[Volume 2]

Securities Code 7733

# Attached Documents to Notice Regarding the Convocation of the Extraordinary General Meeting of Shareholders

1. 143rd Business Report, Consolidated Financial Statements, and Non-Consolidated Financial Statements (April 1, 2010 to March 31, 2011)
2. 142nd Business Report, Consolidated Financial Statements, and Non-Consolidated Financial Statements (April 1, 2009 to March 31, 2010)
3. Audit Reports of the Accounting Auditor and the Board of Corporate Auditors referred to above 1. and 2.

**OLYMPUS CORPORATION**

Hereby attached are the business reports, consolidated financial statements, non-consolidated financial statements, as well as the audit reports of the Accounting Auditors and the Board of Corporate Auditors, for the 143rd term (from April 1, 2010 to March 31, 2011) and the 142nd term (from April 1, 2009 to March 31, 2010), reflecting corrections made to past financial results.

For reference, at the foot of each of the business reports, there are comparisons showing the items that have been corrected from the business reports provided at the 143rd and 142nd General Meetings of Shareholders, respectively, by displaying the items before correction as well as after correction. For the financial statements, the items that have been corrected from those provided at the 143rd and 142nd General Meetings of Shareholders, respectively, are shown underlined, and the financial statements before correction, which were provided at the 143rd and 142nd General Meetings of Shareholders, respectively, have been attached.

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## Attached Documents to Notice Regarding the Convocation of the Extraordinary General Meeting of Shareholders

143rd Term

Attached Documents

**143rd Business Report**

(April 1, 2010 to March 31, 2011)

# I Review of Group Operations

## 1. Review of Operations

In the Japanese economy during the fiscal year under review, movements of recovery started to be observed in parts of the economy amid a protracted period of deflation and the continuation of difficult employment situation. However, as a result of the impact of the Great East Japan Earthquake that occurred at the end of the fiscal year, there was a drop in commercial activity, and the future outlook of the economy is unclear. The global economy showed signs of a gradual recovery against a backdrop of economic expansion centered on internal demand in the Asia region. However, concerns that the economy could slump further remained on account of factors such as the rising unemployment rates in Europe and the U.S.

Amid this business environment, the Olympus Group newly formulated the "2010 Corporate Strategic Plan," which commenced this fiscal year ended March 31, 2011. Under the slogan "Advancing to the Next Stage of Globalization," the Group started initiatives to "transform Olympus into a more globally competitive company" and "strengthen our business presence in the emerging markets."

In the Medical Systems Business, while bolstering the global sales and service structure mainly in Europe and the U.S., we strove to establish a business foundation in growth markets such as China and new fields such as the surgical field and ventilator-related products. In the Imaging System Business, in addition to enhancing the lineup of digital single-lens cameras, compact cameras and products that utilize the Company's strong-point optical technologies and size and weight minimization technologies, we strengthened the sales structure in emerging markets such as China and India.

In the Information & Communication Business, aiming to realize certain growth by seizing business chances in the rapidly changing business environment, the Company acquired the shares of ITX Corporation by tender offer and exchange of shares to make ITX Corporation a wholly owned subsidiary in March 2011. The objective of making ITX Corporation, which has played the central role in the Olympus Group's information and communication services business field, a wholly owned subsidiary was to construct a more close-knit cooperative structure while at the same time constructing a flexible organizational structure to accelerate the speed at which strategies are executed at ITX Corporation.

In a group-wide effort, aiming to strengthen and promote global strategies by Group headquarters, corporate functions and business groups, we made radical organizational reforms, changing the management structure in Europe and the U.S. from the regional business center system and moving to a group management system that operates according to business function and business type from April 2011. Through these changes, we will change from a system under which each organization within the Olympus Group has been responsibility for the business and internal control in the region to a system that transcends national borders and forms organic interconnections within the Group structure, allowing us to conduct business activities by collaborating with each other in a close-knit way.

The consolidated net sales over the fiscal year under review decreased ¥35,981 million, or 4.1%, year on year to ¥847,105 million. Although the Medical Systems Business and the Information & Communication Business achieved increases in revenue, there were declines in revenue mainly from the impact of foreign exchange effects and the transfer of the diagnostic systems business in August 2009 as well as in the Imaging Systems Business. Operating income was down 37.3% year on year to ¥38,379 million, impacted by foreign exchange effects and an operating loss being posted by the Imaging Systems Business. Ordinary income decreased 49.6% year on year to ¥23,215 million primarily due to a decrease in operating income. Net income was ¥3,866 million, a decrease of ¥48,661 million or 92.6% compared with the previous fiscal year when extraordinary income was recorded in connection with the transfer of the diagnostic systems business.

Notes: 1. For monetary amounts indicated in units of ¥1 million, fractions of ¥1 million are rounded off.

2. From the current fiscal year, part of the businesses that were previously classified as "Others" has been relocated to "Life Science and Industrial Systems Business." This classification also applies to compile business results of the previous fiscal year, for the purpose of year-to-year comparison.

## 2. Results of the Business Activities by Business Segment

**Medical Systems Business**

Consolidated net sales in the Medical Systems Business amounted to ¥355,322 million (up 1.3% year on year), while operating income amounted to ¥71,682 million (down 4.7% year on year).

Revenue in the medical endoscope field increased because in addition to strong sales of mainstay products such as videoscopes and video processors in Japan, overseas, we achieved not only growth in the number of units sold in the European and U.S. markets by enhancing the high-resolution compatible videoscope lineup, but also a continuing expansion of sales in the Chinese market.

