Consolidated Statements of Financial Position

Olympus Corporation and Consolidated Subsidiaries
As of March 31, 2018 and 2019

	Millions of yen 2018	Millions of yen 2019	Thousands of U.S. dollars (Note 2) 2019
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents (Notes 7, 35)	¥ 191,239	**¥ 114,426**	**$ 1,030,865**
Trade and other receivables (Notes 8, 35)	157,339	**155,321**	**1,399,288**
Other financial assets (Notes 10, 35)	7,442	**2,155**	**19,414**
Inventories (Note 9)	139,309	**153,623**	**1,383,991**
Income taxes receivable	4,127	**7,931**	**71,450**
Other current assets (Note 11)	14,487	**16,867**	**151,956**
Subtotal	513,943	**450,323**	**4,056,964**
Assets held for sale (Note 12)	348	**5,709**	**51,432**
Total current assets	514,291	**456,032**	**4,108,396**
NON-CURRENT ASSETS			
Property, plant and equipment (Note 13)	168,243	**176,908**	**1,593,766**
Goodwill (Note 14)	97,208	**101,188**	**911,604**
Intangible assets (Note 14)	73,371	**69,269**	**624,045**
Retirement benefit asset (Note 23)	29,514	**30,239**	**272,423**
Investments accounted for using equity method	44	**2,440**	**21,982**
Trade and other receivables (Notes 8, 35)	17,971	**14,618**	**131,694**
Other financial assets (Notes 10, 35)	39,683	**32,808**	**295,568**
Deferred tax assets (Note 37)	37,135	**47,267**	**425,829**
Other non-current assets (Note 11)	1,203	**1,261**	**11,360**
Total non-current assets	464,372	**475,998**	**4,288,271**
Total assets	¥ 978,663	**¥ 932,030**	**$ 8,396,667**

See accompanying notes to consolidated financial statements.

	Millions of yen 2018	Millions of yen 2019	Thousands of U.S. dollars (Note 2) 2019
LIABILITIES AND EQUITY			
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables (Notes 17, 35)	¥ 57,559	**¥ 61,724**	**$ 556,072**
Bonds and borrowings (Notes 18, 35)	88,791	**59,707**	**537,901**
Other financial liabilities (Notes 19, 35)	8,793	**9,391**	**84,604**
Income taxes payable	9,467	**8,043**	**72,459**
Provisions (Note 20)	6,814	**10,803**	**97,324**
Other current liabilities (Note 21)	134,496	**133,311**	**1,201,000**
Subtotal	305,920	**282,979**	**2,549,360**
Liabilities directly associated with assets held for sale (Note 12)	—	**4,532**	**40,830**
Total current liabilities	305,920	**287,511**	**2,590,190**
NON-CURRENT LIABILITIES			
Bonds and borrowings (Notes 18, 35)	159,183	**121,628**	**1,095,748**
Other financial liabilities (Notes 19, 35)	7,379	**7,799**	**70,261**
Retirement benefit liability (Note 23)	39,145	**43,116**	**388,432**
Provisions (Note 20)	785	**6,468**	**58,270**
Deferred tax liabilities (Note 37)	10,004	**12,101**	**109,018**
Other non-current liabilities (Note 21)	11,988	**11,020**	**99,280**
Total non-current liabilities	228,484	**202,132**	**1,821,009**
Total liabilities	534,404	**489,643**	**4,411,199**
EQUITY			
Share capital (Note 24)	124,560	**124,606**	**1,122,577**
Capital surplus (Note 24)	91,502	**91,310**	**822,613**
Treasury shares (Note 24)	(4,775)	**(4,764)**	**(42,919)**
Other components of equity (Note 24)	(5,810)	**(8,234)**	**(74,181)**
Retained earnings (Note 24)	237,316	**238,275**	**2,146,622**
Total equity attributable to owners of parent	442,793	**441,193**	**3,974,712**
Non-controlling interests	1,466	**1,194**	**10,756**
Total equity	444,259	**442,387**	**3,985,468**
Total liabilities and equity	¥ 978,663	**¥ 932,030**	**$ 8,396,667**

Consolidated Statements of Profit or Loss

Olympus Corporation and Consolidated Subsidiaries
For the years ended March 31, 2018 and 2019

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2018	2019	2019
Revenue (Notes 6, 28)	¥ 786,497	¥ 793,862	$ 7,151,910
Cost of sales (Notes 9, 13, 14, 23)	276,013	284,297	2,561,234
Gross profit	510,484	509,565	4,590,676
Selling, general and administrative expenses (Notes 13, 14, 23, 29)	426,596	437,510	3,941,532
Share of profit (loss) of investments accounted for using equity method (Note 6)	(47)	603	5,432
Other income (Note 30)	7,905	6,234	56,162
Other expenses (Notes 16, 30)	10,717	50,611	455,954
Operating profit (Note 6)	81,029	28,281	254,784
Finance income (Note 31)	2,685	2,183	19,667
Finance costs (Note 31)	7,049	10,347	93,216
Profit before tax	76,665	20,117	181,235
Income taxes (Note 37)	19,573	12,068	108,721
Profit	¥ 57,092	¥ 8,049	$ 72,514
Profit (loss) attributable to:			
Owners of parent	¥ 57,064	¥ 8,147	$ 73,396
Non-controlling interests	¥ 28	¥ (98)	$ (882)
Profit	¥ 57,092	¥ 8,049	$ 72,514

	Yen		U.S. dollars (Note 2)
	2018	2019	2019
Earnings per share			
Basic earnings per share (Note 32)	¥ 41.71	¥ 5.97	$ 0.054
Diluted earnings per share (Note 32)	¥ 41.69	¥ 5.96	$ 0.054

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

Olympus Corporation and Consolidated Subsidiaries
For the years ended March 31, 2018 and 2019

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2018	2019	2019
Profit	¥ 57,092	¥ 8,049	$ 72,514
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)	3,562	(3,254)	(29,315)
Remeasurements of defined benefit plans (Note 33)	3,240	858	7,730
Total of items that will not be reclassified to profit or loss (Note 33)	6,802	(2,396)	(21,585)
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations (Note 33)	(3,568)	1,855	16,712
Cash flow hedges (Note 33)	952	491	4,423
Share of other comprehensive income (loss) of associates accounted for using equity method (Note 33)	(12)	(2)	(18)
Total of items that may be reclassified to profit or loss (Note 33)	(2,628)	2,344	21,117
Total other comprehensive income	4,174	(52)	(468)
Comprehensive income	¥ 61,266	¥ 7,997	$ 72,045
Comprehensive income attributable to:			
Owners of parent	¥ 61,234	¥ 8,094	$ 72,919
Non-controlling interests	¥ 32	¥ (97)	$ (874)
Comprehensive income	¥ 61,266	¥ 7,997	$ 72,045

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

Olympus Corporation and Consolidated Subsidiaries
For the years ended March 31, 2018 and 2019

	Millions of yen							
	Equity attributable to owners of parent						Non-controlling interests	Total equity
	Share capital	Capital surplus	Treasury shares	Other components of equity	Retained earnings	Total		
Balance at April 1, 2017	¥ 124,520	¥ 91,779	¥ (1,122)	¥ (5,652)	¥ 185,226	¥ 394,751	¥ 1,477	¥ 396,228
Profit					57,064	57,064	28	57,092
Other comprehensive income				4,170		4,170	4	4,174
Comprehensive income	—	—	—	4,170	57,064	61,234	32	61,266
Change in scope of consolidation			(3,663)			(3,663)		(3,663)
Purchase of treasury shares (Note 24)		(10)	10			0		0
Disposal of treasury shares (Note 24)					(9,583)	(9,583)	(79)	(9,662)
Dividends from surplus (Note 26)				(4,328)	4,328	—		—
Transfer from other components of equity 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

	Millions of yen							
	Equity attributable to owners of parent						Non-controlling interests	Total equity
	Share capital	Capital surplus	Treasury shares	Other components of equity	Retained earnings	Total		
Balance at April 1, 2018	¥ 124,560	¥ 91,502	¥ (4,775)	¥ (5,810)	¥ 237,316	¥ 442,793	¥ 1,466	¥ 444,259
Profit					8,147	8,147	(98)	8,049
Other comprehensive income				(53)		(53)	1	(52)
Comprehensive income	—	—	—	(53)	8,147	8,094	(97)	7,997
Change in scope of consolidation			(8)			(8)		(8)
Purchase of treasury shares (Note 24)		(20)	19			(1)		(1)
Disposal of treasury shares (Note 24)					(9,559)	(9,559)	(368)	(9,927)
Dividends from surplus (Note 26)				(2,371)	2,371	—		—
Transfer from other components of equity to retained earnings						—		—
Share-based payment transactions (Note 27)	46	21				67		67
Equity transactions with non-controlling interests		(193)				(193)	193	—
Total transactions with owners	46	(192)	11	(2,371)	(7,188)	(9,694)	(175)	(9,869)
Balance at March 31, 2019	¥ 124,606	¥ 91,310	¥ (4,764)	¥ (8,234)	¥ 238,275	¥ 441,193	¥ 1,194	¥ 442,387

	Thousands of U.S. dollars (Note 2)							
	Equity attributable to owners of parent						Non-controlling interests	Total equity
	Share capital	Capital surplus	Treasury shares	Other components of equity	Retained earnings	Total		
Balance at April 1, 2018	$ 1,122,162	$ 824,342	$ (43,018)	$ (52,344)	$ 2,137,983	$ 3,989,125	$ 13,207	$ 4,002,332
Profit					73,396	73,396	(882)	72,514
Other comprehensive income				(477)		(477)	8	(469)
Comprehensive income	—	—	—	(477)	73,396	72,919	(874)	72,045
Change in scope of consolidation			(72)			(72)		(72)
Purchase of treasury shares (Note 24)		(180)	171			(9)		(9)
Disposal of treasury shares (Note 24)					(86,117)	(86,117)	(3,316)	(89,433)
Dividends from surplus (Note 26)				(21,360)	21,360	—		—
Transfer from other components of equity to retained earnings						—		—
Share-based payment transactions (Note 27)	415	190				605		605
Equity transactions with non-controlling interests		(1,739)				(1,739)	1,739	—
Total transactions with owners	415	(1,729)	99	(21,360)	(64,757)	(87,332)	(1,577)	(88,909)
Balance at March 31, 2019	$ 1,122,577	$ 822,613	$ (42,919)	$ (74,181)	$ 2,146,622	$ 3,974,712	$ 10,756	$ 3,985,468

Note: Details of Share capital, Capital surplus, Retained earnings, Treasury shares and Other components of equity are described in Note 24 "Share capital and other components of equity".

