors in which the president and the CFO visit overseas sites
Conferences held by securities companies (including overseas conferences)	5	Participation in and meetings at conferences held by securities companies in Japan and overseas
Meetings for individual investors	4	Meetings held at branch offices of securities companies and online
Individual meetings with institutional investors and analysts	Approx. 400	Individual meetings held with the president, the CFO, and/or investor relations division representatives (including meetings conducted at overseas IR roadshows and conferences)

Outside Evaluation

NIKKEI Annual Report Awards
- FY2014 / FY2015 / FY2016 / FY2017: "Award for Excellence"

Inclusion in ESG Indexes (As of July 2018)
- FTSE4Good Index Series
- FTSE Blossom Japan Index
- Morningstar Socially Responsible Investment Index

FTSE4Good
FTSE Blossom Japan
MS-SRI

CDP
- Scored A– in climate change by CDP, an international nongovernmental organization promoting the realization of a sustainable economy

Compliance

Promotion of Compliance

The Olympus Group strives to foster an environment within the organization in which no concern pertaining to compliance will be ignored, under any circumstances. At the same time, it maintains an understanding of the status of compliance systems and works to strengthen these systems. Realizing the immense responsibilities of the Company's Medical Business due to its provision of items related directly to people's lives, Olympus is committed to maintaining impeccable levels of product safety and quality. The Company has also established its own internal rules to ensure compliance with the various regulations in place in countries worldwide, and it is promoting awareness and conducting training with regard to these rules.

Compliance Promotion Structure

Olympus has appointed a chief compliance officer (CCO) whose task is to clarify compliance-related responsibilities. We have also established the Compliance Committee, chaired by an outside director and consisting of the CCO and independent members, to advise the Board of Directors. The Compliance Committee works to strengthen compliance initiatives through its meetings, which are normally held every quarter. Olympus holds quarterly meetings of Global Compliance Committees for compliance officers from each regional headquarters worldwide. The purpose of these committees is to implement compliance-related policies and measures, identify issues, and enforce countermeasures as required, both globally and regionally.

Compliance Promotion System (As of August 31, 2018)

Message from the Chief Compliance Officer (CCO)

Caroline West

Chief Compliance Officer

Our most recent fiscal year saw steady progress toward our 16CSP goals. Collaboration and communication were key for the team this year, exemplified by the launch of "Compliance Square"—a collaborative tool to support the sharing of materials and best practices across the regional groups. Progress was also achieved throughout the different regions. Enhancement of the China Compliance program was a key focus, with employee training and engagement being key components of that effort. The Japan Compliance team engaged the business in risk assessment process, designed to assure that the differing risks of the entities were identified and addressed. Europe / Middle East / Africa focused on developing a compliance monitoring plan and preparing for the new General Data Protection Regulation (GDPR). The Asia Pacific region advanced the program through strategic staffing, enhanced training and a strong focus on developing the country programs in the diverse region. Finally, the Americas worked in collaboration with the business to enhance the oversight and management of third-party distributors.

Going forward, in alignment with our global Core Values, Compliance is committed to supporting Olympus' efforts to act with integrity as we earn the trust of our stakeholders. We are also mindful of the important role we can play in assuring agility. As such, we will always "do the right thing, the right way" without sacrificing efficiency and responsiveness.

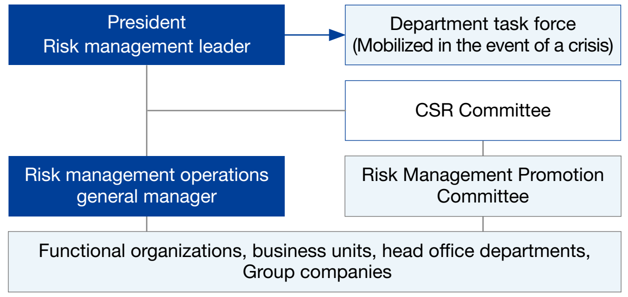
Risk Management

Promotion of Risk Management

Olympus has established the internal Rules on Risk Management and Crisis Response based on which it develops global risk management systems to mitigate business risks.

Risk Management

In relation to the single-fiscal-year activity themes defined based on the strategies for that year, the Olympus Group will evaluate risks in line with uniform standards to facilitate the efficient and effective formulation of priority measures. A system is in place to track and periodically monitor progress with regard to priority measures identified as Group-level themes. The Group has also begun efforts to standardize risk management processes to ensure that processes carried out for region-specific activity themes are consistent across the Group. These initiatives make it possible to improve the accuracy of efforts to appropriately control risks on a Groupwide basis by utilizing shared risk assessment and incident information based on uniform standards.



Crisis Management

As crisis management measures, we continue to refine risk management processes and carry out training and drills to enhance preparedness for risks that threaten to have a particularly large impact on the Company, such as large-scale earthquakes and cyber-attacks.

Countermeasures for large-scale earthquakes in Japan included e-learning programs for all employees as well as disaster response drills carried out by both management and frontline employees to guarantee that we can furnish a smooth initial response to emergency situations. We are in the process of enhancing the business continuity plans that detail restoration processes in all business fields.

Major Business Risks

Risks and Potential Impacts	Risk Overview
Risks that impact earnings	■ Risks associated with sales activities • Medical Business: Unexpected operating environment changes or inability to obtain licenses and approvals in a timely manner • Scientific Solutions Business: Shrinking government budgets or reduced supply of systems for research • Imaging Business: Rapid market contractions that exceed anticipations ■ Risks associated with production and development activities • Foreign exchange rate movements, product defects, or issues with new product development or intellectual property rights ■ Other general risks
Risks that impact production activities, manufacturing, or supplies	■ Risks associated with production and development activities • Overseas production: Foreign exchange rate movements, destabilization of conditions at the national level, deterioration of public safety • Procurement: Procurement constraints for products or parts for which the Company is dependent on specific suppliers
Risks that impact business activities, performance, or financial position	■ Risks associated with business partnerships and development acquisitions ■ Risks associated with leakage of information ■ Risks associated with deferred posting of past losses ■ Risks associated with internal control systems, etc. ■ Risks relating to duodenoscopes in the United States
Risks that impact financing	■ Risks associated with financing
Risks that restrict sales or marketing practices	■ Risks relating to laws and regulations • Changes in legal interpretations or applications affecting the healthcare industry
Risks that impact operations, financial position, performance, cash flows, or stock prices	■ Risks relating to laws and regulations • Restrictions on reimbursement under public health insurance or on access to government medical subsidies • Sanctions relating to violations of the Anti-kickback Act, the False Claims Act, or the Foreign Corrupt Practices Act of the United States • Prosecutions related to alleged violations for which deferred prosecution agreements were concluded

CSR Management

Basic Policy Regarding CSR

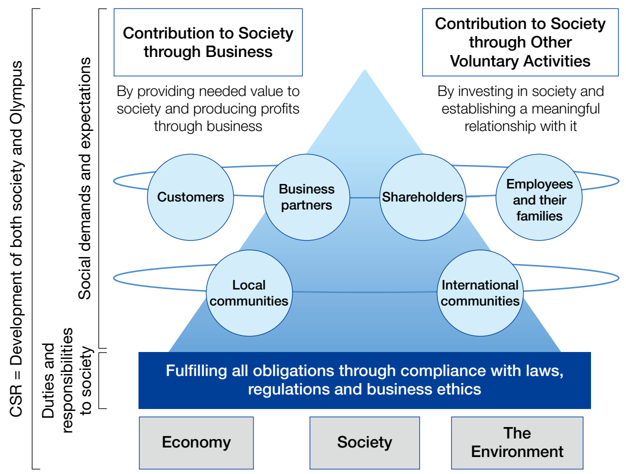
Through its CSR activities, the Olympus Group responds to the needs and expectations of society and fulfills its obligations and responsibilities.

We believe that to justify the continuing existence of Olympus as a company and contribute to making people's lives healthier, safer, and more fulfilling, we must fulfill our responsibilities through dialogue with all stakeholders (persons and organizations with whom we interact through our business activities), including customers, suppliers, shareholders and investors, as well as employees and their families, local communities,* and the international community.*

* Local communities and the international community include general citizens, NGOs, NPOs, the government, and international organizations.

WEB **CSR activities:**
https://www.olympus-global.com/csr/

CSR Concept of the Olympus Group



CSR Promotion Structure

To enhance its CSR structure, Olympus established the CSR Committee in FY2011. Under the umbrella of this CSR Committee, Olympus has set up a number of promotion committees to plan and advance individual CSR-related initiatives. The CSR Committee is chaired by the CSR division manager and its members include managers from each functional organization.

Olympus aims to spread and entrench CSR throughout the Group by having the CSR Committee support the decisions made by the president, who is ultimately responsible for CSR, and overseeing the promotion and progress of important matters.

CSR Committee and Promotion Committees

- CSR Committee
  - Risk Management Promotion Committee
  - Information Security Promotion Committee
  - CSR Procurement Promotion Committee
  - Safety & Health Promotion Committee
  - Social Contribution Promotion Committee
  - Environmental Promotion Committee
  - Grants Committee

Procurement Activities (Supply Chain)

The Olympus Group aims to strengthen supply chain management (SCM) within the context of business continuity and sustainable value creation in its three business segments: the Medical Business, the Scientific Solutions Business, and the Imaging Business.

In 2005, Olympus formulated the Olympus Group Procurement Policy. Since then, Olympus has disclosed its basic stance on procurement both internally and externally through its website and training sessions, while strengthening compliance with laws, regulations, and social norms. We have also drawn up the "Request to Suppliers" as a guideline for complying with laws, regulations, and social norms, including respect for human rights and the elimination of antisocial forces, prohibiting corruption and bribes, promoting fair and just transactions, and taking the environment into consideration. Based on these two principles for procurement activities, Olympus strives to create and strengthen good relationships with its suppliers through fair, just, and transparent transactions.