Revenue in the surgical and therapeutic devices field increased because of strong performance from laparoscopic surgical equipment that lightens the burden on patients compared with performing a laparotomy and from disposable guide wires used for endoscope treatment such as for pancreatic ducts.

Operating income in the Medical Systems Business declined as a result of foreign exchange effects and increased R&D investment.

**Life Science and Industrial Systems Business**

Consolidated net sales in the Life Science and Industrial Systems Business amounted to ¥100,808 million (down 11.6% year on year), while operating income amounted to ¥8,553 million (down 2.3% year on year).

Revenue in the life science field declined on account of foreign exchange effects despite strong sales of products such as the new-product "BX3" series of system biological microscopes and "FV1000MPE" multiphoton laser scanning microscopes in Japan.

In the industrial equipment field, boosted by recovery in corporate capital investment, particularly in the semiconductor and electrical components industries, product sales such as for the industrial microscopes and the "LEXT" series of laser scanning microscopes increased and sales were also strong for the "IPLEX L" series of industrial endoscopes and the “EPOCH 1000” series of portable digital ultrasonic flaw detectors. As a result, revenue in this field increased.

In the Life Science and Industrial Systems Business overall, however, revenue declined as a result of the transfer of the diagnostic systems business in August 2009.

Operating income in the Life Science and Industrial Systems Business ended up at about the same as the previous fiscal year after absorbing the impact of the transfer of the diagnostic systems business.

**Imaging Systems Business**

Consolidated net sales in the Imaging Systems Business amounted to ¥131,417 million (down 24.9% year on year), while operating loss amounted to ¥15,019 million (in contrast to an operating income of ¥3,314 million in the previous fiscal year).

As for the digital camera field, in interchangeable lens system digital cameras, sales grew both in Japan and Asia for the “OLYMPUS PEN E-PL1” and the “OLYMPUS PEN E-PL2,” which are digital cameras with small, lightweight and dignified design compliant with the “Micro Four Thirds System” standard. In addition, there was a launch of the flagship model “E-5” aimed at professionals and serious amateurs.

In the recorder field, sales were strong for the new “V” series of IC recorders and sales also grew for the “PJ-10” pocket-sized radio server.

However, overall revenue in the Imaging Systems Business declined on account of foreign exchange effects, and a decline in the number of units sold due to intensified competition in the compact camera market and a decline in unit sales prices.

Despite efforts to cut costs, we recorded an operating loss in the Imaging Systems Business due to a decrease in revenue.

**Information & Communication Business**

Consolidated net sales for the Information & Communication Business amounted to ¥209,520 million (up 10.6% year on year), while operating income amounted to ¥5,242 million (up 7.8% year on year).

Net sales in the Information & Communication Business increased owing to an expansion of sales channels through corporate acquisition, strong sales of products such as fixed communication lines including optical-fiber, data cards and photo frames, and the growth in sales of smartphones and other mobile phones.

Operating income went up thanks to expanded sales of mobile phones.

**Others**

Consolidated net sales for other businesses was ¥50,038 million (down 7.3% year on year) and an operating loss was <u>¥3,606 million</u> (compared with an operating loss of <u>¥5,003 million</u> in the previous fiscal year).

During the fiscal year ended March 31, 2011, a new company was established and put into operation for the purposes of sharing management resources related to new business creation within the Olympus Group to strengthen the total might of the Group, and of reforming the management system to one that is more efficient so as to accelerate the discovery and development of new businesses.

Net sales for other businesses were lower overall partly due to the decline in sales from the sale of some subsidiaries in November 2009.

As for the bottom line, the Others reduced its operating loss thanks to improvements in the earnings of new-business related subsidiaries.

## 3. Financing and Capital Investment

(1) Financing

During the current fiscal year, Olympus took out new long-term borrowings of ¥25,000 million.

(2) Capital investment

A total of approximately ¥32,700 million was spent this fiscal year in capital investment. Major expenditures included investment in demonstration equipment in the Medical Systems Business, metal molds for new products in the Imaging Systems Business and investment in upgrades in information infrastructure.

## 4. Future Challenges

Despite expectations that the Japanese economy will pick up in the future, a weakening trend is projected in the short-term from the impact of the Great East Japan Earthquake, such as restrictions on electricity supply and the rising price of crude oil, and there are concerns that the economy will perform below expectations. In the global economy, although the gradual tone of recovery is expected to continue, in Europe and the U.S., recovery is expected to further slow under the effect of the credit crunch and fiscal austerity.

Based on these circumstances, in the Medical Systems Business, as the world’s only general manufacturer of endoscopes, we will raise the value we provide in our products and services by bolstering the quality of our business activities in Japan and overseas while further pursuing measures in our targeted growth fields of surgery and therapeutic devices and accelerating growth in the markets of emerging countries. In the Life Science and Industrial Systems Business, we will strengthen our revenue base by improving the sales structure and processes in product development in the life science field. In the Imaging Systems Business, in addition to developing products that take advantage of the Company’s strong-point optical technologies and size and weight minimization technologies to enhance the lineup of high-value added products, we are working to improve revenue by pursuing sales promotion activities that are specifically tailored to each region and each customer segment. Additionally, in new business fields, we are concentrating our resources within the group and steadily executing measures to start up businesses and establish revenue bases.

Also, as a group-wide effort, in addition to carrying out an analysis of cost structure, we will press forward with measures such as technological development for production systems that enable the production and consumption of products in the same region, and work towards the realization of improvements in business efficiency and a production structure that is resistant towards foreign exchange fluctuations. In addition, we will decisively advance business process innovation aimed at the creation of competitive products and services and technological development of cycle-based manufacturing. We will also work to strengthen technological development for environmental benefit such as space-saving and energy-saving automated production systems, and rare-earth related technologies.