Consolidated Statements of Cash Flows

Olympus Corporation and Consolidated Subsidiaries
For the years ended March 31, 2018 and 2019

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2018	2019	2019
Cash flows from operating activities			
Profit before tax	¥ 76,665	¥ 20,117	$ 181,234
Depreciation and amortization	52,913	58,669	528,550
Interest and dividend income	(1,774)	(1,901)	(17,126)
Interest expenses	6,669	4,617	41,595
Loss (gain) on sales of investments in subsidiaries (Note 30)	(3,048)	–	–
Loss related to securities litigation (Note 30)	592	19,380	174,595
Loss related to duodenoscope investigation (Note 30)	—	9,653	86,964
Share of loss (profit) of investments accounted for using equity method	47	(603)	(5,432)
Decrease (increase) in trade and other receivables	1,730	5,584	50,306
Decrease (increase) in inventories	(13,249)	(14,357)	(129,342)
Increase (decrease) in trade and other payables	(13,709)	3,114	28,054
Increase (decrease) in retirement benefit liability	1,167	1,632	14,703
Decrease (increase) in retirement benefit asset	980	(2,391)	(21,541)
Increase (decrease) in provisions	983	9866	88,883
Other	9,871	6,510	58,648
Subtotal	119,837	119,890	1,080,091
Interest received	1,132	1,299	11,703
Dividends received	642	602	5,423
Interest paid	(6,375)	(4,622)	(41,640)
Loss on litigation paid	(809)	(19,380)	(174,595)
Loss related to the duodenoscope investigation	—	(9,653)	(86,964)
Income taxes paid	(19,281)	(21,193)	(190,928)
Net cash provided by operating activities	95,146	66,943	603,090
Cash flows from investing activities			
Purchase of property, plant and equipment	(48,855)	(47,094)	(424,270)
Proceeds from sales of property, plant and equipment	5,646	4,300	38,739
Purchase of intangible assets	(14,554)	(14,372)	(129,477)
Purchase of investments in associates	—	(2,440)	(21,982)
Payments for loans receivable	(1,134)	(1,564)	(14,090)
Collection of loans receivable	1,485	1,193	10,748
Proceeds from sales of investments	7,047	5,031	45,324
Purchase of investments in subsidiaries resulting in change in scope of consolidation (Notes 34, 40)	(8,636)	–	–
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation (Note 34)	2,400	–	–
Payments for acquisition of business (Notes 34, 40)	—	(3,743)	(33,721)
Proceeds from government subsidies (Note 22)	4,162	–	–
Other	(873)	(1,607)	(14,478)
Net cash used in investing activities	(53,312)	(60,296)	(543,207)
Cash flows from financing activities			
Increase (decrease) in short-term borrowings and commercial papers (Note 34)	(2,608)	647	5,829
Proceeds from long-term borrowings (Note 34)	23,551	9,425	84,910
Repayments of long-term borrowings (Note 34)	(66,307)	(64,302)	(579,297)
Dividends paid (Note 26)	(9,583)	(9,559)	(86,117)
Dividends paid to non-controlling interests	(79)	(368)	(3,315)
Proceeds from issuance of bonds (Notes 18, 34)	9,946	9,947	89,613
Redemption of bonds (Note 34)	—	(25,000)	(225,225)
Payments for purchase of treasury shares	(3,663)	(8)	(72)
Other	(2,315)	(3,730)	(33,605)
Net cash used in financing activities	(51,058)	(82,948)	(747,279)
Effect of exchange rate changes on cash and cash equivalents	998	(375)	(3,379)
Net increase (decrease) in cash and cash equivalents	(8,226)	(76,676)	(690,775)
Cash and cash equivalents at beginning of period	199,465	191,239	1,722,874
Cash and cash equivalents at end of period (Note 7)	¥ 191,239	¥ 114,563	$ 1,032,099

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 consolidated financial statements for the fiscal year ended March 31, 2019 were approved by Yasuo Takeuchi, Director, Representative Exexutive Officer, President and CEO, and Yasushi Sakai, Executive Officer CFO, on June 25, 2019.

(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 ¥111 to US$1.00, the approximate rate of exchange prevailing at March 31, 2019. 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) Changes in Presentation

(Consolidated statement of cash flows)

"Increase (decrease) in provisions", which was included in "Other" in cash flows from operating activities for the fiscal year ended March 31, 2018 is separately presented for the fiscal year ended March 31, 2019 since the significance of the amount increased. In order to reflect the change, ¥10,854 million, which was presented as "Other" in cash flows from operating activities in the consolidated statement of cash flows for the fiscal year ended March 31, 2018, is reclassified as ¥983 million of "Increase (decrease) in provisions" and ¥9,871 million of "Other".

"Increase (decrease) in short-term borrowings" which was presented in cash flows from financing activities for the fiscal year ended March 31, 2018, is presended as "Increase (decrease) in short-term borrowings and commercial paper" to appropriately reflect the substance of the transactions for the fiscal year ended March 31, 2019.

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 the 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 Olympus 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.

Notes to the Consolidated Financial Statements

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

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

(5) Cash and Cash Equivalents

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

(6) Inventories

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

(7) Property, Plant and Equipment

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

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

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

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

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

Notes to the Consolidated Financial Statements

(8) Goodwill

Goodwill is carried at cost less any accumulated impairment losses.

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

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

(9) Intangible Assets

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

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

Except for intangible assets with indefinite useful lives, each asset is amortized over the estimated useful life on a straight-line basis. The estimated useful lives of major asset items are as follows:

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

The estimated useful lives and amortization methods are reviewed at the end of 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 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 it 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

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.

Quarterly income taxes are calculated based on the estimated average annual effective tax rate.

(22) Earnings per Share

Basic earnings per share are calculated by dividing profit attributable to owners of parent by the weighted-average number of common shares outstanding, subject to the adjustment to the number of treasury shares for the corresponging 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, " Note 23 "Employee benefits")
  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 Standards or Interpretations Not Yet Adopted

The following new or amended 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.

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 31, 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 of 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 leases. 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.

The Olympus Group plans to apply IFRS 16 retrospectively with the cumulative effect of applying IFRS 16 recognized on the date of initial application. While the effects on the consolidated financial statements of the Olympus Group due to application of IFRS 16 are still being evaluated at this time, assets and liabilities are expected to increase by approximately ¥38.0 billion ($342,342 thousand), respectively, as of April 1, 2019.

The effects of the application of IFRS 16 on the consolidated statements of profit or loss will be immaterial.

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 the allocation of management resources and in assessing the 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, endo-therapy 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

(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

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 outside 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 in corporate assets that is not attributable to reportable segments.

Millions of yen

For the year ended March 31, 2019	Reportable Segment					Adjustment (Notes 2, 3, 4, 5)	Amount on consolidated financial statements
	Medical	Scientific Solutions	Imaging	Others	Total		
Revenue							
Revenue from outside customers	¥ 634,301	¥ 104,225	¥ 48,679	¥ 6,657	¥ 793,862	¥ —	¥ 793,862
Intersegment revenue (Note 1)	—	79	1	581	661	(661)	—
Total	634,301	104,304	48,680	7,238	794,523	(661)	793,862
Operating profit (loss)	111,934	8,135	(18,268)	(3,521)	98,280	(69,999)	28,281
Finance income							2,183
Finance costs							10,347
Profit before tax							20,117
Other items							
Share of profit (loss) of investments accounted for using equity method	603	0	—	—	603	—	603
Depreciation and amortization	46,092	6,842	1,654	491	55,079	3,590	58,669
Impairment losses (non-financial assets)	1,341	—	1,990	73	3,404	214	3,618
Segment assets	618,006	97,191	47,283	5,813	768,293	163,737	932,030
Investments accounted for using equity method	2,440	—	—	—	2,440	—	2,440
Capital expenditures	¥ 51,002	¥ 6,688	¥ 4,027	¥ 553	¥ 62,270	¥ 4,560	¥ 66,830

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, 2019	Reportable Segment					Adjustment (Notes 2, 3, 4, 5)	Amount on consolidated financial statements
	Medical	Scientific Solutions	Imaging	Others	Total		
Revenue							
Revenue from outside customers	$ 5,714,423	$ 938,964	$ 438,550	$ 59,973	$ 7,151,910	$ —	$ 7,151,910
Intersegment revenue (Note 1)	—	712	9	5,234	5,955	(5,955)	—
Total	5,714,423	939,676	438,559	65,207	7,157,865	(5,955)	7,151,910
Operating profit (loss)	1,008,414	73,288	(164,577)	(31,721)	885,404	(630,620)	254,784
Finance income							19,667
Finance costs							93,216
Profit before tax							181,235
Other items							
Share of profit (loss) of investments accounted for using equity method	5,432	0	—	—	5,432	—	5,432
Depreciation and amortization	415,243	61,640	14,901	4,423	496,207	32,343	528,550
Impairment losses (non-financial assets)	12,081	—	17,928	658	30,667	1,928	32,595
Segment assets	5,567,622	875,595	425,973	52,369	6,921,559	1,475,108	8,396,667
Investments accounted for using equity method	21,982	—	—	—	21,982	—	21,982
Capital expenditures	$ 459,477	$ 60,252	$ 36,279	$ 4,983	$ 560,991	$ 41,081	$ 602,072

(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 Olympus Group by country or region were as follows.

Revenue by country or region

	Millions of yen 2018	Millions of yen 2019	Thousands of U.S. dollars 2019
Japan	¥ 153,764	¥ 146,344	$ 1,318,414
North America	262,454	267,411	2,409,108
Europe	191,143	191,965	1,729,414
Asia and Oceania	160,475	168,513	1,518,135
Others	18,661	19,629	176,839
Total	¥ 786,497	¥ 793,862	$ 7,151,910

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, 2018 and 2019, revenue from external customers in the United States was ¥245,487 million and ¥251,765 million ($2,268,153 thousand), respectively, and revenue from external customers in China was ¥81,619 million and ¥91,328 million ($822,775 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, 2018 and 2019.

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

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Japan	¥ 135,189	¥ 140,968	$ 1,269,982
America	142,307	145,770	1,313,243
Europe and Middle East	43,440	43,726	393,928
Asia and Oceania	19,089	18,162	163,622
Total	¥ 340,025	¥ 348,626	$ 3,140,775

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 and Middle East 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 ¥133,625 million and ¥139,657 million ($1,258,171 thousand) as of March 31, 2018 and 2019, respectively. The balances of non-current assets (except financial instruments, deferred tax assets, and retirement benefit assets) in any individual country and region other than Japan and the United States were not material as of March 31, 2018 and 2019, respectively.