System and Framework

Share business strategies and procurement policy	Once a year, the Procurement Policy Meeting is held for the purpose of sharing the business strategies and procurement policy of the Olympus Group. In fiscal 2018, 855 representatives from 520 suppliers participated and we explained compliance matters.
Supplier survey	Once a year, Olympus conducts a web-based survey of its main suppliers in Japan and overseas. In fiscal 2018, a survey was conducted on roughly 1,000 companies, including overseas suppliers. Responses were received from approximately 95% of participants.

Quality and Safety

Olympus has established its Olympus Group Quality Policy based on the Olympus Group Corporate Philosophy and the Olympus Group Corporate Conduct Charter. The policy was revised in October 2017 to define the Group's basic policy direction in activities aimed at improving quality and safety, and to define a code of conduct to ensure the utmost focus on quality, which defines the fundamental direction of the Group's quality activities to provide products and services for society that are beneficial, safe, and of high quality.

In fiscal 2019, we have been focusing on greater employee awareness of quality and improvements in business operations to ensure products that are safe and of high quality and to strengthen the product-related statutory compliance process.

Olympus Group Quality Policy

The Olympus Group will pursue value that is genuinely wanted by our customers, act with the utmost focus on quality, and will sustainably deliver safe products and services that are useful to society.
To this end, the Olympus Group will continue to maintain and improve the effectiveness of its quality management system in full conformance with regulatory requirements.

Code of Conduct for Ensuring the Utmost Focus on Quality

1. **Customer-Centric Approach**
   We will keep our customers and patients in mind, fully focus on their safety and needs, and act in a sincere manner.
2. **Ensuring Compliance with Laws, Regulations, and Social Norms**
   We will strive to fully and correctly understand and comply with all relevant laws, regulations, and social norms, as this understanding and compliance forms the foundation for the delivery of safe, reliable products and services to our customers and patients.
3. **Constant Quest for Quality**
   We will never be content with the status quo when it comes to the quality of all relevant business processes, which will boost the safety and quality of our products and services.
4. **Appropriate Communication**
   We will provide useful and accurate information in an appropriate manner to our customers and patients in order to ensure their safety and peace of mind.

Personal Information Protection

Olympus protects personal information concerning all of its stakeholders, including its customers, using appropriate methods and, in order for proper handling to be performed, clarifies its policies relating to information protection in the Olympus Group Code of Ethics.

With regard to the creation of a personal information database in Japan, in addition to incorporating a system for obtaining the prior approval of the administrator in each department, we utilize a personal information management register and work to improve the register's accuracy. Moreover, we inspect the register on a regular basis to better understand the actual situation with regard to the management of personal information. Requests for the disclosure, correction, or deletion of personal information from customers are accepted at a predetermined point of contact. In response to the enforcement of the EU's General Data Protection Regulation (GDPR) in May 2018, we reinforced personal information protection measures by forming a joint protection scheme coordinated among the regional headquarters in Europe, the Americas, and Asia and Oceania.

Disclosure of Medical Business Information

Ethics Committee

Developing and manufacturing medical equipment such as endoscopes, Olympus held an Ethical Committee meeting and assessed propriety from the points of view of ethics, science, and reliability as well as conflicts of interest in its medical research to respond to the "Ethical Guidelines for Medical and Health Research Involving Human Subjects" that came into effect in April 2015. We ensured the independence of the Committee by having it comprise internal and external experts not directly involved in the research. The scope of the assessment included all of the medical research conducted by the Company and Group Companies in Japan to which the ethical guidelines apply. We disclose the Committee's rules, register and summary of proceedings via registration on the Ethical Review Committee Reporting System of the Japan Agency for Medical Research and Development (AMED).

WEB **Ethics Committee:**
https://www.olympus-global.com/csr/effort/ethic/

Transparency Guidelines

With the advances in medical technology in recent years, medical equipment is being used in the diagnosis and treatment of a growing number of patients and has become a major contributor to the health and welfare of people. On the other hand, efforts to develop new technologies, launch products on the market, and optimize their use after launch require coordinated efforts with various people in the medical industry. In paying the expenses incurred, it is essential not only to comply with the relevant laws and regulations, the Olympus Group Corporate Conduct Charter, and regulations in the medical equipment industry, but also to increase the transparency of these transactions.

Olympus has established "Transparency Guidelines for Relations between Corporate Activities and Medical Institutions and Other Organizations" described below and is working to ensure and increase transparency based on disclosure of information on payments made to medical institutions and personnel in accordance with the guidelines.

WEB **Transparency Guidelines:**
https://www.olympus-global.com/csr/effort/transparency/

Environmental Management

Basic Policy Regarding Environment

Placing great importance on reducing environmental impacts throughout product life cycles, Olympus is actively working to improve the environmental performance of its products, facilities, and logistics processes.

Olympus Group Environmental Policy

All our activities are based on our corporate philosophy, "Making people's lives healthier, safer and more fulfilling." Following this philosophy, the Olympus Group respects people's security and health and the natural mechanisms that realize this. We will contribute to the realization of a sustainable society and sound environment by working to make the environment and economy compatible in our business operations.

1. Participation by All
   Each employee enriches their understanding of environmental activities and each one of us will participate in the environmental activities conducted in consideration of the local features.
2. Promotion of Environmental Management
   We will maintain the environmental management system and mechanism on a global scale so that we can continuously improve our environmental activities.
3. Compliance with Laws, Regulations, and Social Norms
   We will fully comply with the laws and regulations, agreements with our stakeholders, and our voluntary standards in respect to the environment.
4. Reduction of Environmental Impact
   Toward the solution of environmental issues, prevention of pollution, sustainable resource use, climate change mitigation and adaptation, and protection of biodiversity, we will reduce environmental impact through our products, services and business activities.
5. Development of Technologies to Foster Harmony with the Environment
   We will develop the technologies that contribute to environmental protection and will make use of the results in our manufacturing processes, products and services.
6. Attributing Importance to Environmental Communication
   We will proactively dispatch information about our environmental activities within and outside Olympus to deepen mutual understanding with our stakeholders.

System to Promote Environmental Management

We have established a unit to promote environmental management within each of our business units and Group companies, while the Olympus Group Environmental Promotion Division is tasked with fostering environmental management across the Group. Progress on these activities is reviewed by the Board of Directors and the Executive Management Committee, and measures are taken across the Group to achieve our predefined environmental targets. Moreover, our major production facilities, as well as logistics and sales subsidiaries in Japan and overseas, have ISO 14001 certification, and we are continuously improving our environmental management system through audits and by other means. In June 2018, all group business sites certified with ISO 14001 completed their certification update to ISO 14001:2015, the revised certification for 2015.

WEB Promotion of Environmental Management:
https://www.olympus-global.com/csr/download/pdf/csr_db_2018_49_53.pdf

Note: Covered businesses are consolidated Group companies both in Japan and overseas.

Reinforcement of Environmental Governance

Olympus has established an "Environmental Information Management System" to efficiently gather and share environmental performance data throughout the Group, including data on energy use and energy-saving efforts made across global sites.

To ensure progress in environmental management, it is essential to monitor environmental efforts and legal compliance at each business site, as well as to have the means to quickly and accurately grasp the massive amounts of data related to energy consumption and water use, the volumes of waste generated, chemical substances that are emitted and transferred, and environmental costs. Our "Environmental Information Management System" enables us to view environmental activity results at global sites in a timely manner, assess the progress of our environmental policy, identify any issues, and implement countermeasures for those issues. We are promoting environmental risk countermeasures while helping improve environmental performance.

Management of Environmental Risks

Violations of laws and regulations related to chemical substances contained in products, effluent from production bases, and soil and groundwater contamination are serious environmental risks that can shut down operations, generate recovery costs, reduce corporate value, or otherwise affect Olympus' management. Therefore, we maintain and revise rules and regulations for regulatory compliance, educate environmental promoters, monitor and improve on-site operating practices, and work to reduce environmental risks.

The advance of global warming is causing more frequent cases of extreme weather. As concluded by the Paris Agreement, climate change is a serious environmental factor that can have a serious impact on business activities. We experience this as business continuation risks deriving from climate change. For example, we might experience increases in business costs due to tougher CO_2 reduction regulations in different countries, emissions trading, and carbon taxes. Or our supply chain may be cut off by ever-more destructive natural disasters, such as typhoons and floods.

As countermeasures against these risks, we are working to improve energy use efficiency, increase our use of renewable energy, and broaden our range of suppliers. Water risk, which is a global concern, is another factor that may have an impact on our business operations through increases in business costs due to reinforcement of wastewater regulations and water shortages—although the scope of those impacts may be limited. We are now establishing business sites in areas where water is abundant and reducing water use in our business activities as a way of hedging the risks. To monitor wastewater, we appoint wastewater facility managers and regularly measure our wastewater volumes.

Olympus also sees the business opportunities presented by environmental risks and actively develops and sells environmentally conscious products as well as products that contribute to the resolution of environmental issues accordingly.