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Through these measures, the Olympus Group shall aim to achieve its management goal of "maximization of corporate value" based on the "2010 Corporate Strategic Plan." In the fiscal year ending March 31, 2012, the second year of the plan, we shall work on paving the way for new growth in the next three years by continuing to reinforce the business infrastructure for global management.

To our shareholders, we appreciate your continuing support and understanding.

## 5. Changes in Assets and Results of Operation

(Millions of yen)

| | 140th term | 141st term | 142nd term | 143rd term |
|---|---|---|---|---|
| Net sales | 1,128,875 | 980,803 | 883,086 | 847,105 |
| Ordinary income | 97,312 | 25,679 | 46,075 | 23,215 |
| Net income (loss) | 54,625 | (50,561) | 52,527 | 3,866 |
| Net income (loss) per share (Yen) | 202.11 | (188.85) | 194.90 | 14.39 |
| Total assets | 1,217,172 | 1,038,253 | 1,104,528 | 1,019,160 |
| Net assets | 244,281 | 110,907 | 163,131 | 115,579 |
| Net assets per share (Yen) | 861.58 | 387.31 | 576.63 | 421.37 |

Notes:
1. In the 141st term, the Company recorded a consolidated net loss due to the recording of an extraordinary loss of ¥46,100 million including loss on valuation of investment securities and lump-sum amortization of goodwill.
2. See "I Review of Group Operations 1. Review of Operations" on pages 1 to 2 above for details on results for the 143rd term (current fiscal year).

## 6. Major Parent Companies and Subsidiaries

(1) Relationship with parent companies

There is no relevant information.

(2) Major subsidiaries

There are 179 consolidated subsidiaries, including the following 7 major subsidiaries, and 4 equity-method companies.

| Name of company | Capital stock or investment | Ratio of capital contribution by the Company (%) | Principal business |
|---|---|---|---|
| Olympus Medical Systems Corp. | ¥1,000 million | 100.0 | Manufacture and sale of medical treatment-related products |
| Olympus Imaging Corp. | ¥11,000 million | 100.0 | Manufacture and sale of image-related products |
| ITX Corporation | ¥25,444 million | 100.0 | Sale of mobile terminals including mobile handsets |
| Olympus Business Creation Corp. | ¥11,000 million | 100.0% (of which 20.0% is indirect ownership) (Note) | Discovery and development of new business, and holding company to conduct business management of fledgling subsidiaries |
| Olympus Corporation of the Americas | $13,000 | 100.0 | Holding company to conduct comprehensive management planning for U.S. subsidiaries and affiliates |
| Olympus Europa Holding GmbH | €100,000,000 | 100.0 | Sale of medical treatment-related, life science and industrial-related and image-related products, and comprehensive management planning for European subsidiaries and affiliates |
| Olympus (China) Co., Ltd. | $31,003,000 | 100.0 | Sale of life science and industrial-related products, and comprehensive management planning for Chinese subsidiaries and affiliates |

Note: Wholly owned subsidiary of the Company, ITX Corporation contributes 20.0% of capital.

## 7. Principal Business

| Segment | Principal products and business |
|---|---|
| Medical Systems Business | Manufacture and sale of medical endoscopes, surgical endoscopes, ultrasound endoscopes and endo-therapy devices |
| Life Science and Industrial Systems Business | Manufacture and sale of biological microscopes, industrial microscopes industrial endoscopes and non-destructive testing equipment |
| Imaging Systems Business | Manufacture and sale of digital cameras and voice recorders |
| Information & Communication Business | Sale of mobile terminals including mobile handsets |
| Others | System development, manufacture and sale of biomedical materials etc. |

## 8. Principal Places of Business and Plants

(1) Principal places of business of the Company

| | |
|---|---|
| Head Office | Shibuya-ku, Tokyo |
| Main Office | Shinjuku-ku, Tokyo |
| R&D Center | Hachioji-shi, Tokyo |
| Ina Facility | Ina-shi, Nagano |
| Tatsuno Facility | Kamiina-gun, Nagano |
| Shirakawa Facility | Nishi-Shirakawa-gun, Fukushima |
| Branches | Sapporo, Nagoya, Osaka, Hiroshima, Fukuoka |
| Sales Offices | Sendai, Yokohama, Niigata, Matsumoto, Shizuoka, Kanazawa, Matsuyama |

(2) Principal places of business of the Company's subsidiaries

| | |
|---|---|
| Olympus Medical Systems Corp. | Shibuya-ku, Tokyo (Head office)<br>Shinjuku-ku, Tokyo (Main office) |
| Olympus Imaging Corp. | Shibuya-ku, Tokyo (Head office)<br>Shinjuku-ku, Tokyo (Main office) |
| ITX Corporation | Minato-ku, Tokyo |
| Olympus Business Creation Corp. | Shinjuku-ku, Tokyo |
| Olympus Corporation of the Americas | U.S. |
| Olympus Europa Holding GmbH | Germany |
| Olympus (China) Co., Ltd. | China |

## 9. Employee Situation of the Group

| Segment | Numbers of employees | Increase (decrease) from the previous fiscal year |
|---|---:|---:|
| Medical Systems Business | 14,830 (816) | 843 (–) |
| Life Science and Industrial Systems Business | 4,615 (484) | 40 (–) |
| Imaging Systems Business | 10,807 (2,439) | (2,057) (–) |
| Information & Communication Business | 811 (1,278) | (109) (–) |
| Others | 1,718 (316) | 24 (–) |
| Management division | 1,610 (3) | 274 (–) |
| Total | 34,391 (5,336) | (985) (–) |

Notes:
1. The number of employees represents individuals working within the Group and includes employees on loan to the Group but does not include employees on loan outside the Group. From the current fiscal year, the average number of temporary employees for the year is shown in parentheses in the column of "Numbers of employees." Please note that the figures for temporary employees are not included within the numbers in the same column that are not in parentheses.
2. The increase in the number of employees in the Medical Systems Business by 843 compared to the previous fiscal year is mainly due to expansion of the production scale such as at overseas plants.
3. The decrease in the number of employees in the Imaging Systems Business by 2,057 compared to the previous fiscal year is mainly due to the change in employment status such as at overseas plants.