(5) Major Customers

Information on revenue attributable to major customers for the years ended March 31, 2018, and 2019 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 in the consolidated statements of financial position and the relationship between the cash and cash equivalents in the consolidated statements of financial position and the cash and cash equivalents in the consolidated statements of cash flows as of March 31, 2018 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Cash and deposits	¥ 147,874	¥ 108,025	$ 973,198
Short-term investments	43,365	6,401	57,667
Cash and cash equivalents in the consolidated statements of financial position	¥ 191,239	¥ 114,426	$ 1,030,865
Cash and cash equivalents included in assets held for sale	—	137	1,234
Cash and cash equivalents in the consolidated statements of cash flows	¥ 191,239	¥ 114,563	$ 1,032,099

8. Trade and Other Receivables

The breakdown of trade and other receivables as of March 31, 2018 and 2019 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Trade notes receivable and trade accounts receivable	¥ 142,598	¥ 141,679	$ 1,276,387
Other receivables	12,523	12,584	113,369
Contract assets	535	754	6,793
Lease receivables	35,463	29,824	268,685
Allowance for doubtful accounts	(15,809)	(14,902)	(134,252)
Total	¥ 175,310	¥ 169,939	$ 1,530,982
Current	157,339	155,321	1,399,288
Non-current	17,971	14,618	131,694
Total	¥ 175,310	¥ 169,939	$ 1,530,982

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 March 31, 2018 and 2019 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Merchandise and finished goods	¥ 54,656	¥ 64,063	$ 577,144
Work in progress	29,919	30,940	278,739
Raw materials and supplies	54,734	58,620	528,108
Total	¥ 139,309	¥ 153,623	$ 1,383,991

The amounts of inventories recorded as cost of sales for the years ended March 31, 2018 and 2019 were ¥237,115 million and ¥250,125 million ($2,253,378 thousand), respectively.

Write-downs of inventories recognized as expenses for the years ended March 31, 2018 and 2019 were ¥10,445 million and ¥12,129 million ($109,270 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 Olympus Group's normal operating cycle. The corresponding carrying amounts at March 31, 2018 and 2019 were ¥6,849 million and ¥6,186 million ($55,730 thousand), respectively.

10. Other Financial Assets

The breakdown of other financial assets as of March 31, 2018 and 2019 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Financial assets measured at fair value through profit or loss			
Derivative assets	¥ 2,335	¥ 599	$ 5,396
Equity securities	809	787	7,090
Financial assets measured at amortized cost			
Deposits with withdrawal restrictions	4,725	—	—
Lease and guarantee deposits	4,648	5,207	46,910
Other	7,023	8,800	79,280
Financial assets measured at fair value through other comprehensive income			
Equity securities	27,585	19,570	176,306
Total	¥ 47,125	¥ 34,963	$ 314,982
Current	7,442	2,155	19,414
Non-current	39,683	32,808	295,568
Total	¥ 47,125	¥ 34,963	$ 314,982

Deposits with withdrawal restrictions are deposits subject to withdrawal restrictions pursuant to judicial decisions related to litigation involving the Olympus Group. These were reclassified to assets held for sale during the year ended March 31, 2019.

11. Other Current Assets and Other Non-Current Assets

The breakdown of other current assets and other non-current assets as of March 31, 2018 and 2019 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Prepaid expenses	¥ 6,474	¥ 7,019	$ 63,234
Consumption tax receivables	4,072	4,665	42,027
Other	5,144	6,444	58,055
Total	¥ 15,690	¥ 18,128	$ 163,316
Current	14,487	16,867	151,956
Non-current	1,203	1,261	11,360
Total	¥ 15,690	¥ 18,128	$ 163,316

12. Assets Held for Sale and Liabilities Directly Associated with Assets Held for Sale

The breakdown of assets held for sale and liabilities directly associated with assets held for sale as of March 31, 2018 and 2019 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Assets			
Land	¥ 182	—	—
Buildings and structures	166	—	—
Cash and cash equivalents	—	¥ 137	$ 1,234
Other financial assets	—	4,771	42,982
Other current assets	—	801	7,216
Total	¥ 348	¥ 5,709	$ 51,432
Liabilities			
Trade and other payables	—	35	$315
Provisions	—	4,477	40,333
Other current liabilities	—	20	182
Total	—	¥ 4,532	$ 40,830

Transactions involving the sale of assets classified as non-current assets held for sale as of March 31, 2018 were completed during the year ended March 31, 2019.

Assets held for sale and liabilities directly associated with assets held for sale as of March 31, 2019 were recognized because an equity transfer agreement was entered into for Olympus (Shenzhen) Industrial Ltd. (OSZ), which is located in China and is owned by the Company's consolidated subsidiary, Olympus (China) Co., Ltd. The transaction is expected to be completed within one year from March 31, 2019.

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, 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
Additions	4,118	5,706	33,605	393	8,636	52,458
Depreciation	(5,527)	(3,475)	(28,071)	—	—	(37,073)
Impairment losses	(320)	(917)	(648)	(105)	—	(1,990)
Sales and disposals	(1,878)	(72)	(4,127)	(147)	—	(6,224)
Reclassification	2,582	1,072	1,537	79	(5,200)	70
Exchange differences on translation of foreign operations	(20)	(237)	1,827	(59)	(237)	1,274
Other	1	76	79	(6)	—	150
Balance at March 31, 2019	¥ 64,420	¥ 17,585	¥ 63,582	¥ 22,341	¥ 8,980	¥ 176,908

	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	$ 589,766	$ 139,027	$ 534,955	$ 199,874	$ 52,081	$ 1,515,703
Additions	37,099	51,405	302,748	3,541	77,802	472,595
Depreciation	(49,793)	(31,306)	(252,892)	—	—	(333,991)
Impairment losses	(2,883)	(8,261)	(5,838)	(946)	—	(17,928)
Sales and disposals	(16,919)	(649)	(37,180)	(1,324)	—	(56,072)
Reclassification	23,261	9,658	13,847	712	(46,847)	631
Exchange differences on translation of foreign operations	(180)	(2,135)	16,459	(532)	(2,135)	11,477
Other	9	684	712	(54)	—	1,351
Balance at March 31, 2019	$ 580,360	$ 158,423	$ 572,811	$ 201,271	$ 80,901	$ 1,593,766

Notes:
1. No borrowing costs were capitalized for the years ended March 31, 2018 and 2019.
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, 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
Balance at March 31, 2019	¥ 156,436	¥ 56,634	¥ 260,876	¥ 22,341	¥ 8,980	¥ 505,267

	Thousands of U.S. dollars					
	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
Balance at March 31, 2019	$ 1,409,333	$ 510,216	$ 2,350,234	$ 201,271	$ 80,901	$ 4,551,955

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, 2017	¥ 86,940	¥ 42,581	¥ 172,376	¥ —	¥ —	¥ 301,897
Balance at March 31, 2018	86,057	44,037	184,203	—	—	314,297
Balance at March 31, 2019	¥ 92,016	¥ 39,049	¥ 197,294	¥ —	¥ —	¥ 328,359

	Thousands of U.S. dollars					
	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
Balance at March 31, 2019	$ 828,973	$ 351,793	$ 1,777,423	$ —	$ —	$ 2,958,189

(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, 2017	¥ 240	¥ 196	¥ 8,313	¥ 8,749
Balance at March 31, 2018	181	221	7,447	7,849
Balance at March 31, 2019	¥ 195	¥ 168	¥ 8,127	¥ 8,490

	Thousands of U.S. dollars			
	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Total
Balance at March 31, 2019	$ 1,757	$ 1,514	$ 73,215	$ 76,486

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, 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
Additions	—	—	4,808	161	4,969
Additions through internal development	—	9,398	5	—	9,403
Additions through business combinations	98	—	—	3,815	3,815
Amortization	—	(7,421)	(4,934)	(9,241)	(21,596)
Impairment losses	—	(919)	(126)	(437)	(1,482)
Sales and disposals	—	—	(543)	(155)	(698)
Reclassification	—	—	(26)	—	(26)
Exchange differences on translation of foreign operations	3,860	(147)	268	1,005	1,126
Other	22	(79)	307	159	387
Balance at March 31, 2019	¥ 101,188	¥ 33,329	¥ 12,516	¥ 23,424	¥ 69,269

	Thousands of U.S. dollars				
		Intangible assets			
	Goodwill	Capitalized development costs	Software	Other	Total
Balance at March 31, 2018	$ 875,748	$ 292,766	$ 114,928	$ 253,306	$ 661,000
Additions	—	—	43,315	1,450	44,765
Additions through internal development	—	84,667	45	—	84,712
Additions through business combinations	883	—	—	34,369	34,369
Amortization	—	(66,857)	(44,450)	(83,252)	(194,559)
Impairment losses	—	(8,279)	(1,135)	(3,937)	(13,351)
Sales and disposals	—	—	(4,892)	(1,396)	(6,288)
Reclassification	—	—	(234)	—	(234)
Exchange differences on translation of foreign operations	34,775	(1,324)	2,414	9,054	10,144
Other	198	(712)	2,766	1,433	3,487
Balance at March 31, 2019	$ 911,604	$ 300,261	$ 112,757	$ 211,027	$ 624,045

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, 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
Balance at March 31, 2019	**¥ 101,188**	**¥ 58,229**	**¥ 51,683**	**¥ 123,580**	**¥ 233,492**

	Thousands of U.S. dollars				
		Intangible assets			
	Goodwill	Capitalized development costs	Software	Other	Total
Balance at March 31, 2019	**$ 911,604**	**$ 524,586**	**$ 465,613**	**$ 1,113,333**	**$ 2,103,532**

Accumulated amortization and accumulated impairment losses

	Millions of yen				
		Intangible assets			
	Goodwill	Capitalized development costs	Software	Other	Total
Balance at April 1, 2017	¥ —	¥ 15,736	¥ 31,028	¥ 82,358	¥ 129,122
Balance at March 31, 2018	—	20,821	35,033	86,508	142,362
Balance at March 31, 2019	**¥ —**	**¥ 24,900**	**¥ 39,167**	**¥ 100,156**	**¥ 164,223**

	Thousands of U.S. dollars				
		Intangible assets			
	Goodwill	Capitalized development costs	Software	Other	Total
Balance at March 31, 2019	**$ —**	**$ 224,325**	**$ 352,856**	**$ 902,306**	**$ 1,479,487**

(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 March 31, 2018 and 2019 were ¥9,094 million and ¥4,294 million ($38,685 thousand), respectively. They are being amortized by the straight-line method and have a remaining amortization period of one year.

(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, 2018 and 2019 were ¥79,241 million and ¥84,570 million ($761,892 thousand), respectively.

15. Commitments

Commitments to acquire property, plant and equipment and intangible assets subsequent to March 31, 2018 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	**2019**	**2019**
Property, plant and equipment	¥ 16,448	**¥ 5,004**	**$ 45,081**
Intangible assets	1,295	**1,699**	**15,306**
Total	¥ 17,743	**¥ 6,703**	**$ 60,387**

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 or 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
	2018	**2019**	**2019**
Property, plant and equipment			
Buildings and structures	¥ 671	**¥ 320**	**$ 2,883**
Machinery and vehicles	236	**917**	**8,261**
Tools, furniture and fixtures	117	**648**	**5,838**
Land	402	**105**	**946**
Construction in progress	110	**—**	**—**
Intangible assets			
Capitalized development	72	**919**	**8,279**
Software	8	**126**	**1,135**
Other	70	**437**	**3,937**
Other			
Long-term prepaid expenses	—	**146**	**1,316**
Total	¥ 1,686	**¥ 3,618**	**$ 32,595**

Major 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 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 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 and booked ¥402 million of impairment losses. The assets' fair value was determined based on a third-party appraisal and on sales prices based on sales agreements. It was classified as level-3 in the fair value hierarchy.