Summary of Results of Activities in Fiscal 2018

	Priority Policy	Targets	Measures	Results
Promotion of environmental management	Enhancement of environmental governance system	Reinforcement of environmental governance system at global level	• Respond to ISO 14001 revisions	• Completed updating to ISO 14001: 2015 certification at eight domestic business sites • Provided practical training for environmental promotion officers and Environmental Secretariat (24 people) • Provided training for auditors on the revised ISO standard (130 persons).
	Environmental risk reduction activities	Continue to improve the process to comply with environmental laws	• Improved wastewater management • Examined compliance with environmental laws and regulations at non-manufacturing sites	• Completed pollution prevention process inspections at 30 global production sites • On-site inspection of compliance with environmental laws and regulations at six domestic non-manufacturing sites • Continue to improve the environmental regulatory compliance process for products and facilities
		HCFCs risk countermeasures Replacement planning and implementation	Identify HCFC-containing devices and create replacement plan	Completed HCFC-containing device survey at each global site and completed replacement planning
Environmental initiatives throughout product life cycles	Product-related initiatives	Create Olympus eco-products	• Implement environmentally conscious designs tailored to each product's characteristics	• Created environmentally conscious products at all business units (12 new products, 584 products in total)
	Facility-related initiatives	Energy consumption rate: 7.73% or more reduction in FY2021 (relative to FY2013; in Japan) Water use rate: Improved relative to FY2017 Waste discharge rate: Improved relative to FY2017	Continue manufacturing improvement activities	• Energy consumption rate: Improved 6.6% • Water use rate: 5.9% • Waste discharge rate: 0.0% (same as previous year)
	Environmental contribution activities	Environmental contribution activities under theme of "Water Circulation—Protection of Forests, Rivers, and Oceans"	• Conduct environmental contribution activities at global sites • Conduct activities under the theme of "Ocean Legacy Project"	• Conducted river cleanup and community greenification activities at bases worldwide • Continued coral planting and nature school (2 times) initiatives

Participation in the Environmental Reporting Platform Development Pilot Project

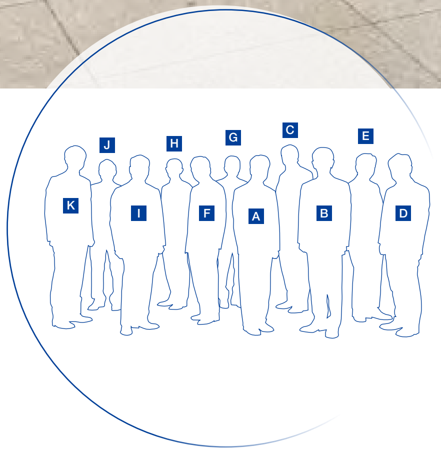
To reinforce communication with stakeholders, since 2014 Olympus has been a member of the Environmental Reporting Platform Development Pilot Project led by the Ministry of the Environment. Investors are recently placing more importance on environmental, social, and governance (ESG) information to make sound investment decisions. In light of this, the Ministry of the Environment established the ESG Dialogue Platform, with a trial phase starting in 2013. The platform is designed to disclose and share ESG information on the environment and enable interactions between corporations and investors to create a framework in which environment-conscious companies are acknowledged and appropriately assessed and invested in.

Olympus will use this project to reach out to investors and stakeholders and incorporate their ideas in its business with the aim of further improving its corporate value.

Directors and Audit & Supervisory Board Members

(As of June 26, 2018)

Directors



A President and Representative Director

Hiroyuki Sasa

(Date of birth: September 14, 1955)

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

B Director, Vice President

Yasuo Takeuchi

(Date of birth: February 25, 1957)

- Apr. 1980 Joined the Company
- Apr. 2005 General Division Manager, Olympus Medical Systems Corp.
- Apr. 2009 Director, Olympus Europa Holding GmbH
- Jun. 2009 Executive Officer, the Company
- Oct. 2011 Executive Managing Director and Chairman of the Board, Olympus Europa Holding GmbH
- Apr. 2012 Director, the Company (present)
  Senior Executive Managing Officer, the Company
  Group President of Group Management Office, the Company
  Chairman of the Board, Olympus Corporation of the Americas (present)
- Mar. 2013 Administrative Board and Managing Director, Olympus Europa Holding SE (present)
- Apr. 2015 Head of Corporate Management Office, the Company
- Apr. 2016 Director, Vice President, the Company (present)
  Chief Financial Officer, the Company (present)
  Chief Regional Representative Officer (present)

C Director, Senior Executive Managing Officer

Akihiro Taguchi

(Date of birth: January 26, 1958)

- Apr. 1980 Joined the Company
- Apr. 2009 Division Manager, R&D Div. 2, Olympus Medical Systems Corp.
- Jun. 2010 Executive Officer, the Company
  Director, Member of the Board, Olympus Medical Systems Corp.
- Apr. 2012 Senior Executive Managing Officer, the Company (present)
  President, Olympus Medical Systems Corp.
- Apr. 2015 Head of Sales Group, the Company
  Business Management Officer of Medical Business, the Company (present)
  Director, Member of the Board, Olympus Medical Systems Corp. (present)
- Jun. 2015 Director, the Company (present)
- Apr. 2016 Head of Sales and Marketing Group, the Company (present)

D Director, Senior Executive Managing Officer

Haruo Ogawa

(Date of birth: April 13, 1957)

- Apr. 1982 Joined the Company
- Jul. 2009 Deputy Division Manager Imaging Business Div., Olympus Imaging Corp.
- Oct. 2010 Division Manager Medical Technology R&D Div., the Company
- Apr. 2011 Executive Officer, the Company
  Director, Member of the Board, Olympus Imaging Corp.
- Apr. 2012 Executive Managing Officer, the Company
  President, Olympus Imaging Corp.
- Apr. 2015 Head of R&D Group, the Company (present)
  Business Management Officer of Scientific Solutions Business and Imaging Business, the Company
- Jun. 2015 Director, the Company (present)
- Apr. 2016 Senior Executive Managing Officer, the Company (present)
  Chief Technology Officer, the Company (present)

E Director, Executive Managing Officer

Kiichi Hirata

(Date of birth: July 1, 1957)

- Apr. 1980 Joined the Company
- Oct. 2003 General Manager, Planning Dept., Scientific Equipment Div., the Company
- Apr. 2004 General Manager, Sales and Marketing Dept., Bioscience Div., the Company
- Apr. 2006 General Manager, Logistics Development Dept., Business Support Div., the Company
- Nov. 2012 President, Olympus Logitex Co., Ltd.
- Oct. 2013 Division Manager, Corporate Service Div., the Company
- Apr. 2014 Executive Officer, the Company
- Apr. 2015 Head of Corporate Group, the Company
- Apr. 2016 Executive Managing Officer, the Company (present)
  Chief Administrative Officer, the Company (present)
- Jun. 2016 Director, the Company (present)

F Outside Director

Sumitaka Fujita

(Date of birth: December 24, 1942)

- Apr. 1965 Joined ITOCHU Corporation
- Jun. 1995 Director, ITOCHU Corporation
- Apr. 1997 Managing Director, ITOCHU Corporation
- Apr. 1998 Representative Managing Director, ITOCHU Corporation
- Apr. 1999 Representative Senior Managing Director, ITOCHU Corporation
- Apr. 2001 Representative Executive Vice President, ITOCHU Corporation
- Apr. 2006 Representative Vice Chairman, ITOCHU Corporation
- Jun. 2006 Vice Chairman, ITOCHU Corporation
- Jun. 2007 Director, Orient Corporation
- Jun. 2008 Senior Corporate Adviser, ITOCHU Corporation
  Director, Furukawa Electric Co., Ltd. (present)
  Audit & Supervisory Board Member, NIPPONKOA Insurance Company, Limited (currently Sompo Japan Nipponkoa Insurance Inc.)
- Jun. 2009 Director, Nippon Sheet Glass Co., Ltd.
- Apr. 2010 Director, NKSJ Holdings, Inc. (currently Sompo Holdings, Inc.)
- Apr. 2012 Director, the Company (present)

(Important concurrent positions)
Director, Furukawa Electric Co., Ltd.
Chairman, Japan Association for CFOs

G Outside Director

Takayuki Katayama

(Date of birth: October 9, 1945)

- Apr. 1968 Joined Teijin Limited
- Jun. 1997 Director, Teijin Limited
- Apr. 2000 CFO, Teijin Limited
- Jun. 2000 Senior Managing Director, Teijin Limited
- Oct. 2001 CEO, Teijin-DuPont Films Joint Venture
- Apr. 2004 CSO, Teijin Limited
- Jun. 2004 Representative Director and Executive Managing Director, Teijin Limited
- Apr. 2005 CSRO, Teijin Limited
- Jun. 2006 Executive Vice President, Teijin Limited
- Apr. 2009 CFO, Teijin Limited
- Jun. 2011 Senior Advisor to CEO, Teijin Limited (present)
- Jun. 2012 Director, Santen Pharmaceutical Co., Ltd.
  Audit & Supervisory Board Member, Toyo Seikan Group Holdings, Ltd.
- Jun. 2016 Director, the Company (present)

H Outside Director

Susumu Kaminaga

(Date of birth: December 3, 1946)

- May 1969 Joined Sumitomo Precision Products Co., Ltd.
- Mar. 1995 Representative Director, Surface Technology Systems Ltd.
- Jun. 2000 Director, Sumitomo Precision Products Co., Ltd.
- Jun. 2002 Managing Director, Sumitomo Precision Products Co., Ltd.
- Jun. 2004 President, Sumitomo Precision Products Co., Ltd.
- Jun. 2012 Adviser to the Board, Sumitomo Precision Products Co., Ltd.
- Oct. 2012 Representative Director & Chief Executive, SK Global Advisers Co., Ltd. (present)
  Executive Senior Adviser, SPP Technologies Co., Ltd. (present)
- Dec. 2012 Director, DEFTA Capital Inc. (present)
- Jun. 2016 Director, the Company (present)

(Important concurrent positions)
Representative Director & Chief Executive, SK Global Advisers Co., Ltd.
Executive Senior Adviser, SPP Technologies Co., Ltd.
Director, DEFTA Capital Inc.