## 10. Principal Lenders

(Millions of yen)

| Lender | Balance of borrowing |
|---|---|
| Sumitomo Mitsui Banking Corporation | 90,930 |
| The Bank of Tokyo-Mitsubishi UFJ, Ltd. | 78,295 |

## 11. Acquisition or Disposition of Shares of Other Companies

The Company, based on a resolution at a meeting of the Board of Directors held on November 5, 2010, executed a tender offer to purchase shares of ITX Corporation from November 11 to December 27 of the same year. Then, based on a resolution at a meeting of the Board of Directors held on February 18, 2011, the Company acquired all of the shares of said company through a share exchange and made this company a wholly owned subsidiary on March 23, 2011.

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# II Matters Concerning Shares

1. **Total Number of Shares Authorized to be Issued:** 1,000,000,000 shares
2. **Total Number of Issued Shares:** 266,934,660 shares
(Excluding treasury stock 4,348,948 shares)
3. **Number of Shareholders as of March 31, 2011:** 22,072
4. **Principal Shareholders (Top 10)**

| Shareholders | Numbers of shares held | Shareholding ratio |
|---|---|---|
| Nippon Life Insurance Company | 22,426,718 | 8.40% |
| The Bank of Tokyo-Mitsubishi UFJ, Ltd. | 13,286,586 | 4.98% |
| The Master Trust Bank of Japan, Ltd. (trust account) | 12,875,500 | 4.82% |
| Japan Trustee Services Bank, Ltd. (trust account) | 12,036,550 | 4.51% |
| Japan Trustee Services Bank, Ltd. (Olympus shares in Sumitomo Mitsui Banking Corporation's retirement benefit trust account are entrusted to The Sumitomo Trust & Banking Co., Ltd., which consigns their management to Japan Trustee Service Bank, Ltd.) | 9,004,000 | 3.37% |
| State Street Bank and Trust Company 505223 | 8,772,820 | 3.29% |
| Sumitomo Mitsui Banking Corporation | 8,350,648 | 3.13% |
| State Street Bank and Trust Company | 7,622,271 | 2.86% |
| Terumo Corporation | 6,811,000 | 2.55% |
| The Government of Singapore Investment Corporation Pte Ltd. | 5,790,100 | 2.17% |

Note: The shareholding ratio is calculated with the amount of treasury stock (4,348,948 shares) deducted.

5. **Important Items Concerning Other Shares**

Acquisition of treasury stock

The Company, based on a resolution at a meeting of the Board of Directors held on November 5, 2010, purchased treasury stock under the provisions of Article 156 of the Company Law as applied mutatis mutandis by the provisions of Article 165, Paragraph 3 of the same Law as detailed below.

1. Class of shares purchased: Common stock of the Company
2. Total number of shares purchased: 4,222,700 shares
3. Total amount of purchase price: ¥9,995,227,400

# III Matters Concerning Board of Directors and Corporate Auditors

## 1. Name of Directors and Corporate Auditors

| Appointment | Name | Position and responsibility in the Company and important concurrent positions at other organizations |
|---|---|---|
| President and Representative Director | Tsuyoshi Kikukawa | |
| Director | Masaharu Okubo | President and Representative Director, Olympus Imaging Corp. |
| Director | Hideo Yamada | Director in charge of Corporate, Corporate Social Responsibility Div., Trade Compliance Bureau and Internal Audit Dept. |
| Director | Haruhito Morishima | President and Representative Director, Olympus Medical Systems Corp. |
| Director | Masataka Suzuki | Division Manager of Asia Group Management Div./ CEO, Olympus (China) Co., Ltd. |
| Director | Kazuhisa Yanagisawa | Group President of Corporate R&D Center / Director in charge of Intellectual Property & Licensing Div. / President and Director, Olympus Cytori Inc. |
| Director | Shuichi Takayama | Group President of Life and Industrial Systems Group / Director in charge of Pharmaceutical Affairs Div. |
| Director | Takashi Tsukaya | Group President of Corporate Monozukuri Innovation Center / Director in charge of Quality and Environment Administration Div. |
| Director | Hisashi Mori | Group President of the Corporate Center / Director in charge of Corporate Planning Div. and New Business Administration Div. / Chairman of the board, Olympus Corporation of the Americas |
| Director | Kazuhiro Watanabe | Director and Executive Vice President, Olympus America Inc. |
| Director | Shinichi Nishigaki | Director, Olympus Medical Systems Corp. |
| Director | Hironobu Kawamata | Division Manager of Business Support Div. |
| Director | Rikiya Fujita | President, Yokohama Shin-Midori General Hospital |
| Director | Masanobu Chiba | President and Representative Director, LBS Co., Ltd. |
| Director | Junichi Hayashi | Representative Director, Angram Ltd. / Outside Corporate Auditor, ITX Corporation |
| Standing Corporate Auditor | Tadao Imai | |
| Standing Corporate Auditor | Katsuo Komatsu | |
| Corporate Auditor | Makoto Shimada | |
| Corporate Auditor | Yasuo Nakamura | |

Notes: 1. Among the Directors, Rikiya Fujita, Masanobu Chiba and Junichi Hayashi are Outside Directors.