Major impairment losses recognized in the year ended March 31, 2019 were as follows.

In the Medical Business, as the investments were deemed unrecoverable due to changes in the market environment, the carrying amount of capitalized development costs and other fixed assets related to gynecological products was written down to the recoverable amount, resulting in ¥1,332 million ($12,000 thousand) of impairment losses. The recoverable amount was measured at the value in use, which was zero.

In the Imaging Business, as the investments were deemed unrecoverable due to changes in the market environment, the carrying amount of production equipment and other fixed assets located in Japan and overseas was written down to the recoverable amount, resulting in ¥1,990 million ($17,928 thousand) of impairment losses. The recoverable amount was the fair value less costs of disposal and was measured at ¥5,523 million ($49,757 thousand) based on third-party appraisals such as cost approach. It was classified as level-3 in the fair value hierarchy. The fair value hierarchy is described in greater detail in Note 35 "Financial Instruments (4) Fair value."

(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
	2018	**2019**	**2019**
Medical segment			
Surgical business	¥ 91,877	**¥ 95,557**	**$ 860,874**
Other	3,428	**3,659**	**32,964**
Scientific solutions segment	1,903	**1,972**	**17,766**
Total	¥ 97,208	**¥ 101,188**	**$ 911,604**

The Olympus Group tested goodwill for impairment on March 31, 2018 and 2019.

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

For goodwill testing involving the Surgical 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% as of March 31, 2018 and 1.5% - 2.5% as of March 31, 2019).

The discount rate is calculated based on CGUs' pretax weighted average cost of capital (12.1% as of March 31, 2018 and 10.0% as of March 31, 2019).

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 March 31, 2018 and 2019 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Notes and account payable	¥ 40,726	¥ 42,261	$ 380,730
Other payable	16,833	19,463	175,342
Total	¥ 57,559	¥ 61,724	$ 556,072

18. Bonds and Borrowings

The breakdown of bonds and borrowings as of March 31, 2018 and 2019 was as follows:

	Millions of yen		Thousands of U.S. dollars		
	2018	2019	2019	Average interest rate (%)	Maturity
Short-term borrowings	¥ —	¥ 629	$ 5,667	2.68	
Current portion of bonds	24,991	—	—	—	—
Current portion of long-term borrowings	63,800	59,078	532,234	1.91	May 2019 to March 2020
Bonds (excluding current portion)	9,951	19,909	179,360	0.25	September 2022 to March 2024
Long-term borrowings (excluding current portion)	149,232	101,719	916,388	1.76	February 2021 to September 2029
Total	¥ 247,974	¥ 181,335	$ 1,633,649		
Current	88,791	59,707	537,901		
Non-current	159,183	121,628	1,095,748		
Total	¥ 247,974	¥ 181,335	$ 1,633,649		

Notes:
1. The average interest rate is the weighted average interest rate on the balance of borrowings as of March 31, 2019.
2. Bonds and borrowings are classified as financial liabilities measured at amortized cost.

The breakdown of bonds as of March 31, 2018 and 2019 was as follows:

			Millions of yen		Thousands of U.S. dollars		
Company	Bond name	Issue date	2018	2019	2019	Interest (%)	Maturity date
Olympus Corporation	21st unsecured bonds	July 16, 2008	¥ 24,991	¥ —	$ —	2.15	July 2018
Olympus Corporation	22nd unsecured bonds	September 20, 2017	9,951	9,962	89,748	0.22	September 2022
Olympus Corporation	23rd unsecured bonds	March 7, 2019	—	9,947	89,612	2.17	March 2024
Total			¥ 34,942	¥ 19,909	$ 179,360		

The breakdown of long-term borrowings, including current portion, as of March 31, 2018 and 2019 was as follows:

	Millions of yen		Thousands of U.S. dollars		
Financial institution	2018	2019	2019	Interest rate (%)	Maturity date
Japanese Bank	¥ 19,982	¥ —	$ —	2.40	September 2018
Japanese Bank	33,087	—	—	2.45	July 2018
Japanese Bank (Foreign Currency)	7,437	—	—	2.78	March 2019
Japanese Bank (Foreign Currency)	3,187	—	—	2.80	March 2019
Japanese Bank	17,965	17,997	162,135	1.78	May 2019
Japanese Bank	12,841	12,894	116,162	0.86	September 2029
Japanese Bank	1,439	1,446	13,027	0.73	September 2027
Japanese Bank	10,000	10,000	90,090	1.38	September 2025
Japanese Bank	19,948	19,983	180,027	1.75	September 2019
Japanese Bank	9,334	9,401	84,694	0.53	August 2027
Japanese Bank	10,000	10,000	90,090	1.39	September 2025
Japanese Bank	15,000	15,000	135,135	2.04	May 2021
Japanese Bank	9,987	9,999	90,081	1.50	May 2019
Japanese Bank (Foreign Currency)	7,437	7,769	69,991	2.78	March 2020
Japanese Bank (Foreign Currency)	15,936	16,650	150,000	2.91	February 2023
Japanese Bank (Foreign Currency)	3,187	3,330	30,000	2.80	March 2020
Japanese Bank (Foreign Currency)	15,936	16,650	150,000	2.92	March 2023
Japanese Bank	—	9,469	85,306	0.55	June 2028
Other	329	209	1,884		
Total	¥ 213,032	¥ 160,797	$ 1,448,622		

19. Other Financial Liabilities

The breakdown of other financial liabilities as of March 31, 2018 and 2019 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Financial liabilities measured at fair value through profit and loss			
Derivative liabilities	¥ 2,405	¥ 3,031	$ 27,306
Other	663	584	5,261
Financial liabilities measured at amortized cost			
Lease payments	8,507	9,035	81,396
Other	4,597	4,540	40,902
Total	¥ 16,172	¥ 17,190	$ 154,865
Current	8,793	9,391	84,604
Non-current	7,379	7,799	70,261
Total	¥ 16,172	¥ 17,190	$ 154,865

20. Provisions

The changes in provisions during the year ended March 31, 2019 were as follows:

	Millions of yen			
	Provision for product warranties	Provision for loss on litigation	Other	Total
Balance at April 1, 2018	¥ 5,790	¥ 697	¥ 1,112	¥ 7,599
Increase during the year	915	24,331	21,790	47,036
Decrease (Provisions used)	(1,971)	(19,380)	(10,709)	(32,060)
Decrease (Provisions reversed)	(981)	—	(3)	(984)
Classification to liabilities directly associated with assets held for sale	—	(3,817)	(660)	(4,477)
Exchange differences on translation of foreign operations	245	(13)	(75)	157
Balance at March 31, 2019	¥ 3,998	¥ 1,818	¥ 11,455	¥ 17,271
Current	¥ 3,881	¥ 1,818	¥ 5,104	¥ 10,803
Non-current	117	—	6,351	6,468
Total	¥ 3,998	¥ 1,818	¥ 11,455	¥ 17,271

	Thousands of U.S. dollars			
	Provision for product warranties	Provision for loss on litigation	Other	Total
Balance at April 1, 2018	$ 52,162	$ 6,279	$ 10,018	$ 68,459
Increase during the year	8,244	219,198	196,306	423,748
Decrease (provisions used)	(17,757)	(174,595)	(96,477)	(288,829)
Decrease (provisions reversed)	(8,838)	—	(27)	(8,865)
Classification to liabilities directly associated with assets held for sale	—	(34,387)	(5,946)	(40,333)
Exchange differences on translation of foreign operations	2,207	(117)	(676)	1,414
Balance at March 31, 2019	$ 36,018	$ 16,378	$ 103,198	$ 155,594
Current	$ 34,964	$ 16,378	$ 45,982	$ 97,324
Non-current	1,054	—	57,216	58,270
Total	$ 36,018	$ 16,378	$ 103,198	$ 155,594

Notes:
The provision for expected additional taxes payable of ¥5,328 million ($48,000 thousand) anticipated in relation to a voluntary inspection regarding indirect taxation conducted by the Company's overseas subsidiary was included in the balance of Other provision as of March 31, 2019.

(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 March 31, 2018 and 2019 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Accrued expenses	¥ 96,971	¥ 93,928	$ 846,198
Contract liabilities	28,537	31,295	281,937
Other	20,976	19,108	172,145
Total	¥ 146,484	¥ 144,331	$ 1,300,280
Current	134,496	133,311	1,201,000
Non-current	11,988	11,020	99,280
Total	¥ 146,484	¥ 144,331	$ 1,300,280

22. Government Grants

Government grants included other current liabilities and other non-current liabilities as of March 31, 2018 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Other current liabilities	¥ 528	¥ 470	$ 4,234
Other non-current liabilities	3,558	3,088	27,820

Government grants were conditioned on acquiring equipment in a specific medical field in Japan 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.

Some of the subsidiaries transferred their pension plans from defined benefit plans to defined contribution plans in the year ended March 31, 2019.

(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
	2018	2019	2019
Balance at April 1	¥201,409	¥201,985	$1,819,685
Current service cost	7,820	7,651	68,928
Past service cost	—	(1,936)	(17,441)
Interest cost	3,853	3,779	34,045
Remeasurements			
Actuarial gains and losses arising from changes in demographic assumptions	(590)	(69)	(622)
Actuarial gains and losses arising from changes in financial assumptions	1,600	2,742	24,703
Other	(1,213)	11	99
Contributions by employees	169	132	1,189
Benefits paid	(10,122)	(8,682)	(78,216)
Exchange differences on translation of foreign operations	(775)	1,547	13,937
Other	(166)	(151)	(1,361)
Balance at March 31	¥201,985	¥207,009	$1,864,946

2) Reconciliation of fair value of plan assets

The change in the fair value of plan assets during the year ended March 31, 2019 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, 2020, the Olympus Group plans to contribute ¥6,521 million ($58,748 thousand) to the plan.