I Outside Director

Michijiro Kikawa

(Date of birth: August 2, 1947)

- Apr. 1970 Joined Hitachi Construction Machinery Co., Ltd.
- May 1995 President, Hitachi Construction Machinery (China) Co., Ltd.
- Jun. 1999 Senior Officer and President, Hitachi Construction Machinery (China) Co., Ltd.
- Jun. 2001 Executive Officer and General Manager, Hitachi Construction Machinery Co., Ltd.
- Jun. 2002 Vice President and Executive Officer, Hitachi Construction Machinery Co., Ltd.
- Apr. 2003 Senior Vice President and Executive Officer, Hitachi Construction Machinery Co., Ltd.
- Jun. 2003 Senior Vice President and Executive Officer, Hitachi Construction Machinery Co., Ltd.
- Apr. 2005 Representative Executive Officer and Executive Vice President, Hitachi Construction Machinery Co., Ltd.
- Jun. 2005 Representative Executive Officer, Executive Vice President, and Director, Hitachi Construction Machinery Co., Ltd.
- Apr. 2006 Representative Executive Officer, President, Chief Executive Officer, and Director, Hitachi Construction Machinery Co., Ltd.
- Apr. 2012 Director, Hitachi Construction Machinery Co., Ltd.
- Jun. 2012 Chairman of the Board, Hitachi Construction Machinery Co., Ltd.
  Director, Hitachi, Ltd.
- Jun. 2014 Consultant to the Board of Directors, Hitachi Construction Machinery Co., Ltd.
- Jun. 2016 Director, the Company (present)

J Outside Director

Tetsuo Iwamura

(Date of birth: May 30, 1951)

- Apr. 1978 Joined Honda Motor Co., Ltd.
- Jun. 2000 Director, Honda Motor Co., Ltd.
- Apr. 2003 President and Director, Honda South America Ltda.
  President and Director, Moto Honda da Amazonia Ltda.
  President and Director, Honda Automoveis do Brasil Ltda.
- Jun. 2006 Managing Director, Honda Motor Co., Ltd.
- Apr. 2007 President and Director, Honda North America, Inc.
  President and Director, American Honda Motor Co., Inc.
- Jun. 2008 Senior Managing Director, Honda Motor Co., Ltd.
- Apr. 2011 Senior Managing Officer and Director, Honda Motor Co., Ltd.
- Jun. 2011 Senior Managing Officer, Honda Motor Co., Ltd.
- Apr. 2012 Executive Vice President, Executive Officer, Honda Motor Co., Ltd.
- Jun. 2012 Representative Director, Honda Motor Co., Ltd.
- Apr. 2013 Risk Management Officer, Honda Motor Co., Ltd.
- Apr. 2014 Corporate Brand Officer, Honda Motor Co., Ltd.
  Chairman and Director, American Honda Motor Co., Inc.
- Jun. 2017 Director, the Company (present)

K Outside Director

Yasumasa Masuda

(Date of birth: February 27, 1957)

- Apr. 1980 Joined Fujisawa Pharmaceutical Co., Ltd. (currently Astellas Pharma Inc.)
- Jun. 2008 Corporate Executive, Vice President, Corporate Finance & Control, Astellas Pharma Inc.
- Jun. 2011 Corporate Executive, Vice President, Corporate Finance & Control, and Chief Financial Officer, Astellas Pharma Inc.
- Apr. 2012 Corporate Executive, Vice President and Chief Financial Officer, Astellas Pharma Inc.
- Jun. 2012 Senior Corporate Executive, Senior Vice President and Chief Financial Officer, Astellas Pharma Inc.
- Apr. 2017 Senior Corporate Executive, Senior Vice President and Assistant to President, Astellas Pharma Inc.
- Jun. 2017 Independent Non-Executive, Deloitte Touche Tohmatsu LLC (present)
- Jun. 2018 Director, the Company (present)

(Important concurrent position)
Independent Non-Executive, Deloitte Touche Tohmatsu LLC

Directors and Audit & Supervisory Board Members

(As of June 26, 2018)

Audit & Supervisory Board Members

Standing Audit & Supervisory Board Member

Nobuyuki Koga

(Date of birth: September 14, 1955)
Apr. 1978 Joined Olympus Corporation
Apr. 2002 President and Representative Director, Shirakawa Olympus Co., Ltd.
Apr. 2006 General Manager, Human Resources Dept., Olympus Corporation
Jun. 2009 Executive Officer, Olympus Corporation
Director, Olympus Medical Systems Corp.
Jul. 2009 Division Manager, Manufacturing Service Division, Olympus Medical Systems Corp.
Apr. 2010 President and Representative Director, Aizu Olympus Co., Ltd.
Apr. 2014 Division Manager, Corporate Service Division, Olympus Corporation
Jun. 2017 Audit & Supervisory Board Member, the Company (present)

Standing Audit & Supervisory Board Member

Masashi Shimizu

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

Outside Audit & Supervisory Board Member

Katsuya Natori

(Date of birth: May 15, 1959)
Apr. 1986 Joined Masuda & Ejiri (currently Nishimura & Asahi)
Jun. 1990 Joined Davis Wright Tremaine LLP
Jul. 1992 Joined Wilmer, Cutler & Pickering
Jul. 1993 Joined Esso Petroleum Corporation (currently JXTG Nippon Oil & Energy Corporation)
Jan. 1995 Joined Apple Japan, Inc.
Jan. 1997 Director, Sun Microsystems, Inc. (currently Oracle Information Systems (Japan) K.K.)
Mar. 2002 Executive Officer, Fast Retailing Co., Ltd.
Jan. 2004 Director and Executive Officer, IBM Japan, Ltd.
Apr. 2010 Executive Officer, IBM Japan, Ltd.
Feb. 2012 Chief, Natori Law Office (present)
Apr. 2012 Audit & Supervisory Board Member, the Company (present)
Mar. 2015 Director, MODEC, INC. (present)
Apr. 2016 Supervisory Director, Global One Real Estate Investment Corp. (present)

(Important concurrent positions)
Chief, Natori Law Office
Director, MODEC, INC.
Supervisory Director, Global One Real Estate Investment Corp.

Outside Audit & Supervisory Board Member

Atsushi Iwasaki

(Date of birth: January 9, 1959)
Nov. 1990 Joined Century Audit Corporation (currently Ernst & Young ShinNihon LLC)
Mar. 1991 Registered as certified public accountant
Mar. 1997 Registered as real estate appraiser
Dec. 1997 Partner, Century Audit Corporation (currently Ernst & Young ShinNihon LLC)
Sep. 2005 Chief, Iwasaki CPA Office (present)
Jun. 2013 Director, ISEKI & CO., Ltd. (present)
Jun. 2015 Audit & Supervisory Board Member, NH Foods Ltd. (present)
Jun. 2016 Audit & Supervisory Board Member, the Company (present)

(Important concurrent positions)
Chief, Iwasaki CPA Office
Director, ISEKI & CO., Ltd.
Audit & Supervisory Board Member, NH Foods Ltd.

Facts

Note: The Company has adopted International Financial Reporting Standards (IFRS) from fiscal 2018. Accordingly, the financial data for fiscal 2017 is also presented based on IFRS.

10-Year Financial / Non-Financial Data

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

(Millions of yen)