2. Among the Corporate Auditors, Makoto Shimada and Yasuo Nakamura are Outside Corporate Auditors.

3. Principal revisions in position and responsibility in the Company and important concurrent positions at other organizations of Directors during the current fiscal year and after the end of the current fiscal year are as follows:

| Name | Date of Revision | Position and responsibility in the Company and important concurrent positions at other organizations after revision | Position and responsibility in the Company and important concurrent positions at other organizations prior to revision |
|---|---|---|---|
| Tsuyoshi Kikukawa | April 1, 2011 | Chairman & CEO | President and Representative Director |
| Masaharu Okubo | July 1, 2010 | President and Representative Director, Olympus Imaging Corp. | President and Representative Director, Olympus Imaging Corp. / Chairman of the board, Olympus Corporation of the Americas |
| | April 1, 2011 | Assistant to the President (Director in charge of Olympus Imaging Corp.) | President and Representative Director, Olympus Imaging Corp. |
| Hideo Yamada | April 1, 2011 | Assistant to the President (in charge of Corporate and Internal Audit Dept.) | Director in charge of Corporate, Corporate Social Responsibility Div., Trade Compliance Bureau and Internal Audit Dept. |
| Haruhito Morishima | April 1, 2011 | Group President of Medical Systems Group, President and Representative Director, Olympus Medical Systems Corp. | President and Representative Director, Olympus Medical Systems Corp. |
| Masataka Suzuki | June 1, 2010 | Division Manager of Asia Group Management Div./ CEO, Olympus (China) Co., Ltd. | CEO, Olympus (China) Co., Ltd. |
| | April 1, 2011 | Group President of Asia & Oceania Management Group / Chairman and Executive Managing Director, Olympus Corporation of Asia Pacific Limited | Division Manager of Asia Group Management Div./ CEO, Olympus (China) Co., Ltd. |
| Kazuhisa Yanagisawa | April 1, 2010 | Group President of Corporate R&D Center / Director in charge of Intellectual Property & Licensing Div. / President and Director, Olympus Cytori Inc. | Group President of Corporate R&D Center / Director in charge of Intellectual Property & Licensing Div. and Ina Facility |
| | April 1, 2011 | Group President of Corporate R&D Center / President and Director, Olympus Cytori Inc. | Group President of Corporate R&D Center / Director in charge of Intellectual Property & Licensing Div. / President and Director, Olympus Cytori Inc. |
| | April 20, 2011 | Group President of Corporate R&D Center | Group President of Corporate R&D Center / President and Director, Olympus Cytori Inc. |

| Name | Date of Revision | Position and responsibility in the Company and important concurrent positions at other organizations after revision | Position and responsibility in the Company and important concurrent positions at other organizations prior to revision |
|---|---|---|---|
| Shuichi Takayama | April 1, 2010 | Group President of Life and Industrial Systems Group / Director in charge of Pharmaceutical Affairs Div. | Group President of Life and Industrial Systems Group / Director in charge of Pharmaceutical Affairs Div. / President and Director, Olympus Cytori Inc. |
| | April 1, 2011 | Group President of Imaging Group, Director in charge of Opto Business Project / President and Representative Director, Olympus Imaging Corp. | Group President of Life and Industrial Systems Group / Director in charge of Pharmaceutical Affairs Div. |
| Takashi Tsukaya | April 1, 2010 | Group President of Corporate Monozukuri Innovation Center / Director in charge of Quality and Environment Administration Div. | Division Manager of Production Engineering Div. / Director in charge of Quality and Environment Administration Div. |
| | April 1, 2011 | Group President of Corporate Monozukuri Innovation Center | Group President of Corporate Monozukuri Innovation Center / Director in charge of Quality and Environment Administration Div. |
| Hisashi Mori | July 1, 2010 | Group President of the Corporate Center / Director in charge of Corporate Planning Div. and New Business Administration Div. Chairman of the board of Olympus Corporation of the Americas | Group President of the Corporate Center / Director in charge of Corporate Planning Div., New Business Planning Div. and New Business Administration Div. |
| | April 1, 2011 | President of Group Management Office | Group President of the Corporate Center / Director in charge of Corporate Planning Div. and New Business Administration Div. Chairman of the board of Olympus Corporation of the Americas |
| Shinichi Nishigaki | April 1, 2011 | Group President of Life & Industrial Systems Group | Director, Olympus Medical Systems Corp. |
| Hironobu Kawamata | April 1, 2011 | Group Vice President of the Corporate Center / Division Manager of Corporate Planning Div. | Division Manager of Business Support Div. |
| Rikiya Fujita | October 1, 2010 | President, Yokohama Shin-Midori General Hospital | – |
| Masanobu Chiba | April 1, 2011 | Representative Director, LBS Co., Ltd. | President and Representative Director, LBS Co., Ltd. |

4. Under the Company's executive officer system, the following are executive officers as of March 31, 2011. The "*" mark indicates individuals serving concurrently as Directors.