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Balance at April 1	¥ 188,081	¥ 192,354	$ 1,732,919
Interest income	3,283	3,301	29,739
Remeasurements			
Return on plan assets	3,442	262	2,360
Contributions by employer	5,760	6,074	54,721
Contributions by employees	156	131	1,180
Benefits paid	(9,525)	(8,024)	(72,288)
Exchange differences on translation of foreign operations	1,228	160	1,441
Other	(71)	(126)	(1,135)
Balance at March 31	¥ 192,354	¥ 194,132	$ 1,748,937

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
	2018	2019	2019
Present value of the funded defined benefit obligations	¥ 186,969	¥ 190,387	$ 1,715,198
Fair value of plan assets	(192,354)	(194,132)	(1,748,937)
subtotal	(5,385)	(3,745)	(33,739)
Present value of the unfunded defined benefit obligations	15,016	16,622	149,748
Net defined benefit liabilities (assets)	¥ 9,631	¥ 12,877	$ 116,009
Amounts recognized in the consolidated statement of financial position			
Retirement benefit liability	39,145	43,116	388,432
Retirement benefit asset	(29,514)	(30,239)	(272,423)
Net defined benefit liabilities (assets)	¥ 9,631	¥ 12,877	$ 116,009

4) Components of plan assets

The breakdown of plan assets by category was as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Assets with quoted market prices in an active market			
Japanese equity securities	¥ 4,836	¥ 1,515	$ 13,649
Overseas equity securities	8,981	10,536	94,919
Overseas debt securities	48,449	49,315	444,279
Cash and cash equivalents	3,235	2,657	23,937
Other	2,908	1,195	10,766
Total	¥ 68,409	¥ 65,218	$ 587,550
Assets without quoted market prices in an active market			
Overseas equity securities	¥ 10,800	¥ 11,198	$ 100,883
Overseas debt securities	4,115	4,130	37,207
General account for life insurance companies	59,046	57,187	515,198
Jointly managed money trust	48,381	54,282	489,027
Other	1,603	2,117	19,072
Total	¥ 123,945	¥ 128,914	$ 1,161,387
Total of plan assets	¥ 192,354	¥ 194,132	$ 1,748,937

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:

	2018	2019
Discount rate	0.59%	0.47%

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
	2018	**2019**	**2019**
Discount rate			
0.5 percentage point increase (decrease in obligations)	¥ (13,724)	**¥ (13,661)**	**$ (123,072)**
0.5 percentage point decrease (increase in obligations)	16,013	**15,614**	**140,667**

7) Weighted average duration

The weighted average durations of the defined benefit obligations of the benefit obligation were 15.3 years and 14.4 years as of March 31, 2018 and 2019, respectively.

(2) Defined Contribution Plans

The amounts recognized as expenses related to the defined contribution plan were ¥16,304 million and ¥17,425 million ($156,982 thousand) for the years ended March 31, 2018 and 2019, 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	
	2018	**2019**
Authorized shares	1,000,000,000	**1,000,000,000**
Issued shares (Note 1)		
As of April 1	342,671,508	**342,691,224**
Increase or decrease (Note 3)	19,716	**22,125**
As of March 31 (Note 5)	342,691,224	**342,713,349**
Treasury shares (Note 2)		
As of April 1	435,289	**1,295,351**
Increase or decrease (Note 4)	860,062	**(2,831)**
As of March 31 (Note 5)	1,295,351	**1,292,520**

Note
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 prior treasury shares were purchases of shares determined at the Board of Directors' meeting held on November 24, 2017.
5. On April 1, 2019, the Company conducted a four-for-one stock split of common stock. As a result, the total number of issued shares increased by 1,028,140,047 shares to 1,370,853,396 shares, and the total number of shares of treasury stock increased by 3,877,560 shares to 5,170,080 shares.

(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 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)
Other comprehensive income	**1,854**	**491**	**(3,254)**	**858**	**(2)**	**(53)**
Reclassification to retained earnings	**—**	**—**	**(1,513)**	**(858)**	**—**	**(2,371)**
Balance at March 31, 2019	**¥ (14,490)**	**¥ (853)**	**¥ 7,109**	**¥ —**	**¥ —**	**¥ (8,234)**

	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, 2018	$ (147,244)	$ (12,108)	$ 106,991	$ —	$ 18	$ (52,343)
Other comprehensive income	**16,703**	**4,423**	**(29,315)**	**7,730**	**(18)**	**(477)**
Reclassification to retained earnings	**—**	**—**	**(13,630)**	**(7,730)**	**—**	**(21,360)**
Balance at March 31, 2019	**$ (130,541)**	**$ (7,685)**	**$ 64,046**	**$ —**	**$ —**	**$ (74,180)**

1) Exchange differences 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 total equity attributable to owners of parent to total assets) and return on equity (ROE) as equity-related key performance indicators. These indicators as of or for the years ended March 31, 2018 and 2019 were as follows.

	2018	**2019**
Equity ratio(*1)	45.2%	**47.3%**
Return on equity (ROE)(*2)	13.6%	**1.8%**

(*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, 2018 and 2019 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, 2017)	Common stock	¥9,583	¥28.00	March 31, 2017	June 29, 2017
General Shareholders' Meeting (June 26, 2018)	Common stock	¥9,559 ($86,117 thousand)	¥28.00 ($0.252)	March 31, 2018	June 27, 2018

Dividends resolved during the year ended March 31, 2019, that will be effective after March 31, 2019

Resolution	Class of shares	Amount of dividends paid (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
General Shareholders' Meeting (June 25, 2019)	Common stock	¥10,243 ($92,279 thousand)	¥30.00 ($0.270)	March 31, 2019	June 26, 2019

Note: On April 1, 2019, the Company conducted a four-for-one stock split of common stock. The above-mentioned amount of dividend per share is the actual amount before the share split.

27. Share-Based Payments

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. The Company introduced a Restricted Share-Based Remuneration Plan and Performance-Linked Share-Based Remuneration Plan from the year ended March 31, 2018, and the stock options plan was terminated. No stock options have been granted since such time. The exercise period for stock options already granted ends on July 13, 2046.

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

Notes:
1. The number of share options is presented as the number of underlying shares.
2. On April 1, 2019, the Company conducted a four-for-one stock split of common stock. The effect of this stock split has not been reflected in the above table.

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

	2018		2019	
	Number of shares	Weighted average exercise price (Yen)	Number of shares	Weighted average exercise price (Yen)
Outstanding at beginning of year	151,800	1	**148,300**	**1**
Granted	—	—	**—**	**—**
Exercised	(3,500)	1	**(5,200)**	**1**
Expired	—	—	**—**	**—**
Outstanding at end of year	148,300	1	**143,100**	**1**
Exercisable at end of year	17,100	1	**47,300**	**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 ¥4,446 and ¥4,165 ($37.52) for the years ended March 31, 2018 and 2019, respectively.
3. The weighted average remaining lives of unexercised stock options year were 26.9 years and 25.9 years as of March 31, 2018 and 2019, respectively.
4. On April 1, 2019, the Company conducted a four-for-one stock split of common stock. The effect of this stock split has not been reflected in the above table.

(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 value at grant date

	2018	2019
Grant date	July 28, 2017	**Jun 26, 2018**
Number of shares	19,716	**22,125**
Fair value at grant date	¥4,065	**¥4,135 ($37.25)**

Note: On April 1, 2019, the Company conducted a four-for-one stock split of common stock. The effect of this stock split has not been reflected in the above table.

(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 value at grant date

The weighted average fair value at the grant date under this plan for the year ended March 31, 2018 and 2019 were ¥4,177 and ¥4,022 ($36.23), respectively.

The number of shares delivered correspond 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
	2018	2019	2019
Selling, general and administrative expenses	¥ 88	**¥ 53**	**$ 477**

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, 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

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

	Millions of yen				
	For the year ended March 31, 2019				
	Medical	Scientific Solutions	Imaging	Others	Total
Japan	**¥ 108,923**	**¥ 17,021**	**¥ 14,325**	**¥ 6,075**	**¥ 146,344**
North America	**230,062**	**29,754**	**7,410**	**185**	**267,411**
Europe	**154,026**	**20,883**	**16,983**	**73**	**191,965**
Asia and Oceania	**127,521**	**30,846**	**9,822**	**324**	**168,513**
Others	**13,769**	**5,721**	**139**	**—**	**19,629**
Total	**¥ 634,301**	**¥ 104,225**	**¥ 48,679**	**¥ 6,657**	**¥ 793,862**
Revenue from contracts with customers	**581,758**	**104,207**	**48,679**	**6,657**	**741,301**
Revenue from other sources	**52,543**	**18**	**—**	**—**	**52,561**

	Thousands of U.S. dollars				
	For the year ended March 31, 2019				
	Medical	Scientific Solutions	Imaging	Others	Total
Japan	**$ 981,288**	**$ 153,342**	**$ 129,054**	**$ 54,730**	**$ 1,318,414**
North America	**2,072,631**	**268,054**	**66,757**	**1,667**	**2,409,109**
Europe	**1,387,622**	**188,135**	**153,000**	**657**	**1,729,414**
Asia and Oceania	**1,148,838**	**277,892**	**88,486**	**2,919**	**1,518,135**
Others	**124,044**	**51,541**	**1,253**	**—**	**176,838**
Total	**$ 5,714,423**	**$ 938,964**	**$ 438,550**	**$ 59,973**	**$ 7,151,910**
Revenue from contracts with customers	**5,241,063**	**938,802**	**438,550**	**59,973**	**6,678,388**
Revenue from other sources	**473,360**	**162**	**—**	**—**	**473,522**

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, endo-therapy 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 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, centered on 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 R&D and discovery activities related to new businesses, in addition to sales of biomedical materials, etc.

(2) Contract Balances
The balances of receivables from contracts with customers, and contract assets and contract liabilities were as follows:

	Millions of yen		Thousands of U.S. dollars
	April 1, 2018	March 31, 2019	March 31, 2019
Receivables from contracts with customers	¥ 136,164	**¥ 136,252**	**$ 1,227,495**
Contract assets	535	**754**	**6,793**
Contract liabilities	28,537	**31,295**	**281,937**

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 revenue recognized for the years ended March 31, 2018 and 2019, amounts corresponding to liabilities from contracts with customers at the beginning of each fiscal year were ¥18,146 million and ¥14,416 million ($129,874 thousand), respectively. For the years ended March 31, 2018 and 2019, revenue recognized from performance obligations satisfied (or partially satisfied) in past periods was not material.

(3) Transaction Price Allocated to Remaining Performance Obligations
The breakdown of transaction price allocated to the remaining performance obligations was as follows;

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Within 1 Year	¥ 4,814	**¥ 4,058**	**$ 36,559**
Over 1 Year	4,412	**3,590**	**32,342**
Total	¥ 9,226	**¥ 7,648**	**$ 68,901**

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

29. Selling, General and Administrative Expenses
Major items of selling, general and administrative expenses for the years ended March 31, 2018 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Personnel expenses (Note)	¥ 220,349	**¥ 224,087**	**$ 2,018,802**
Depreciation	29,373	**29,866**	**269,063**
Advertising and promotion expenses	26,021	**27,745**	**249,955**

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 are as follows.

Fiscal year ended March 31, 2018 (April 1, 2017 - March 31, 2018)
(Gain on sale of investments in subsidiaries)
The Company recorded gain on sale of investments in subsidiaries of ¥3,048 million in "Other income" in conjunction with sales of shares of the former subsidiary.
(Gain on sale of fixed assets)
The Company recorded gain on sale of land of ¥1,345 million in "Other income."