	JGAAP									IFRS	
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2017	2018
Revenue	980,803	883,086	847,105	848,548	743,851	713,286	764,671	804,578	748,050	740,557	**786,497**
Selling, general and administrative (SG&A) expenses	418,558	347,125	349,306	348,287	343,121	367,011	398,889	430,773	414,855	397,697	**426,596**
Percentage of revenue (%)	42.7%	39.3%	41.2%	41.0%	46.1%	51.5%	52.2%	53.5%	55.5%	53.7%	**54.2%**
Percentage of revenue excluding R&D expenditures (%)	35.5%	32.3%	33.3%	33.8%	37.6%	42.1%	42.5%	43.4%	44.9%	43.0%	**42.9%**
Operating profit	42,722	61,160	38,379	35,518	35,077	73,445	90,962	104,464	76,487	71,192	**81,029**
Percentage of revenue (%)	4.4%	6.9%	4.5%	4.2%	4.7%	10.3%	11.9%	13.0%	10.2%	9.6%	**10.3%**
Profit (loss) before tax	(20,383)	90,703	19,938	(9,495)	19,142	16,425	8,934	70,800	81,686	62,481	**76,665**
Net income (loss) (JGAAP) / Profit (loss) attributable to owners of parent (IFRS)	(50,561)	52,527	3,866	(48,985)	8,020	13,627	(8,737)	62,594	78,191	42,783	**57,064**
Percentage of revenue (%)	—	5.9%	0.5%	—	1.1%	1.9%	—	7.8%	10.5%	5.8%	**7.3%**
EBITDA margin*1 (%)	12.8%	13.3%	9.9%	9.5%	10.6%	16.8%	18.5%	19.2%	17.4%	16.9%	**17.0%**
EBITDA margin (Medical Business)*2 (%)	27.0%	29.2%	26.9%	26.6%	29.0%	29.7%	29.1%	29.5%	27.4%	27.4%	**26.5%**
R&D expenditures	70,010	61,850	67,286	61,356	63,379	66,796	74,101	81,415	79,178	79,178	**89,469**
Percentage of revenue (%)	7.1%	7.0%	7.9%	7.2%	8.5%	9.4%	9.7%	10.1%	10.6%	10.7%	**11.4%**
Capital expenditures	55,632	34,323	32,699	37,961	28,109	37,810	47,743	64,445	49,347	60,683	**65,255**
Depreciation and amortization	44,594	43,099	34,188	33,787	33,899	36,850	41,219	39,912	44,658	54,290	**52,913**
Amortization of goodwill	37,881	12,918	11,619	11,103	9,683	9,457	9,421	9,867	8,642	—	**—**
Financial indicators											
Total assets*3	1,038,253	1,104,528	1,019,160	966,526	960,239	1,027,475	1,081,551	1,000,614	991,062	960,032	**978,663**
Total net assets (JGAAP)*3 / Total equity (IFRS)	110,907	163,131	115,579	48,028	151,907	331,284	357,254	384,283	430,880	396,228	**444,259**
Equity ratio (JGAAP) / Ratio of equity attributable to owners of parent to total assets (IFRS) (%)	10.0%	14.1%	11.0%	4.6%	15.5%	32.1%	32.9%	38.2%	43.3%	41.1%	**45.2%**
Interest-bearing debt	642,839	661,481	648,787	642,426	560,390	415,831	354,421	321,138	286,357	285,970	**247,974**
Net debt	505,763	454,698	435,226	442,338	330,780	163,710	144,546	154,584	86,926	86,505	**56,735**
Inventories	95,540	89,959	92,929	102,493	99,307	98,595	107,387	111,558	124,064	125,319	**139,309**
Inventory turnover period (months)	1.2	1.3	1.3	1.4	1.6	1.7	1.6	1.6	1.9	2.0	**2.1**
Cash and cash equivalents at end of year	132,720	203,013	210,385	198,661	225,782	251,344	209,809	166,323	199,431	199,465	**191,239**
Cash flows from operating activities	36,864	76,245	30,469	30,889	25,233	72,388	66,811	48,621	90,194	102,052	**95,146**
Cash flows from investing activities	(15,964)	(20,967)	19,003	(35,735)	33,455	(20,273)	(39,612)	(52,897)	(8,305)	(20,814)	**(53,312)**
Cash flows from financing activities	(3,751)	17,355	(37,359)	(5,761)	(42,436)	(39,693)	(70,185)	(33,870)	(44,244)	(43,615)	**(51,058)**
Return on equity (ROE) (%)	(30.2%)	40.6%	2.9%	(62.3%)	8.3%	5.7%	(2.6%)	17.0%	19.3%	11.3%	**13.6%**
Return on assets (ROA) (%)	4.1%	4.9%	0.4%	(4.9%)	0.8%	1.4%	(0.8%)	6.0%	7.9%	4.4%	**5.9%**
Net income (loss) per share (JGAAP) / Basic earnings per share (IFRS) (yen)	(188.85)	194.90	14.39	(183.54)	28.96	41.05	(25.53)	182.90	228.47	125.01	**166.84**
Total equity per share (JGAAP) / Equity attributable to owners of parent per share (IFRS) (yen)	387.31	576.63	421.37	167.76	493.30	962.83	1,038.64	1,117.24	1,252.96	1,153.45	**1,297.01**
Price earnings ratio (PER)*4 (times)	—	15.4	160.8	—	76.4	80.2	—	23.9	18.7	34.2	**24.2**
Price book-value ratio (PBR) (times)	4.1	5.2	5.5	8.1	4.5	3.4	4.3	3.9	3.4	3.7	**3.1**
Outstanding market value (billions of yen)	428.6	813.8	627.7	367.3	675.8	1,127.4	1,530.0	1,499.2	1,466.6	1,466.6	**1,384.5**
Cash dividends per share (yen)	20	30	30	—	—	—	10	17	28	28	**28**
Average exchange rate											
U.S. dollar / Yen	100.54	92.85	85.72	79.08	83.10	100.24	109.93	120.14	108.38	108.38	**110.85**
Euro / Yen	143.48	131.15	113.12	108.98	107.14	134.37	138.77	132.58	118.79	118.79	**129.70**
Non-financial indicators											
Number of employees*5	36,503	35,376	34,391	34,112	30,697	30,702	31,540	33,336	34,687	34,687	**35,933**
(Average number of temporary employees)	(—)	(—)	(5,336)	(5,009)	(2,240)	(2,978)	(1,374)	(1,257)	(1,298)	(1,298)	**(1,511)**
Overseas employees as a percentage of employees (%)	62.1%	63.3%	62.4%	62.1%	62.4%	62.5%	63.2%	63.3%	63.7%	63.7%	**63.7%**
Percentage of women in management roles*6 (%)	0.8%	0.9%	0.9%	0.8%	0.9%	1.0%	1.2%	1.4%	1.9%	1.9%	**2.3%**
Percentage of employees with disabilities*7 (%)	1.7%	1.8%	1.8%	1.9%	1.9%	2.0%	2.1%	1.9%	2.1%	2.1%	**2.2%**

*1 At the Company, EBITDA is calculated using the following assumptions: EBITDA = Operating profit + Depreciation and amortization that is included in cost of sales or SG&A expenses + Amortization of goodwill that is included in SG&A expenses.
EBITDA margin = EBITDA / Revenue

*2 At the Company, EBITDA (Medical Business) is calculated using the following assumptions: EBITDA = Segment profit in the Medical Business + Depreciation and amortization that is included in cost of sales or SG&A expenses + Amortization of goodwill that is included in SG&A expenses. EBITDA margin (Medical Business) = EBITDA (Medical Business) / Revenue

*3 In line with the issuance of IAS No. 19 "Employee Benefits" (revised on June 16, 2011) to be applied for fiscal years beginning on or after January 1, 2013, certain overseas subsidiaries adopted IAS No. 19 effective from the fiscal year ended March 31, 2014, and changed their method of recognizing actuarial gain or loss. This change has been applied retroactively to the figures for the fiscal year ended March 31, 2013.

*4 Price earnings ratio (PER) for the fiscal years ended March 31, 2012 and 2015 are omitted as Olympus recorded net loss for these fiscal years.

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

*6 Figures for percentage of women in management roles only include individuals in Japan.

*7 Figures for percentage of employees with disabilities are as of June 1 of the respective year and only include individuals in Japan.

Analysis of Business Results, Financial Position, and Cash Flows

Analysis of Business Results

Company Overview

In the global economy during fiscal 2018, the U.S. economy continued to recover steadily, and there was also a trend of moderate improvement in Europe and China. However, uncertainty over the future continued due to the political trends in the United States and Europe and increasing geopolitical risks in East Asia and the Middle East. In the Japanese economy, amid firm domestic and overseas demand, corporate earnings and employment conditions improved, and a move toward recovery has been seen in consumer spending, with the moderate recovery trend continuing.

Amid this business environment, the Olympus Group continued to work to achieve sustainable growth in fiscal 2018 by strategically investing in growth fields and by implementing operational reforms to pursue business efficiency, in accordance with the "Business to Specialist" Company and One Olympus basic policies of the five-year medium-term management plan, 2016 Corporate Strategic Plan (16CSP), which was launched in fiscal 2017.

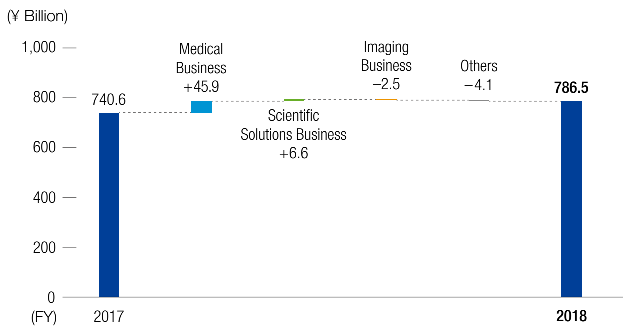
In the Medical Business, we increased the number of employees to strengthen each functional area of the business and enhanced quality assurance (QA) and regulatory assurance (RA). In the surgical device field, an area positioned for dramatic growth under 16CSP, we steadily implemented measures aimed at future growth, such as actively introducing new products in Japan and Europe and acquiring U.S. company Image Stream Medical, Inc., to strengthen the operating room systems integration business, a key strategic area. In the Scientific Solutions Business, we allocated management resources to growth fields based on customer groups and pushed ahead with optimizing the business. In the Imaging Business, we reinforced sales of high-margin mirrorless cameras and reorganized production bases. Through these initiatives, we stepped up efforts to create a business structure capable of consistently generating profits.

During fiscal 2018, the Olympus Group invested ¥89,469 million in research and development and spent ¥65,255 million on capital expenditures.

With respect to foreign exchange, the yen depreciated against both the U.S. dollar and the euro in comparison with the previous fiscal year. The average exchange rate during the year was ¥110.85 against the U.S. dollar (¥108.38 in the previous fiscal year) and ¥129.70 against the euro (¥118.79 in the previous fiscal year), which caused revenue and operating profit to rise ¥28,784 million and ¥10,689 million, respectively, year on year.

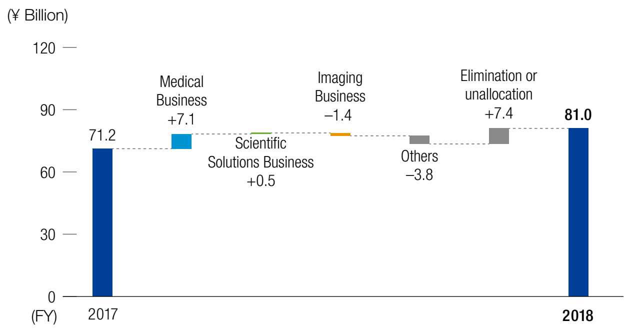
■ Revenue

Consolidated revenue increased 6.2% year on year, to ¥786,497 million, due to increased sales in the Medical Business and Scientific Solutions Business.



■ Operating Profit

Operating profit was up 13.8% year on year, to ¥81,029 million, as the recording of temporary expenses related to the restructuring of a production bases in the Imaging Business was offset by increased profits in the Medical Business and Scientific Solutions Business.



■ Profit Attributable to Owners of Parent

In addition, the Company posted income taxes of ¥19,573 million. Consequently, profit attributable to owners of parent was ¥57,064 million, up 33.4% year on year.

Performance by Segment

■ Medical Business

Consolidated revenue in the Medical Business amounted to ¥616,331 million, up 8.1% year on year, and operating profit amounted to ¥121,784 million, up 6.2%.

In the gastrointestinal endoscope field, although the mainstay endoscopy systems are reaching the later stages of their product cycles, steady sales were maintained. In the surgical device field, sales of surgical endoscopy systems equipped with 4K technologies, 3D laparoscopy systems, and the THUNDERBEAT energy device integrating both advanced bipolar and ultrasonic energy continued to grow. In the endotherapy device field, sales of the VisiGlide 2™ disposable guidewire product for use in endoscopic diagnosis and treatment of biliary and pancreatic ducts and other products were strong.

Despite a deterioration in profits due to the product mix and other factors, operating profit in the Medical Business increased year on year, supported by the effect of the weaker yen.

■ Scientific Solutions Business

Consolidated revenue in the Scientific Solutions Business amounted to ¥100,016 million, up 7.1% year on year, and operating profit amounted to ¥6,425 million, up 8.4%.