| Appointment | Name |
|---|---|
| Executive Vice President * | Masaharu Okubo |
| Executive Vice President * | Hideo Yamada |
| Executive Vice President * | Haruhito Morishima |
| Senior Managing Executive Officer * | Masataka Suzuki |
| Senior Managing Executive Officer * | Kazuhisa Yanagisawa |
| Managing Executive Officer * | Shuichi Takayama |
| Managing Executive Officer * | Takashi Tsukaya |
| Managing Executive Officer * | Hisashi Mori |
| Managing Executive Officer * | Kazuhiro Watanabe |
| Managing Executive Officer | Toshiaki Gomi |
| Managing Executive Officer | Masao Kuribayashi |
| Managing Executive Officer | Takashi Saito |
| Executive Officer * | Shinichi Nishigaki |
| Executive Officer * | Hironobu Kawamata |
| Executive Officer | Koichi Karaki |
| Executive Officer | Norio Saito |
| Executive Officer | Hitoshi Kawada |
| Executive Officer | Yoshihiko Masakawa |
| Executive Officer | Naohiko Kawamata |
| Executive Officer | Hiroyuki Sasa |
| Executive Officer | Makoto Nakatsuka |
| Executive Officer | Masanori Nakashima |
| Executive Officer | Atsushi Nishikawa |
| Executive Officer | Yasuo Yoda |
| Executive Officer | F. Mark Gumz |
| Executive Officer | Michael Woodford |
| Executive Officer | Akira Kubota |
| Executive Officer | Yasuo Takeuchi |
| Executive Officer | Nobuyuki Koga |
| Executive Officer | Shigeo Hayashi |
| Executive Officer | Akihiro Taguchi |

Notes: 1. The following executive officers were newly elected on April 1, 2011.

| | |
|---|---|
| Executive Officer | Haruo Ogawa |
| Executive Officer | Il-Seok Bang |

2. The following executive officers had changes to their appointment on April 1, 2011.

| | |
|---|---|
| President and COO | Michael Woodford |
| Executive Vice President | Hisashi Mori |
| Senior Managing Executive Officer | Shuichi Takayama |
| Managing Executive Officer | Makoto Nakatsuka |
| Managing Executive Officer | F. Mark Gumz |

3. The following executive officers retired on April 1, 2011.

| | |
|---|---|
| Executive Vice President | Masaharu Okubo |
| Executive Vice President | Hideo Yamada |
| Executive Officer | Masanori Nakashima |
| Executive Officer | Atsushi Nishikawa |

## 2. Amount of Remuneration for Directors and Corporate Auditors

| | Number | Total amount paid |
|---|---|---|
| Director | 15 | ¥669 million |
| Corporate Auditor | 4 | ¥91 million |

Notes:
1. By resolution of the 138th General Meeting of Shareholders held on June 29, 2006, the maximum monthly remuneration for Directors is set at ¥65 million and the maximum monthly remuneration for Corporate Auditors is set at ¥10 million and the annual bonus for Directors is ¥120 million. No bonuses are paid to Corporate Auditors.
2. The above amount of remuneration for Directors does not include ¥28 million in salaries for employees serving concurrently as Directors.
3. Of the above amount of remuneration for Directors and Corporate Auditors, the total amount paid to 5 Outside Directors and Outside Corporate Auditors (3 Outside Directors, 2 Outside Corporate Auditors) is ¥66 million.
4. The total amount paid of remuneration for Directors and Corporate Auditors to 1 Outside Director during the current fiscal year from a subsidiary of the Company is ¥2 million.

## 3. Matters Concerning Outside Directors and Outside Corporate Auditors

(1) Important concurrent position as an executive officer at other organizations and relations between same and the Company

Director Rikiya Fujita is President of Yokohama Shin-Midori General Hospital, which does not have business relations with the Company.

Director Masanobu Chiba is President and Representative Director of LBS Co., Ltd., which has business relations with the Company in the area of advertising and promotion.

Director Junichi Hayashi is Representative Director of Angram Ltd., which does not have business relations with the Company.

(2) Important concurrent position as an outside officer at other organizations and relations between same and the Company

Director Junichi Hayashi serves as an Outside Corporate Auditor at ITX Corporation, which is a wholly owned subsidiary of the Company.

(3) Major activities during current fiscal year

Rikiya Fujita, Director

Mr. Fujita attended 15 of the 17 Board of Directors' meetings (except for meetings that were not held by omission of a resolution of the Board of Directors pursuant to Article 370 of the Company Law; The same shall apply hereinafter.) held during the current fiscal year and made statements as he saw fit, based on his profound knowledge and broad insight as a medical doctor from a perspective that is independent of the management engaged in the execution of business operations.

Masanobu Chiba, Director

Mr. Chiba attended all 17 Board of Directors' meetings held during the current fiscal year and made statements as he saw fit, based on his profound knowledge and broad insight as a business manager from a perspective that is independent of the management engaged in the execution of business operations.

Junichi Hayashi, Director

Mr. Hayashi attended all 17 Board of Directors' meetings held during the current fiscal year and made statements as he saw fit, based on his profound knowledge and broad insight as a business manager, and from experience in the securities industry from a perspective that is independent of the management engaged in the execution of business operations.

Makoto Shimada, Corporate Auditor

Mr. Shimada attended all 17 Board of Directors' meetings and all 27 Board of Corporate Auditors' meetings held during the current fiscal year and made statements as he saw fit from the perspective of a business manager with profound knowledge to ensure appropriate and fair decision making by the Board of Directors.

Yasuo Nakamura, Corporate Auditor

Mr. Nakamura attended all 17 Board of Directors' meetings and all 27 Board of Corporate Auditors' meetings held during the current fiscal year and made statements as he saw fit from the perspective of a business manager with profound knowledge to ensure appropriate and fair decision making by the Board of Directors.

(4) Overview of content of limited liability agreement

The Company has entered into an agreement with all of its Outside Directors and Outside Corporate Auditors to limit their liability pursuant to Article 423, Paragraph 1 of the Company Law, setting the minimum amount stipulated by law as the maximum liability.