Fiscal year ended March 31, 2019 (April 1, 2018 - March 31, 2019)
(Gain on revision of retirement benefit plan)
The Company recorded gain on revision of retirement benefit plan in Europe of ¥1,883 million ($16,964 thousand) in "Other income."
(Gain on sale of fixed assets)
The Company recorded gain on sale of fixed assets of ¥1,059 million ($9,541 thousand) in "Other income."

(2) Other Expenses
Major items of other expenses are as follows.

Fiscal year ended March 31, 2018 (April 1, 2017 - March 31, 2018)

(Business restructuring expenses)
The Company recorded ¥1,351 million for the business restructuring expenses in Europe in "Other expenses."

(Impairment losses)
The Company recorded ¥1,686 million 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."

Fiscal year ended March 31, 2019 (April 1, 2018 - March 31, 2019)

(Loss related to securities litigation)
The Company 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 a monetary settlement of ¥19,380 million ($174,595 thousand), which is the amount of settlements paid for the claims for damages, in "Other expenses."

(Restructuring costs for Imaging Business's manufacturing locations)
In May 2018, the Company resolved to restructure manufacturing locations of Imaging Business, and decided to discontinue operations of Olympus (Shenzhen) Industrial Ltd., a consolidated subsidiary of the Company, and to concentrate this production at Olympus Vietnam Co., Ltd. The Company recorded ¥6,174 million ($55,622 thousand) in "Other expenses" as restructuring expenses for manufacturing locations in the Imaging Business, including economic compensation incurred with a series of restructuring.

(Loss related to litigation of consolidated subsidiary)
Regarding the lawsuit filed by Shenzhen Anping Tai Investment and Development Co., Ltd. against the Company's consolidated subsidiary Olympus (Shenzhen) Industrial Ltd. (OSZ), the Shenzhen Intermediate People's Court issued a verdict on July 30, 2018, which was sent to OSZ on August 3, 2018. While the verdict recognized some of the claims of the subsidiary's, it was ordered to pay damages. To prepare for losses associated with the lawsuit, the Company recorded ¥3,817 million ($34,387 thousand) in "Other expenses" as a reasonable estimate of the required amount.

(Costs related to litigation of consolidated subsidiary)
Regarding costs associated with a lawsuit between the Company's consolidated subsidiary KeyMed(Medical & Industrial Equipment) Ltd., and certain former officers, the Company recorded ¥1,197 million ($10,784 thousand) in "Other expenses" as a reasonable estimate of the required amount.

Notes to the Consolidated Financial Statements

(Investigation on duodenoscopes in the United States)
In March and August 2015, subpoenas were issued to Olympus Medical Systems Corp. (OMSC), a subsidiary of the Company, by the U.S. Department of Justice (DOJ), seeking information relating to duodenoscopes that the Olympus Group manufactures and sells, and the DOJ had continued an investigation relating to the U.S. Federal Food, Drug and Cosmetic Act (FDCA). On December 3, 2018, OMSC entered into a plea agreement with the DOJ regarding this matter, and the agreement was approved by a U.S. federal court and thus became final on December 10, 2018. OMSC paid a criminal fine and criminal forfeiture in the amount of ¥9,653 million ($86,964 thousand).

(Impairment losses)
Regarding business assets in the Imaging Business and development assets in the Medical Business, as the revenue projected at the time the assets were acquired is now not expected due to changes in the market environment, carrying values have been written down to the recoverable amount, and impairment losses of ¥1,990 million ($17,928 thousand) and ¥1,332 million ($12,000 thousand) have been recognized, respectively, as "Other expenses."

(Additional taxes at consolidated subsidiaries)
The Company recorded a loss as a provision for expected additional taxes of ¥5,328 million ($48,000 thousand) anticipated in relation to a voluntary inspection regarding indirect taxation conducted by the Company's overseas subsidiary. Of this amount, ¥3,882 million ($34,973 thousand) was recorded as "Other expenses."

31. Finance Income and Finance Costs

The breakdown of finance income and finance costs for the years ended March 31, 2018 and 2019 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Finance income			
Interest income			
Financial assets measured at amortized cost	¥ 1,132	¥ 1,299	$ 11,703
Dividends received			
Financial assets measured through other comprehensive income	642	602	5,423
Foreign exchange gain (Note 1)	840	—	—
Other	71	282	2,541
Total	¥ 2,685	¥ 2,183	$ 19,667
Finance costs			
Interest expense			
Financial liabilities measured at amortized cost	6,102	4,420	39,820
Bond interest			
Financial liabilities measured at amortized cost	567	197	1,775
Foreign exchange loss (Note 1)	—	5,313	47,865
Other	380	417	3,756
Total	¥ 7,049	¥ 10,347	$ 93,216

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 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
	2018	2019	2019
Basic earnings per share	¥ 41.71	¥ 5.97	$ 0.054
Diluted earnings per share	¥ 41.69	¥ 5.96	$ 0.054

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

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Profit used to calculate basic earnings per share and diluted earnings per share			
Profit attributable to owners of parent	¥57,064	¥8,147	$73,396
Profit not attributable to owners of parent	—	—	—
Profit used to calculate basic earnings per share	57,064	8,147	73,396
Adjustment to profit	—	—	—
Profit used to calculate diluted earnings per share	¥57,064	¥8,147	$73,396

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

	Thousand shares	
	2018	2019
Average number of shares during the period	1,368,097	1,365,659
Increase in number of shares of common stock		
Increase due to exercise of subscription rights to shares	601	578
Increase due to Performance-Linked Share-Based Remuneration Plan	70	73
Average number of shares of diluted common stock during the period	1,368,768	1,366,310

Note: On April 1, 2019, the Company conducted a four-for-one stock split of common stock. The stock split is reflected in the amounts of "basic earnings per share" and "diluted earnings per share" as if the stock split were conducted at the beginning of the previous fiscal year.

33. Other Comprehensive Income

The breakdown of each component of other comprehensive income (including non-controlling interests) for the years ended March 31, 2018 and 2019 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
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	¥ 5,098	¥ (3,831)	$ (34,513)
Tax effect	(1,536)	577	5,198
Financial instruments measured at fair value through other comprehensive income	¥ 3,562	¥ (3,254)	$ (29,315)
Remeasurements of defined benefit plans			
Amount arising during the year	¥ 3,645	¥ (2,422)	$ (21,820)
Tax effect	(405)	3,280	29,550
Remeasurements of defined benefit plans	¥ 3,240	¥ 858	$ 7,730
Total of items that will not be reclassified to profit or loss	¥ 6,802	¥ (2,396)	$ (21,585)
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations			
Amount arising during the year	¥ (3,587)	¥ 1,854	$ 16,703
Reclassification adjustments	19	1	9
Before tax effect	(3,568)	1,855	16,712
Tax effect	—	—	—
Exchange differences on translation of foreign operations	¥ (3,568)	¥ 1,855	$ 16,712
Cash flow hedges			
Amount arising during the year	¥ (72)	¥ (134)	$ (1,208)
Reclassification adjustments	1,456	843	7,595
Before tax effect	1,384	709	6,387
Tax effect	(432)	(218)	(1,964)
Cash flow hedges	¥ 952	¥ 491	$ 4,423
Share of other comprehensive income (loss) of associates accounted for using equity method			
Amount arising during the year	¥ (12)	¥ (2)	$ (18)
Reclassification adjustments	—	—	—
Before tax effect	¥ (12)	¥ (2)	$ (18)
Tax effect	—	—	—
Share of other comprehensive income (loss) of associates accounted for using equity method	¥ (12)	¥ (2)	$ (18)
Total of items that may be reclassified to profit or loss	¥ (2,628)	¥ 2,344	$ 21,117
Total of other comprehensive income	¥ 4,174	¥ (52)	$ (468)

34. Cash Flow Information

(1) Non-Cash Transactions

The major non-cash transactions are follows;

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Tangible assets acquired through finance lease transactions	¥ 2,607	¥ 4,208	$ 37,910

(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, 2018				
			Non-cash items		
	Beginning balance	Movement due to 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)	24,977	9,946	—	19	34,942
Long-term borrowings (Note)	¥ 285,584	¥ (42,756)	¥ (3,100)	¥ 304	¥ 213,032

Note: Balances redeemable within one year are included.

	Millions of yen For the year ended March 31, 2019				
			Non-cash items		
	Beginning balance	Movement due to cash inflows/outflows from financing activities	Effect of exchange rate changes on cash and cash equivalents	Other	Ending balance
Short-term borrowings	¥ —	¥ 647	¥ (18)	¥ —	¥ 629
Bonds (Note)	34,942	(15,053)	—	20	19,909
Long-term borrowings (Note)	¥ 213,032	¥ (54,877)	¥ 2,362	¥ 280	¥ 160,797

	Thousands of U.S. dollars				
	For the year ended March 31, 2019				
	Beginning balance	Movement due to cash inflows/outflows from financing activities	Non-cash items: Effect of exchange rate changes on cash and cash equivalents	Non-cash items: Other	Ending balance
Short-term borrowings	$ —	$ 5,829	$ (162)	$ —	$ 5,667
Bonds (Note)	314,793	(135,612)	—	180	179,360
Long-term borrowings (Note)	$ 1,919,207	$ (494,387)	$ 21,279	$ 2,523	$ 1,448,622

Note: Balances redeemable within one year are included.

(3) Proceeds from Sales of Investments in Subsidiaries and Proceeds from Sales of Business

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

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Consideration for sales received in cash	¥ 2,400	—	—
Proceeds from sales of subsidiaries	¥ 2,400	—	—

(4) Payments for Acquisition of Subsidiaries or Business

A reconciliation of the consideration paid for the acquisition of subsidiaries or business and payments for acquisition was as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Consideration for acquisitions paid in cash	¥ 8,745	¥ 3,743	$ 33,721
Cash and cash equivalents of assets acquired, at the time the Group obtained control of the subsidiaries	(109)	—	—
Payments for acquisition of subsidiaries or business	¥ 8,636	¥ 3,743	$ 33,721

35. Financial Instruments

(1) Credit Risk

Credit risk is the risk that a 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 March 31, 2018	¥ 172,825	¥ 6,642	¥ 336	¥ 179,803
Balance at March 31, 2019	¥ 167,314	¥ 5,737	¥ 173	¥ 173,224

	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, 2019	$ 1,507,333	$ 51,685	$ 1,559	$ 1,560,577

There was no significant change that had a material impact on allowance for doubtful accounts for "Trade receivables" as of March 31, 2018 and March 31, 2019.

	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 March 31, 2018	¥ 14,178	¥ 8,203	¥ 587	¥ 22,968
Balance at March 31, 2019	¥ 16,677	¥ 8,246	¥ 575	¥ 25,498

	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, 2019	$ 150,243	$ 74,288	$ 5,180	$ 229,711

There was no significant change that had material impacts on allowance for doubtful accounts for "Receivables other than trade receivables" as of March 31, 2018 and March 31, 2019.