Sales of products for hospitals and life science research were strong in Japan and China. Moreover, in addition to strong sales of industrial microscopes for semiconductor and electrical component inspections, sales of non-destructive testing equipment increased overseas, leading to higher revenue year on year in the Scientific Solutions Business.

Operating profit in the Scientific Solutions Business rose year on year due to the increase in revenue and the effect of the weaker yen.

■ Imaging Business

Consolidated revenue in the Imaging Business amounted to ¥60,298 million, down 4.0% year on year, and operating loss amounted to ¥1,200 million, compared with operating profit of ¥153 million in the previous fiscal year.

In the mirrorless camera field, sales increased as the Olympus Group maintained steady sales of the OM-D E-M1 Mark II flagship mirrorless camera introduced in the previous fiscal year. Meanwhile, in the compact digital camera field, the Olympus Group limited the number of units sold in line with the contracting market. Consequently, revenue in the Imaging Business decreased year on year.

As a result of a decrease in revenue and the recording of costs associated with the reorganization of production bases, operating loss was recognized in the Imaging Business.

■ Others

Consolidated revenue in the Others Business amounted to ¥9,852 million, down 29.5% year on year, and operating loss was ¥4,966 million, compared with operating loss of ¥1,138 million in the previous fiscal year.

Revenue in the Others Business declined as a result of having reorganized our non-core business domains through initiatives that included transferring shares in Nippon Outsourcing Corporation, a subsidiary of the Company, on October 31, 2016. Operating loss increased because a gain on sale of investments in subsidiaries was recorded in the previous fiscal year but absent in fiscal 2018.

Fiscal 2019 Outlook

Looking ahead, the global economy continues to recover at a moderate pace, but there remains a persistent downside risk due to factors such as policy moves by the U.S. government and the outlook for China and other emerging economies. In the Japanese economy, despite the likelihood of ongoing recovery on the back of improved corporate earnings, prospects ahead remain uncertain amid negative factors that include growing uncertainties regarding the global economy and volatility in financial and capital markets.

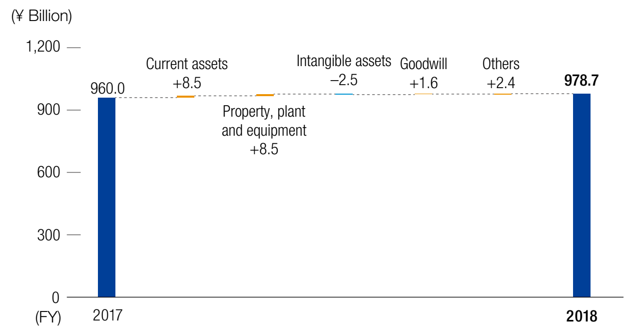
Given this environment, the Olympus Group will steadily press forward with 16CSP, the medium-term management plan that was established during fiscal 2016.

In the Medical Business, we aim to expand the scale of our operations primarily by providing value in terms of both early diagnosis and minimally invasive therapies. To this end, we have been proactively investing in each of this segment's business units, namely, the GI&R (gastrointestinal and respiratory), the GS (general surgery), the Uro / Gyn (urology / gynecology), the ENT (ear, nose, and throat), and the MS (medical service) business units. We will work to improve profitability in the Medical Business by achieving dramatic growth in both the endotherapy device and surgical device fields, which entails maintaining our overwhelming competitive strengths in the gastrointestinal endoscope field and strengthening operations involving single-use devices. In the Scientific Solutions Business, we will establish an earnings base by promoting strategies oriented to customer groups while also taking steps geared toward enhancing shared business functions and streamlining operations through globally integrated management. In the Imaging Business, we will further boost business efficiency aimed at the establishment of a profitable operating structure.

Financial Position

Total Assets

As of March 31, 2018, total assets increased ¥18,631 million from a year earlier, to ¥978,663 million. As reasons for the increase in total assets, inventories increased ¥13,990 million, property, plant and equipment increased ¥8,508 million, other financial assets increased ¥5,824 million, and retirement benefit asset increased ¥4,970 million. Conversely, cash and cash equivalents decreased ¥8,226 million and deferred tax assets decreased ¥4,302 million.



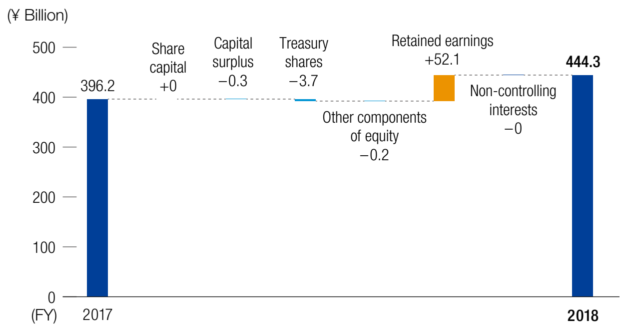
Total Liabilities

As for total liabilities, bonds and borrowings in current liabilities increased ¥20,014 million, other current liabilities increased ¥16,060 million, and other non-current liabilities increased ¥6,615 million. Meanwhile, bonds and borrowings in non-current liabilities decreased ¥58,010 million and trade and other payables decreased ¥13,275 million. As a result, total liabilities decreased ¥29,400 million compared with the end of the previous fiscal year, to ¥534,404 million.

Total Equity and Equity Attributable to Owners of Parent to Total Assets

Total equity increased ¥48,031 million compared with the end of the previous fiscal year, to ¥444,259 million, primarily due to an increase in retained earnings owing to profit attributable to owners of parent of ¥57,064 million and a decrease in retained earnings stemming from dividends of ¥9,583 million.

As a result of the foregoing, equity attributable to owners of parent to total assets increased from 41.1% at the end of the previous fiscal year to 45.2%.



Cash Flows

Cash Flows from Operating Activities

Net cash provided by operating activities amounted to ¥95,146 million. Major factors increasing cash included ¥76,665 million in profit before tax as well as adjustments for non-cash items such as ¥52,913 million in depreciation and amortization, and ¥592 million in loss related to securities litigation. Decreasing factors mainly included a decrease in trade and other payables of ¥13,709 million, an increase in inventories of ¥13,249 million, and income taxes paid of ¥19,281 million.

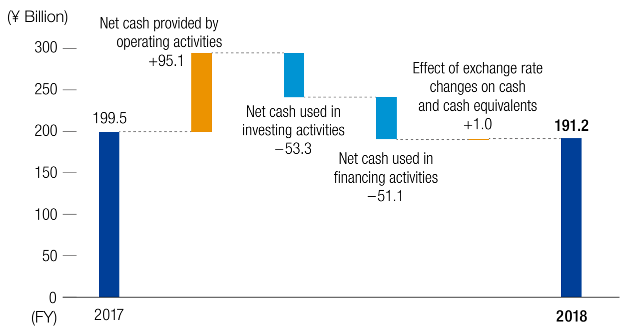
Cash Flows from Investing Activities

Net cash used in investing activities was ¥53,312 million. Decreasing factors mainly included ¥48,855 million in purchase of property, plant and equipment, ¥14,554 million in purchase of intangible assets, and ¥8,636 million in purchase of investments in subsidiaries resulting in change in scope of consolidation. Increasing factors mainly included ¥7,047 million in proceeds from sales of investments and ¥5,646 million in proceeds from sales of property, plant and equipment.

Cash Flows from Financing Activities

Net cash used in financing activities totaled ¥51,058 million. Decreasing factors mainly included ¥66,307 million in repayments of long-term borrowings and ¥9,583 million in dividends paid. Increasing factors mainly included ¥23,551 million in proceeds from long-term borrowings and ¥9,946 million in proceeds from issuance of bonds.

As a result, cash and cash equivalents at the end of fiscal 2018 reached ¥191,239 million, a decrease of ¥8,226 million compared with the end of the previous fiscal year.



Risk Information

The following are the main factors, other than management decisions, and risks inherent to operations that may give rise to changes in the Group's business performance.

Forward-looking statements in this section are based on the Group's judgment as of the end of the fiscal year under review.

Business Risks

(1) Risks Associated with Sales Activities

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

(2) Risks Associated with Production and Development Activities

1. Certain production bases of the Group are located in overseas countries. Therefore, depending upon exchange rate trends and other factors, operating costs may increase substantially, and the Olympus Group's ability to secure earnings may be adversely affected.
2. The Group depends on certain specific suppliers for processes from development to production of products and components that cannot be developed and produced within the Group. Accordingly, procurement constraints resulting from conditions impacting these suppliers may affect production and supply capacity.
3. Olympus products, including products consigned to outside suppliers, are manufactured in accordance with strict quality standards. Nevertheless, the occurrence of product defects may result in substantial costs, such as for product recalls, as well as loss of confidence in the Olympus Group, which may affect earnings.
4. The Group is making continuous advances in the development of products that incorporate cutting-edge technologies. Nevertheless, technical progress is increasingly rapid, and the inability to sufficiently foresee market changes and develop new products that meet customer needs in a timely manner may affect earnings.
5. The Group applies various intellectual property rights in its R&D and production activities and believes that these are rights owned by the Group or are rights for which the Group has legally obtained licenses. However, assertion by a third party that the Group has unknowingly infringed on intellectual property rights and the occurrence of a dispute may affect earnings.

(3) Risks Associated with Business Partnerships and Corporate Acquisitions

1. Olympus has formed long-term strategic partnerships related to technologies and product development with leading companies in the industry. The inability to maintain such partnerships due to the occurrence of financial or other business-related issues with strategic partners, changes in goals, or other reasons may hinder the Group's business activities.
2. Olympus may acquire companies for the purpose of business expansion. The inability to integrate acquired businesses in accordance with the Group's management strategies or inability to efficiently utilize the management resources of existing businesses or acquired businesses may affect the Group's operations, business performance, or financial position for such reasons as the recording of impairment of the goodwill, loss on sales of businesses associated with business reorganizations, or expenses for business liquidation.
3. The Olympus Group holds investment securities for the purpose of facilitating business alliances and other non-investment purposes. It is possible that the stock prices or the estimated values of these securities could fluctuate significantly due to changes in market trends or the financial position of the companies in question, and the Group's performance and financial position could be affected as a result.