# IV Accounting Auditor

## 1. Name of Accounting Auditor

Ernst & Young ShinNihon LLC

## 2. Amount of Remuneration

| Classification | Amount paid |
|---|---|
| Remuneration to Accounting Auditor for the current fiscal year | ¥102 million |
| Total amount of money and other financial interests to be paid by the Company and its subsidiaries | ¥212 million |

Notes:
1. The audit agreement between the Company and its Accounting Auditor does not distinguish compensation paid for audit work performed in conformity with the Company Law and compensation paid for audit work performed in conformity with the Financial Instruments and Exchange Act and it is effectively impossible to do so. Therefore, the total amount is provided.
2. Among the important subsidiaries of the Company, Olympus Corporation of the Americas, Olympus Europa Holding GmbH and Olympus (China) Co., Ltd. are audited by auditing firms other than the Accounting Auditor of the Company.

## 3. Description of Non-Auditing Services

The Company pays consideration to Accounting Auditor for agreed upon procedures etc. relating to business transfers which is a service outside the scope of Article 2, Paragraph 1 of the Certified Public Accountants Law of Japan.

## 4. Policy for Decisions on Dismissal and Non-Reappointment of Accounting Auditor

The Board of Corporate Auditors will dismiss the Accounting Auditor, with the unanimous consent of the Corporate Auditors, in the event said Accounting Auditor is recognized as falling under any of the item listed in Article 340, Paragraph 1 of the Company Law.

In addition to the foregoing, the Company will propose the dismissal or non-reappointment of the Accounting Auditor to the General Meeting of Shareholders in the event it is recognized that the appropriate performance of duties by said Accounting Auditor is rendered not possible due to reasons on the part of the Company or due to events affecting the qualifications and credibility of the Accounting Auditor.

143rd Term

# V Company's Systems and Policies

## 1. Basic Policy on the Internal Control System

The Company refers to the concept of assimilating, as members, with society, sharing values with other members of society, and making people's lives healthy and happy by proposing new values through business activities as "Social IN," and identifies the concept as the leading motive lying behind all our activities.

The Board of Directors, based on this basic concept, shall prepare a framework in which ensures the sound operations of the Company, and make continuous improvements with its application.

(1) Framework to ensure the compliance by Directors and employees, in performance of duties, to applicable laws and regulations as well as the Articles of Incorporation

1) In order to ensure a system in which Directors and employees perform their duties in compliance with applicable laws and regulations and the Articles of Incorporation, the Board of Directors shall establish the Olympus Group's Charter of Corporate Behavior and Olympus Group's Code of Conduct and other basic policies and internal corporate regulations.

2) The Company shall set up a CSR Committee that is chaired by the President and whose meetings shall be held regularly to set objectives for and evaluate CSR activities in the Olympus Group. By promoting measures to realize the Olympus Group's Charter of Corporate Behavior and Olympus Group's Code of Conduct, the CSR Committee shall engender ethical values that aim higher than compliance with laws and regulations.

3) The Company shall set up a Compliance Office to manage compliance activities. The Compliance Office shall continuously conduct compliance related activities, including the education of Directors and employees. The Company shall establish a helpline for consultation or the provision of information on compliance related issues. The Company shall also develop a system to report contents, etc. of compliance related issues, if they arise, to the Board of Directors and the Board of Corporate Auditors through a compliance officer in charge.

4) In order to ensure the appropriateness and reliability of financial reporting, The Audit Office shall maintain its efforts to ensure the control activities function effectively.

5) The Administration Department shall be responsible for working with lawyers, the police and other parties to systematically stand firm against anti-social forces and organizations which threaten societal order and safety.

(2) Framework regarding the maintenance of records and management of information in relation to performance of duties by Directors

1) Pursuant to applicable laws and regulations and internal corporate regulations including the internal rules on document management, etc., the Company shall maintain and manage documents or electronic data.

2) Directors and Corporate Auditors may access important documents such as the minutes of a meeting of the Board of Directors and documentary approvals at any time.

(3) Rules relating to the risk management in the event of loss and other circumstances

1) The Company shall manage its business risks based on thorough discussions held at meetings of the Board of Directors and the executive management committee, among other meetings, and appropriate operation of the internal approval procedure.

2) The Company shall manage risks such as those relating to quality, product safety, export control, information security, health and safety, the environment and disasters by establishing divisions in charge, establishing internal corporate regulations and manuals, and through implementing education and training, among others.

3) The CSR Committee shall report and deliberate on plans and measures in relation to risk management, and make efforts to establish and maintain a risk management system. Moreover, pursuant to the internal rule on risk management, each operational department shall be aware of risks and take preventative measures, and the Company shall develop a framework which enables prompt actions in the event of an emergency. In the event of a disaster including earthquakes, fire and accidents, and occurrence of incidents of great risks, such as the violation of corporate ethics, etc., the operational departments shall, through a risk management office as a window, make immediate reports to the President, other members of the CSR Committee and relevant people. The final determination in such circumstance shall be made by the President.

(4) Framework to ensure the effective performance of duties by Directors

1) The Board of Directors shall develop medium and long-term Corporate Strategic Plans in order to clarify the Company's business objectives and achieve efficient resource allocation based on its annual business plan as determined each business year. In addition, the Board of Directors shall receive a monthly report on business performance in order to evaluate the status of the Company's annual business plan.

2) The Board of Directors shall determine the separation of duties among the Representative Director, other Operating Directors and Executive Officers and supervise with respect to their duties as performed.

3) The President and Representative Director shall make a decision about significant matters after discussing at meetings of the executive management committee.

4) Based on internal corporate regulations including the internal rules on approval procedures and organizational matters, the Board of Directors shall determine the management organization and the separation of duties as well as the responsibility and authority of each of the Representative Director, other Operating Directors and Executive Officers, and establish a fair and effective system for performance of duties.