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 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
Increase	897	—	44	0
Decrease	(1,411)	(15)	—	(2)
Other	(388)	(1)	(2)	(10)
Balance at March 31, 2019	¥ 6,112	—	¥ 8,245	¥ 575

	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, 2018	$ 63,189	$ 144	$ 73,901	$ 5,288
Increase	8,081	—	396	0
Decrease	(12,712)	(135)	—	(18)
Other	(3,495)	(9)	(18)	(90)
Balance at March 31, 2019	$ 55,063	—	$ 74,279	$ 5,180

(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.

Notes to the Consolidated Financial Statements

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 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

As of March 31, 2019

	Millions of yen			
	Carrying amount	Contractual cash flows		
		Total	Within 1 year	Over 1 year
Non-derivative financial liabilities				
Bonds and borrowings	¥ 181,335	¥ 192,149	¥ 62,479	¥ 129,670
Lease obligations	9,035	9,407	3,478	5,929
Derivative financial liabilities				
Currency derivatives	1,803	1,803	1,568	235
Interest rate derivatives	¥ 1,228	¥ 1,226	¥ 507	¥ 719

	Thousands of U.S. dollars			
	Carrying amount	Contractual cash flows		
		Total	Within 1 year	Over 1 year
Non-derivative financial liabilities				
Bonds and borrowings	$ 1,633,649	$ 1,731,072	$ 562,874	$ 1,168,198
Lease obligations	81,396	84,748	31,333	53,414
Derivative financial liabilities				
Currency derivatives	16,243	16,243	14,126	2,117
Interest rate derivatives	$ 11,063	$ 11,045	$ 4,568	$ 6,477

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 details of foreign exchange forward contracts, currency options and currency swaps were as follows:

	Millions of yen				Thousands of U.S. dollars	
	2018		2019		2019	
	Contract amount	Fair value	Contract amount	Fair value	Contract amount	Fair value
Foreign exchange forward contracts:	¥ 81,970	¥ 1,752	¥ 91,643	¥ (1,224)	$ 825,613	$ (11,027)
U.S. dollar	46,046	1,828	25,598	(742)	230,613	(6,685)
Other currency	35,924	(76)	66,045	(482)	595,000	(4,342)
Currency options	9,496	57	14,865	20	133,919	180
Other currency	9,496	57	14,865	20	133,919	180
Currency swaps	9,625	57	—	—	—	—
Receive British pounds / pay euro	2,896	6	—	—	—	—
Receive other currencies / pay other currencies	6,729	51	—	—	—	—
Total	¥ 101,091	¥ 1,866	¥ 106,508	¥ (1,204)	$ 959,532	$ (10,847)

(ii) Sensitivity analysis of currency fluctuation risk

The following table illustrates the impact on profit before tax in the consolidated statements 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
	2018	2019	2019
U.S. dollar	¥107	¥ (87)	$ (784)
Euro	¥48	¥ (50)	$ (450)

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
	2018	2019	2019
Other comprehensive income (before tax effect)	¥ (268)	¥ (186)	$ (1,676)

(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, 2018 and 2019.

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 contingent consideration for business combinations is classified as level 3 and stated at the estimates of future payability.

Notes to the Consolidated Financial Statements

The fair value hierarchy of financial instruments measured at fair value is as follows:
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
Contingent consideration	¥ —	¥ —	¥ 662	¥ 662

As of March 31, 2019

	Millions of yen			
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets measured at fair value through profit and loss				
Derivative assets	¥ —	¥ 599	¥ —	¥ 599
Equity securities	—	—	787	787
Financial assets measured at fair value through other comprehensive income				
Equity securities	18,583	—	987	19,570
Financial liabilities				
Financial liabilities measured at fair value through profit and loss				
Derivative liabilities	—	3,031	—	3,031
Contingent consideration	¥ —	¥ —	¥ 584	¥ 584

	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	$ —	$ 5,396	$ —	$ 5,396
Equity securities	—	—	7,090	7,090
Financial assets measured at fair value through other comprehensive income				
Equity securities	167,414	—	8,892	176,306
Financial liabilities				
Financial liabilities measured at fair value through profit and loss				
Derivative liabilities	—	27,306	—	27,306
Contingent consideration	$ —	$ —	$ 5,261	$ 5,261

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

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Balance at April 1	¥ 1,355	¥ 1,595	$ 14,369
Gains and losses (Note)			
Profit or loss	160	77	694
Other comprehensive income	65	(607)	(5,468)
Purchases	—	1,030	9,279
Sales	—	—	—
Other	15	(321)	(2,892)
Balance at March 31	¥ 1,595	¥ 1,774	$ 15,982

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 ¥160 million and ¥67 million ($604 thousand) on financial instruments held as of the years ended March 31, 2018 and 2019, respectively.

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

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Balance at April 1	¥ —	¥ 662	$ 5,964
Business combinations	750	489	4,405
Settlement	(222)	(693)	(6,243)
Change in fair value	170	85	766
Other	(36)	41	369
Balance at March 31	¥ 662	¥ 584	$ 5,261

Note: The changes in financial liabilities categorized within level 3 were disclosed for the year ended March 31, 2019.
The fair value of contingent consideration for business combinations is described in the changes in financial liabilities categorized within level 3 and the fair value hierarchy of financial instruments measured at fair value which were described in Note 40 "Business combinations" for the year ended March 31, 2018.

3) Financial instruments measured at amortized cost

The measurement techniques for measuring the fair value of major financial instruments 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 and commercial paper 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	
	2018		2019		2019	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets						
Lease receivables	¥ 35,463	¥ 35,430	¥ 29,824	¥ 29,803	$ 268,685	$ 268,495
Financial liabilities						
Bonds	34,942	34,905	19,909	19,897	179,360	179,252
Borrowings	130,024	128,599	97,811	98,218	881,180	884,847
Lease obligations	¥ 8,507	¥ 8,666	¥ 9,035	¥ 9,140	$ 81,396	$ 82,342

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	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

	Millions of yen
Issuer	2019
ASAHI INTECC CO., LTD.	¥ 3,511
CASIO COMPUTER CO., LTD.	3,451
USHIO INC.	1,449
Sumitomo Realty & Development Co., Ltd.	1,307
FUJI CORPORATION	¥ 1,287

	Thousands of U.S. dollars
Issuer	2019
ASAHI INTECC CO., LTD.	$ 31,631
CASIO COMPUTER CO., LTD.	31,090
USHIO INC.	13,054
Sumitomo Realty & Development Co., Ltd.	11,775
FUJI CORPORATION	$ 11,595

Notes to the Consolidated Financial Statements

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
	2018	2019	2019
Fair value at the date of sale	¥ 7,011	¥ 4,998	$ 45,027
Cumulative gains or losses on sale	¥ 1,578	¥ 2,486	$ 22,396

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

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Equity instruments derecognized during the year	¥ 194	¥ 114	$ 1,027
Equity instruments held at the end of year	448	488	4,396
Total	¥ 642	¥ 602	$ 5,423

(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 March 31, 2018 and 2019.

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

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%

As of March 31, 2019

	Millions of yen				
	Notional amount	Over 1 year	Carrying amount (Note)		Interest rate
			Assets	Liabilities	
Interest rate swaps	¥ 63,000	¥ 25,000	¥ —	¥ 1,228	Variable rate receipt: 6-month Japanese yen TIBOR Fixed rate payment: 1.3815% to 2.040%

	Thousands of U.S. dollars				
	Notional amount	Over 1 year	Carrying amount (Note)		Interest rate
			Assets	Liabilities	
Interest rate swaps	$ 567,568	$ 225,225	$ —	$ 11,063	Variable rate receipt: 6-month Japanese yen TIBOR Fixed rate payment: 1.3815% to 2.040%

Note: The amount in 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
	2018	2019	2019
Interest rate swaps	¥ (1,936)	¥ (1,228)	$ (11,063)

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

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

As of March 31, 2019

	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	¥ (134)	¥ 843

	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	$ (1,207)	$ 7,595

Note: The amounts included in 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 March 31, 2018 and 2019 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
	2018	2019	2019
Transferred financial assets	¥ 3,324	¥ 3,253	$ 29,306
Related liabilities	2,427	2,518	22,685
Net position of transferred financial assets	¥ 897	¥ 735	$ 6,621

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 other equipment under finance leases.

The gross investment in the lease and present value of minimum lease 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		
	2018	2019	2019	2018	2019	2019
Within 1 year	¥ 17,605	¥ 14,647	$ 131,955	¥ 16,257	¥ 13,752	$ 123,892
More than 1 year, but within 5	20,252	17,250	155,405	18,669	15,603	140,568
More than 5 years	110	121	1,090	102	115	1,035
Total	¥ 37,967	¥ 32,018	$ 288,450	¥ 35,028	¥ 29,470	$ 265,495
Unguaranteed residual values	435	354	3,189			
Unearned finance income	2,504	2,194	19,766			
Present value of minimum lease receivables	¥ 35,028	¥ 29,470	$ 265,495			

The amount of the allowance for uncollectable minimum lease receivables as of March 31, 2018 and March, 2019 were ¥1,505 million and ¥1,466 million ($13,207 thousand), respectively.

2) Operating leases

The Olympus Group leases endoscopes and other equipment 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
	2018	2019	2019
Within 1 year	¥ 16,197	¥ 18,870	$ 170,000
More than 1 year, but within 5	18,494	20,177	181,775
More than 5 years	263	112	1,009
Total	¥ 34,954	¥ 39,159	$ 352,784

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

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Total of contingent rents	¥ 11,405	¥ 11,696	$ 105,369

(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 borrowing 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		
	2018	2019	2019	2018	2019	2019
Within 1 year	¥ 3,409	**¥ 3,478**	**$ 31,333**	¥ 3,201	**¥ 3,319**	**$ 29,901**
More than 1 year, but within 5	5,472	**5,859**	**52,784**	5,267	**5,658**	**50,973**
More than 5 years	39	**69**	**622**	39	**58**	**522**
Total	¥ 8,920	**¥ 9,406**	**$ 84,739**	¥ 8,507	**¥ 9,035**	**$ 81,396**
Future finance costs	413	**371**	**3,342**			
Present value	¥ 8,507	**¥ 9,035**	**$ 81,396**			

2) Operating leases

The Olympus Group rents mainly property under operating leases. Certain of the lease transactions have renew/purchase options or escalation clauses, but there is no significant 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
	2018	2019	2019
Within 1 year	¥ 5,512	**¥ 6,430**	**$ 57,928**
More than 1 year, but within 5	13,344	**17,394**	**156,703**
More than 5 years	23,003	**20,438**	**184,126**
Total	¥ 41,859	**¥ 44,262**	**$ 398,757**

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
	2018	2019	2019
Total of minimum lease payments	¥ 7,273	**¥ 6,505**	**$ 58,604**