(4) Risks Associated with Financing

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

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

(6) Risks Associated with Deferred Posting of Past Losses
A case is pending in the Tokyo District Court in which the Company is charged with violations of the Securities and Exchange Act and the Financial Instruments and Exchange Act with respect to the Company's deferring of the posting of losses on investment securities, etc., since around the 1990s and the use, via multiple funds, of both the fees paid to financial advisors and funds to buy back preferred stock in relation to the acquisition of Gyrus Group PLC as well as the funds for the acquisition of three domestic companies (Altis Co., Ltd., NEWS CHEF, Inc., and Humalabo Co., Ltd.) to resolve unrealized losses on investment securities, etc., by deferring the posting of these losses. Furthermore, shareholders of the Company have filed legal complaints against the Company as a result of the Company's inappropriate financial reporting and are filing lawsuits against the Company, which may affect the Group's business performance or financial position. As of June 26, 2018, the following major lawsuits have been filed against the Company with pending claims totaling ¥28,288 million.

On April 7, 2014, six plaintiffs, Mitsubishi UFJ Trust and Banking Corporation and five other trust banks, filed a complaint against the Company (the date the Company received the complaint was April 17, 2014) seeking damages of ¥27,915 million and the interest accrued to the damages incurred relating to each of the shares at the rate of 5% per annum for the period from the day immediately following the share acquisition trade date of each of the shares that incurred losses up to the payment of the incurred losses of the shares.

(7) Risks Associated with Internal Control Systems, etc.
The Olympus Group has developed systems for ensuring appropriate and reliable financial reporting and effective and efficient work processes, which it operates and continuously improves. However, it cannot be ignored that, regardless of the effectiveness of the internal control systems constructed by the Group, these systems could fail to function effectively due to actions arising from malicious intent or gross negligence on the part of employees, changes in the business environment that were not envisaged at the time of the internal control systems' construction, or other factors. Accordingly, it is possible that a violation of laws or regulations or some other incident could occur in the future. If such an incident were to occur, the Company may be obliged to pay fines resulting from government sanctions, penalties for criminal proceedings, or damages in civil lawsuits, or other expenses. Moreover, the Company may suffer an adverse impact on its business from a loss of social trust. Such events could have an adverse impact on the Company's operating results.

(8) Risks Relating to Laws and Regulations
The Company is developing its operations on a global scale in its various businesses, including the Medical Business, which is conducted in a regulated industry. The Company is subject to various laws and regulations, including medical industry-related and antimonopoly laws in Japan as well as other countries and regions. In addition, the Company is subject to the anti-bribery provisions of the U.S. Foreign Corrupt Practices Act of 1977 (FCPA), the U.K. Anti-Bribery Act, and other anti-bribery laws in other countries and regions. We are also subject to various laws targeting fraud and abuse in the healthcare industry, including the Act against Unjustifiable Premiums and Misleading Representations of Japan and the Anti-kickback Act and the False Claims Act of the United States.

In the Medical Business, government-sponsored healthcare systems are being developed around the world. Accordingly, Group companies and their distributors and suppliers often do business with government-affiliated entities, healthcare providers, and officials. In addition, some Group companies as well as their distributors and suppliers operate in countries or regions in which there has been governmental corruption in the past, and in certain circumstances strict compliance with anti-bribery laws, such as those mentioned above, may conflict with local business customs and practices. Furthermore, the various laws and regulations targeting fraud and abuse in the healthcare industry are wide-ranging and subject to changing interpretation and application, which could restrict the sales or marketing practices of Group companies.

Violations of these laws and regulations may be punishable by criminal or civil fines, imprisonment, or exclusion from participation in certain national healthcare programs. Many of the Group's customers rely on reimbursement from public health insurance and other government programs to subsidize their medical expenditures. For this reason, if the Company's ability to participate in such programs were to be restricted as a result of legal violations, it could adversely affect the demand for Olympus products or the number of procedures performed using these products.

The Company strives to fully comply with these laws and regulations. However, if a legal violation were to occur, regardless of whether or not the violation was intentional, the Company's business activities, financial position, performance, cash flows, and stock price could be affected.

Furthermore, in February 2016 an overseas subsidiary of the Company agreed to enter into a deferred prosecution agreement with the U.S. Department of Justice in relation to alleged violations of the Anti-kickback Act, the False Claims Act, and the FCPA concerning past activities related to the Medical Business. If, in the future, the Company were to engage in conduct that violates these laws, it would not only receive sanctions related to said violations, but prosecution would also be carried out in relation to the alleged violation for which the deferred prosecution agreement was concluded. Such an occurrence may affect the Company's business, financial position, performance, cash flows, or stock price.

(9) Risks Relating to Duodenoscopes
In March and August 2015, the U.S. Department of Justice issued legal requests to the subsidiary Olympus Medical Systems Corp. seeking information related to duodenoscopes manufactured and sold by the Group. The Department of Justice has since been engaged in an ongoing investigation of the situation surrounding these duodenoscopes. As of June 26, 2018, civil lawsuits have been filed in the United States against the Group on the charge that the plaintiffs had been harmed as a result of Olympus Group duodenoscopes. Depending on the developments in these matters, the Group's performance and financial position may be affected.

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

Consolidated 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							
	Share capital	Capital surplus	Treasury shares	Other components of equity	Retained earnings	Total	Non-controlling interests	Total equity
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							
	Share capital	Capital surplus	Treasury shares	Other components of equity	Retained earnings	Total	Non-controlling interests	Total equity
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

Thousands of U.S. dollars (Note 2)

	Equity attributable to owners of parent							
	Share capital	Capital surplus	Treasury shares	Other components of equity	Retained earnings	Total	Non-controlling interests	Total equity
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.

(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.

Millions of yen

For the year ended March 31, 2018

	Reportable Segment					Adjustment (Notes 2, 3, 4, 5)	Amount on consolidated financial statements
	Medical	Scientific Solutions	Imaging	Others	Total		
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.

Thousands of U.S. dollars

For the year ended March 31, 2018

	Reportable Segment					Adjustment (Notes 2, 3)	Amount on consolidated financial statements
	Medical	Scientific Solutions	Imaging	Others	Total		
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.

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

	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			
		Significant increase in credit risk		
Receivables other than trade receivables	No significant increase in credit risk	Non-credit-impaired financial assets	Credit-impaired financial assets	Total
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			
		Significant increase in credit risk		
Receivables other than trade receivables	No significant increase in credit risk	Non-credit-impaired financial assets	Credit-impaired financial assets	Total
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			
		Receivables other than trade receivables		
			Significant increase in credit risk	
	Trade receivables	No 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			
		Receivables other than trade receivables		
			Significant increase in credit risk	
	Trade receivables	No 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.

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.

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	**¥8 97**	**$ 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.

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

Presentation under Japanese GAAP	Japanese GAAP (Millions of yen)	Reclassification (Millions of yen)	Differences in recognition and measurement (Millions of yen)	IFRS (Millions of yen)	Note	Presentation under IFRS
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 (Millions of yen)	Reclassification (Millions of yen)	Differences in recognition and measurement (Millions of yen)	IFRS (Millions of yen)	Note	Presentation under IFRS
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 (Millions of yen)	Reclassification	Differences in recognition and measurement	IFRS	Note	Presentation under IFRS
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 (Millions of yen)	Reclassification	Differences in recognition and measurement	IFRS	Note	Presentation under IFRS
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.

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	Japanese GAAP (Millions of yen)	Reclassification (Millions of yen)	Differences in recognition and measurement (Millions of yen)	IFRS (Millions of yen)	Note	Presentation under 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	Japanese GAAP (Millions of yen)	Reclassification (Millions of yen)	Differences in recognition and measurement (Millions of yen)	IFRS (Millions of yen)	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.

Independent Auditor's Report

Building a better working world

Ernst & Young ShinNihon LLC
Hibiya Kokusai Bldg.
2-2-3 Uchisaiwai-cho, Chiyoda-ku
Tokyo, Japan 100-0011

Tel: +81 3 3503 1100
Fax: +81 3 3503 1197
www.shinnihon.or.jp

Independent Auditor's Report

The Board of Directors
Olympus Corporation

We have audited the accompanying consolidated financial statements of Olympus Corporation and its consolidated subsidiaries, which comprise the consolidated 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

A member firm of Ernst & Young Global Limited

Olympus Group Companies

(As of March 31, 2018)

Total number of companies: 99 (Head office, 96 subsidiaries, and 2 affiliates)

Principal Business Bases

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

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

Olympus Europa SE & Co. KG
Amsinckstrasse 63,
20097 Hamburg, Germany
Tel: +49-40-23-77-30
http://www.olympus-europa.com/

Olympus Corporation of Asia Pacific Limited
L43, Office Tower, Langham Place,
8 Argyle Street, Mongkok, Kowloon, Hong Kong
Tel: +852-2481-7812

Head Office, Consolidated Subsidiaries, and Affiliated Companies

Domestic

Olympus Corporation
(Tokyo)
Manufacture and sales of precision machinery and instruments

Olympus Medical Systems Corp.
(Tokyo)
Some management of medical products

Olympus Medical Science Sales Corp.
(Tokyo)
Manufacture of medical equipment

Nagano Olympus Co., Ltd.
(Nagano)
Development and manufacturing of life science products and industrial products
Manufacturing of medical products

Aizu Olympus Co., Ltd.
(Fukushima)
Development and manufacture of medical and industrial endoscopes

Aomori Olympus Co., Ltd.
(Aomori)
Development and manufacture of medical endoscope-related products

Shirakawa Olympus Co., Ltd.
(Fukushima)
Development and manufacture of medical endoscopy systems

TmediX Corporation
(Tokyo)
Offering of procedure-based financial programs
Management consultation of medical professionals in the endoscopy field
Development, manufacturing, and sales of medical products
Sales and leasing of specially controlled medical devices

Olympus Digital System Design Corp.
(Tokyo)
Research and development of sophisticated digital system design technology

Olympus Terumo Biomaterials Corp.
(Tokyo)
Research and development and manufacture and sales in the biomaterials field

Olympus Memory Works Corp.
(Tokyo)
Planning, production, and sales of network-related products and services

Olympus Logitex Co., Ltd.
(Kanagawa, Osaka)
Distribution center

Olympus-Supportmate Corp.
(Tokyo)
Provision of cleaning and other services
Promotion of employment in the Olympus Group companies for the challenged

AVS Co., Ltd.
(Tokyo)
Domestic and international sales of medical devices for human and veterinary use

Olympus Systems Co., Ltd.
(Tokyo)
Information system services
Consulting for textile and apparel industries

Sony Olympus Medical Solutions Inc.
(Tokyo)
Development of medical products

(2 others)

Overseas

Olympus Corporation of the Americas
(Pennsylvania, U.S.A.)
Regional business center in the U.S., Canada, and Latin America

Olympus America Inc.
(Pennsylvania, U.S.A.)
Head office operations in the U.S.

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

Gyrus ACMI, Inc.
(Massachusetts, U.S.A.)
Development, manufacture, and sales of medical devices

Olympus Scientific Solutions Americas Corp.
(Massachusetts, U.S.A.)
Holding company and sales of non-destructive testing devices

Image Stream Medical, Inc.
(Massachusetts, U.S.A.)
Design, development, sales, installation, and after-sales maintenance service of the operation room system integration solutions, including diagnostic and surgical video imaging.

Olympus Scientific Solutions Technologies Inc.
(Massachusetts, U.S.A.)
Manufacture of non-destructive testing products

Olympus NDT Canada Inc.
(Québec, Canada)
Manufacture and service of advanced UT and ECT instruments and systems

Olympus Europa SE & Co. KG
(Hamburg, Germany)
Regional business center, and marketing and sales of all product lines in Europe

Olympus Winter & Ibe GmbH
(Hamburg, Germany)
Development, manufacture, and sales of medical rigid endoscopes and peripheral instruments

Olympus Soft Imaging Solution GmbH
(Münster, Germany)
Development, manufacture, and sales of complete microscope system solutions

Olympus Deutschland GmbH
(Hamburg, Germany)
Sales of all product lines in Germany

Olympus KeyMed (Medical & Industrial Equipment) Ltd.
(Essex, U.K.)
Sales of all product lines, and development and manufacture of endoscopes and related equipment

Olympus France S.A.S.
(Rungis Cedex, France)
Sales of all product lines in France

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

Olympus Corporation of Asia Pacific Limited
(Hong Kong)
Regional business center in Asia and Oceania

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

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

Olympus (Guangzhou) Industrial Ltd.
(Guangzhou, China)
Manufacture of imaging products

Olympus (Beijing) Sales & Service Co., Ltd.
(Beijing, China)
Sales and service of medical equipment in China

Olympus Trading (Shanghai) Limited
(Shanghai, China)
International trading; distribution center in China; distribution and after-sales service of medical equipment

Olympus Korea Co., Ltd.
(Seoul, South Korea)
Sales of imaging products and medical endoscopes in South Korea

Olympus Singapore Pte. Ltd.
(Singapore)
Sales of all product lines in the ASEAN region, India, and Pakistan

Olympus (Malaysia) Sdn. Bhd.
(Petaling Jaya, Malaysia)
Marketing, sales of imaging products and medical equipment in Malaysia

Olympus (Thailand) Co., Ltd.
(Bangkok, Thailand)
Marketing, sales, and service of all product lines in Thailand

Olympus Vietnam Co.,Ltd.
(Dong Nai, Vietnam)
Manufacture of medical endoscopes and imaging products

Olympus Medical Systems Vietnam Co., Ltd.
(Hanoi, Vietnam)
Sales and service of medical endoscope-related products in Vietnam

Olympus Medical Systems India Private Limited
(Haryana, India)
Marketing, sales, and service of medical equipment in India

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

Olympus New Zealand Limited
(Auckland, New Zealand)
Sales and service of endoscopes and microscopes in New Zealand

(51 others)

Corporate Information

Company Outline

(As of March 31, 2018)

Company Name:	Olympus Corporation
Established:	October 12, 1919
President and Representative Director:	Hiroyuki Sasa
Head Office:	Shinjuku Monolith, 3-1 Nishi-Shinjuku 2-chome, Shinjuku-ku, Tokyo 163-0914, Japan
Capital:	¥124,560 million
Consolidated Headcount:	35,933 (Excludes temporary employees, average of 1,511 for fiscal 2018)
Non-Consolidated Headcount:	6,926
Website:	https://www.olympus-global.com

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

(As of June 26, 2018)

Representative Director

Hiroyuki Sasa

Directors

Yasuo Takeuchi

Akihiro Taguchi

Haruo Ogawa

Kiichi Hirata

Outside Directors

Sumitaka Fujita

Takayuki Katayama

Susumu Kaminaga

Michijiro Kikawa

Tetsuo Iwamura

Yasumasa Masuda

Standing Audit & Supervisory Board Members

Nobuyuki Koga

Masashi Shimizu

Outside Audit & Supervisory Board Members

Katsuya Natori

Atsushi Iwasaki

President

Hiroyuki Sasa

Vice President

Yasuo Takeuchi
Chief Financial Officer (CFO)

Senior Executive Managing Officers

Akihiro Taguchi
Head of Sales Group, Business Management Officer, Medical Business

Shigeo Hayashi
Head of Manufacturing Group

Haruo Ogawa
Chief Technology Officer (CTO), Head of R&D Group

Executive Managing Officers

Yasushi Sakai
Chief Improvement Officer (CIO)

Nobuhiro Abe
Head of Government Affairs Office

Kiichi Hirata
Chief Administrative Officer (CAO)

Naohiko Kawamata
Division Manager, Procurement Division Executive

Masamichi Handa
Division Manager, Human Resources Division

Ken Yoshimasu
Head of Quality & Regulatory Group

Executive Officers

Masahito Kitamura
Division Manager, CSR Division

Tetsuo Kobayashi
Deputy Regional Representative Officer, Americas

Toshihiko Okubo
Head of Scientific Solutions Business Unit
Division Manager, Scientific Solutions Global Marketing Division

Yoshihito Shimizu
Head of Medical Service Business Unit

Katsuhiko Inadomi
Regional Representative Officer, Asia & Pacific

Hidenao Tsuchiya
Deputy Chief Compliance Officer

Yoshitake Saito
Head of Business Development Office

Katsuyuki Saito
Head of Gastrointestinal and Respiratory Business Unit

Koji Ando
Head of Medical Affairs Office

Yoshio Tashiro
Division Manager, Medical R&D Planning Division

Kazutaka Eguchi
Division Manager, Manufacturing Management Division

Nacho Abia
Regional Representative Officer, Americas

Stefan Kaufmann
Regional Representative Officer, EMEA

Akira Hasegawa
Division Manager, Software & ICT Development Division

Hideki Kusuda
Regional Representative Officer, China

Tomohisa Sakurai
Head of General Surgery Business Unit

Shigemi Sugimoto
Head of Imaging Business Unit

Stock Information

(As of March 31, 2018)

Securities Identification Code:	7733
Stock Exchange Listing:	Tokyo Stock Exchange
Fiscal Year:	From April 1 to March 31
General Meeting of Shareholders:	June
Share Trading Unit:	100
Number of Shares Issued:	342,691,224
Number of Shareholders:	33,570
Transfer Agent for Common Stock:	Sumitomo Mitsui Trust Bank, Limited 4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8233, Japan

Depositary and Transfer Agent for American Depositary Receipts:

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

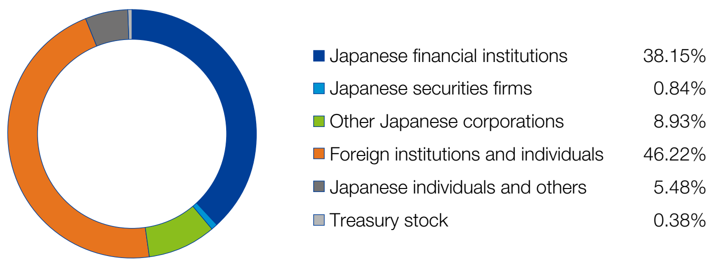
Ratio (ADR:ORD):	1:1
Exchange:	OTC (Over-the-Counter)
Symbol:	OCPNY
CUSIP:	68163W109

Principal Shareholders:

	Number of shares held	Percentage of shares outstanding (%)
The Master Trust Bank of Japan, Ltd. (trust accounts)	29,763,300	8.72
State Street Bank and Trust Company 505223	17,983,426	5.27
Sony Corporation	17,243,950	5.05
Japan Trustee Services Bank, Ltd. (trust accounts)	16,937,500	4.96
State Street Bank and Trust Company 505001	16,016,435	4.69
State Street Bank and Trust Company 505010	14,526,100	4.25
Nippon Life Insurance Company	13,286,618	3.89
SMBC Trust Bank Ltd. (Sumitomo Mitsui Banking Corporation Pension Trust)	11,404,000	3.34
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	10,880,586	3.19
Japan Trustee Services Bank, Ltd. (trust accounts 5)	5,692,300	1.67

Notes: The percentage of shares outstanding is calculated after deducting treasury stock (1,295,351 shares).
The Bank of Tokyo-Mitsubishi UFJ, Ltd., changed its corporate name to MUFG Bank, Ltd., effective April 1, 2018.

Shareholder Distribution:



This report uses environment-friendly ink and paper.

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