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
	2018	2019	2019
Deferred tax assets			
Inventories	¥ 8,647	**¥ 9,348**	**$ 84,216**
Prepaid expenses	7,165	**8,794**	**79,225**
Accrued bonuses	5,789	**5,900**	**53,153**
Accrued expenses	4,054	**4,450**	**40,090**
Unrealized intercompany profits	4,555	**5,276**	**47,532**
Depreciation of property, plant and equipment	7,447	**6,745**	**60,766**
Amortization of intangible assets	3,568	**4,029**	**36,297**
Interest rate swaps	593	**376**	**3,387**
Retirement benefit liabilities	5,032	**6,471**	**58,297**
Loss carryforwards	11,266	**9,844**	**88,685**
Other	4,462	**8,187**	**73,757**
Total	¥ 62,578	**¥ 69,420**	**$ 625,406**
Deferred tax liabilities			
Depreciation of property, plant and equipment	¥ (6,408)	**¥ (8,122)**	**$ (73,171)**
Financial liabilities measured at fair value through other comprehensive income	(3,304)	**(2,027)**	**(18,261)**
Retirement benefit assets	(10,183)	**(6,524)**	**(58,775)**
Fair value differences on acquisition	(5,287)	**(3,888)**	**(35,027)**
Capitalized development costs	(8,478)	**(9,363)**	**(84,351)**
Other	(612)	**(4,330)**	**(39,009)**
Total	¥ (35,447)	**¥ (34,254)**	**$ (308,595)**
Net deferred tax assets	¥ 27,131	**¥ 35,166**	**$ 316,811**

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
	2018	2019	2019
Loss carryforwards	¥ 26,322	**¥ 21,238**	**$ 191,333**
Deductible temporary differences	26,108	**29,135**	**262,477**
Tax credits carried forward	3,190	**1,096**	**9,874**
Total	¥ 55,620	**¥ 51,469**	**$ 463,685**

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

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Within 4th year	¥ 8,363	**¥ 13,787**	**$ 124,207**
5th year and thereafter	17,959	**7,451**	**67,126**
Total	¥ 26,322	**¥ 21,238**	**$ 191,333**

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 ¥225,972 million and ¥194,077million ($1,748,441 thousand) as of March 31, 2018 and 2019, respectively.

(2) Income Tax Expenses

The breakdown of income tax expenses was as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Current tax expenses (Notes 1, 5)	¥ 18,988	**¥ 15,827**	**$ 142,586**
Deferred tax expenses (Notes 2, 3, 4, 5)	585	**(3,759)**	**(33,865)**
Total of income tax expenses	¥ 19,573	**¥ 12,068**	**$ 108,721**

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, 2018 and 2019 decreased by ¥1,288 million and ¥1,255 million ($11,306 thousand), respectively.
   In addition, the current tax expense for the fiscal year ended March 31, 2019 includes the corporation tax for the previous fiscal year of ¥(385) million ($(3,468) 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, 2018 and 2019 decreased by ¥111 million and ¥4,799 million ($43,234 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 for the fiscal year ended March 31, 2018 and 2019 by ¥1,792 million and ¥1,329 million ($11,972 thousand), respectively.
4. The deferred tax expense decreased by ¥2,298 million for the fiscal year ended March 31, 2018 and decreased by ¥266 million ($2,396 thousand) for the fiscal year ended March 31, 2019 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. The amount in 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, 2018 and 2019 is as follows.

The Company's income taxes mainly include corporation tax, inhabitant tax and enterprise tax. The effective statutory tax rates calculated based on these taxes were 30.9% and 30.6% for the fiscal years ended March 31, 2018 and 2019, respectively. Overseas subsidiaries are subject to income taxes of the countries in which they operate.

	2018	2019
Effective statutory tax rate	30.90%	**30.60%**
Non-deductible expense, such as entertainment expenses	5.3	**40.5**
Non-taxable income, such as dividend income	(0.1)	**(6.9)**
Tax credit for experimental research cost and others	(6.3)	**(4.7)**
Different tax rates applied to subsidiaries	(3.5)	**(9.2)**
Subsidiaries reserve	—	**5.5**
Change in unrecognized deferred tax assets and liabilities	0.5	**4.2**
Change in deferred tax assets at the end of fiscal year due to changes in tax rates	(3.0)	**(1.3)**
Other	1.9	**1.3**
Average actual tax rate	25.5%	**60.0%**

38. Major Subsidiaries

(1) Structured Entities

Major subsidiaries as of March 31, 2019 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	100
Olympus Terumo Biomaterials Corp.	Shibuya-ku, Tokyou	Research and development and manufacture and sales in the biomaterials field	66.6
TmediX Corporation	Shinjuku-ku, Tokyo	Leasing of specially controlled medical devices	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 of corporate planning to affiliated companies in China	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 Vietnam Co., Ltd.	Vietnam	Manufacturing medical endoscopes and imaging products	100 (100)
Olympus Australia Pty Ltd.	Victoria, Australia	Sales of medical products and optical products	100 (100)
54 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, 2018 and 2019, 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, 2018 and 2019.

(2) Remuneration for Management Executives

	Millions of yen		Thousands of U.S. dollars
	2018	**2019**	**2019**
Remuneration and bonuses	¥ 567	**¥ 522**	**$ 4,703**
Share-based payments	29	**20**	**180**
Total	¥ 596	**¥ 542**	**$ 4,883**

40. Business Combinations

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 has been booked in "selling, general and administrative expenses."

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

	Millions of yen
	Amount
Fair value of consideration paid	
Cash	**¥8,835**
Contingent consideration	**750**
Total	**9,585**
Fair value of assets acquired, and liabilities undertaken	
Cash and cash equivalents	**109**
Trade and other receivables	**654**
Inventories	**329**
Property, plant and equipment	**33**
Intangible assets	**3,520**
Other assets	**21**
Trade and other payables	**(190)**
Deferred tax liabilities	**(570)**
Other liabilities	**(516)**
Fair value of assets acquired and liabilities undertaken (net amount)	**3,390**
Goodwill	**6,195**
Total	**¥9,585**

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 statements of profit or loss. Such pro forma information has not been audited by the Company's independent auditor.

For the year ended March 31, 2019

(Business combination through acquisition)

(1) Overview of Business Combination

① Name of company acquired and description of business

Name of company acquired: Cybersonics, Inc. (hereinafter "Cybersonics")

Description of business: Design and manufacture of medical devices based on ultrasound technology

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 regard to urinary tract stone management in the urology business, the Company will enhance its competitiveness in the urology business through the in-house development and manufacture of lithotripsy systems.

③ Acquisition date

May 15, 2018

④ Acquisition method to govern the acquired company

Olympus Surgical Technologies America, which is the Group's North American base for the development and manufacture of medical devices, acquired part of the urinary tract stone management technology and related business assets of Cybersonics through a business transfer.

(2) Acquisition-Related Expense

The acquisition-related expense of ¥116 million ($1,045 thousand) has been booked in "selling, general and administrative expenses."

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

	Millions of yen	Thousands of U.S. dollars
	Amount	
Fair value of consideration paid		
Cash	¥ 3,424	$ 30,847
Contingent consideration	489	4,405
Total	3,913	35,252
Fair value of assets acquired, and liabilities undertaken		
Intangible assets	3,815	34,369
Fair value of assets acquired and liabilities undertaken (net amount)	3,815	34,369
Goodwill	98	883
Total	¥ 3,913	$ 35,252

The fair value of the acquired assets in the relevant business combination as of the acquisition date was measured in the fiscal year ended March 31, 2019 and intangible assets decreased by ¥98 million ($883 thousand) resulting in goodwill increasing by the same amount compared with the initial provisional 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

The consideration will be paid on condition that knowledge is transferred from Cybersonics to the Company and that business assets are put into operation within a certain period of time, and the amount was calculated in consideration of the possibility of the said conditions being fulfilled and taking into account the time value of money. The maximum amount of payments is $4.5 million before discounting.

The fair value of consideration with conditions will fluctuate along with changes in interest rates. However, the impacts on measuring fair value are not material.

(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, 2019 because of its immateriality for the consolidated statements of profit or loss. Such pro forma information has not been audited by the Company's independent auditor.

41. Contingent Liabilities

Liabilities for guarantees

The Olympus Group has the following guarantees:

	Millions of yen		Thousands of U.S. dollars
	2018	**2019**	**2019**
Employees (mortgages)	¥ 13	**¥ 8**	**$ 72**
Total	¥ 13	**¥ 8**	**$ 72**

(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.

42. Significant Subsequent Event

(Share split and partial amendments to the Articles of Incorporation in relation to share split)

The Company, at its meeting of the Board of Directors held on February 8, 2019, resolved to implement a share split and partially amend its Articles of Incorporation in relation to the share split.

(1) Purpose of Share Split

The purpose of the share split is to lower the unit investment amount and increase the liquidity of the Company's stock, thereby enabling a wider range of shareholders to hold the Company's stock.

(2) Overview of Share Split

① Method of share split

With a record date of March 31, 2019 (provided, however, that since this day fell on a nonbusiness day of the share registration agent, the practical record date was March 29, 2019), a four-for-one share split was instituted to the shares of common shares held by shareholders registered in the final List of Shareholders or in other registers on that date.

② Number of shares to be increased by share split

Total number of issued shares as of March 31, 2019:	342,713,349 shares
Number of shares to be increased by share split:	1,028,140,047 shares
Total number of issued shares after share split:	1,370,853,396 shares
Number of shares authorized to be issued after share split:	4,000,000,000 shares

③ Schedule of the share split

Public notice of record date:	March 14, 2019
Record date:	March 31, 2019
Effective date:	April 1, 2019

(3) Partial Amendments to the Articles of Incorporation

① Reason for the amendments

In connection with this share split, pursuant to the provisions of Article 184, Paragraph 2 of the Companies Act, the total number of shares authorized to be issued stipulated in Article 6 of the Company's Articles of Incorporation was amended effective April 1, 2019.

② Details of the amendment

The details of the amendment are as follows.

(Underlined portions represent amendment)

Before the amendment	After the amendment
Article 6 (Total Number of Shares Athorized to be Issued) The total number of shares authorized to be issued by the Company shall be one billion (1,000,000,000) shares.	Article 6 (Total Number of Shares Authorized to be Issued) The total number of shares authorized to be issued by the Company shall be four billion (4,000,000,000) shares.

③ Schedule

Effective date for the amendments to the Articles of Incorporation: April 1, 2019

(4) Others

① Change in amount of share capital

The amount of the Company's share capital will not change as a result of the share split.

② Dividends

As the share split will be conducted with an effective date of April 1, 2019, the year-end dividend for the fiscal year ended March 31, 2019 will be commenced based on the number of shares held prior to the share split.

Information disclosed in Note "32.Earning per share" has been calculated as if the Company's stock split was conducted at the beginning of the previous fiscal year.