(5) System to ensure the fairness of operations of the Company and its subsidiaries

1) Pursuant to the internal rule on management of subsidiaries and affiliates, the Company shall clearly provide for management standards applied to its subsidiaries and promote Olympus Group's enhancement and development by providing guidance and training to its subsidiaries.

2) The Company shall dispatch Directors and Corporate Auditors to major subsidiaries to ensure the fairness of operations of subsidiaries by requesting them to obtain the Company's approval for significant matters based on the internal rule on approval procedures.
3) The Company shall make the contents of Olympus Group's Charter of Corporate Behavior widespread among subsidiaries and promote enhanced awareness of compliance among the Group.
4) The Audit Office of the Company shall conduct status audits regarding the internal control, compliance audit and system audit, etc. of its subsidiaries based on the annual audit plan approved by the President of the Company and report the audit results to the President, Board of Directors and the Board of Corporate Auditors of the Company. The Company shall establish an internal audit department for conducting audits of its major subsidiaries.

(6) Matters relating to employees that assist the Corporate Auditors upon the request of such Corporate Auditor for assistance and matters relating to independence of the relevant employees from Directors
1) The Company will establish the office of Corporate Auditors and allocate personnel who will assist with the Corporate Auditors' duties. In order to assist with Corporate Auditors' duties, such personnel shall not receive directions or guidance from any Directors.
2) Appointment, dismissal, transfers, wages and personnel evaluation, etc. of employees, who should assist with Corporate Auditors' duties, shall be determined after obtaining the approval of the Board of Corporate Auditors, and the independence of such employees from Directors shall be ensured.

(7) Framework regarding reports by Directors and employees to Corporate Auditors, and other reports to the Corporate Auditors

The Directors shall make reports to the Board of Corporate Auditors pursuant to relevant laws and regulations. Corporate Auditors may request reports from Directors and employees based on relevant laws and regulations, the Rules of the Board of Corporate Auditors and the Corporate Auditors' Audit Standard, which are both established by the Board of Corporate Auditors.

(8) Other systems to ensure the effectiveness of audit by Corporate Auditors
1) Corporate Auditors shall conduct investigates on Directors, employees and subsidiaries through hearings or visiting audits, to ensure the effectiveness of its audit.
2) The Board of Corporate Auditors shall hold regular meetings with Directors including the President as well as with each head of department, and exchange opinions regarding significant audit related issues.
3) The Board of Corporate Auditors shall, in order to ensure an effective audit, hold regular meetings to discuss their findings with Accounting Auditors, the Audit Office and Corporate Auditors of major subsidiaries.

## 2. Basic Policy on Control of Stock Company

(1) Summary of basic policy

The Company believes that the persons who control decisions on the Company's financial and business policies need to be persons who fully understand the details of the Company's financial and business affairs and the source of the Company's corporate value and who will make it possible to continually and persistently ensure and enhance the Company's corporate value and, in turn, the common interests of its shareholders.

The Company will not indiscriminately reject a large-scale acquisition of the shares in the Company if it will contribute to the corporate value of the Company and, in turn, the common interests of its shareholders. The Company also believes that ultimately its shareholders as a whole must make the decision on any proposed acquisition that would involve a transfer of corporate control of a stock company.

Nonetheless, there are some forms of corporate acquisition that benefit neither the corporate value of the Company nor the common interests of its shareholders, including those with a purpose that would obviously harm the corporate value of the target company and, in turn, the common interests of its shareholders, those with the potential to substantially coerce shareholders into selling their shares, those that do not provide sufficient time or information for the target company's board of directors and shareholders to consider the details of acquisition or for the target company's board of directors to make an alternative proposal, and those that require the target company to negotiate with the acquirer in order to procure more favorable terms for shareholders than those presented by the acquirer.

Above all, in order for the Company to ensure and enhance its corporate value and the common interests of its shareholders, it is essential that the Company has a management function that emphasizes (i) maintaining technologies and personnel that have been cultivated over the years and protecting and improving technologies and personnel from a medium to long-term perspective; and (ii) maintaining and strengthening its network with clients and the Company's brand.

Unless the acquirer of a proposed large-scale acquisition of the shares in the Company understands the source of the corporate value of the Company and would ensure and enhance these elements over the medium to long-term, the corporate value of the Company and, in turn, the common interests of its shareholders would be harmed. The Company believes that persons who would make a large-scale acquisition of the shares in the Company in a manner that does not contribute to the corporate value of the Company or the common interests of its shareholders would be inappropriate to become persons who would control decisions on the Company's financial and business policies. The Company also believes that it is necessary to ensure the corporate value of the Company and, in turn, the common interests of its shareholders by taking the necessary and reasonable countermeasures against a large-scale acquisition by such persons.

(2) Measures for realization of basic policies

1) Summary of special measures for the realization of basic policies

The Company will seek to ensure and enhance corporate value and the common interests of shareholders in a stable and sustainable manner by further improving its ability to create value and emphasizing new businesses that meet future needs.

More specifically, in the Imaging Systems Business, we will build a corporate structure capable of continuously securing earnings by focusing our energies on high-value added products such as compact cameras with water and dust resistance features and proposing to users a digital single-lens camera with interchangeable lenses that is dramatically reduced in size and weight by way of the Micro Four Thirds System standard, which takes advantage of the superiority of an entirely digital design. In the Medical Systems Business, we will offer a "safe, reliable, and efficient" medical procedure, contributing to society by improving the quality of life of patients, reducing medical costs, and reinforcing the surgical field in an effort to steadily expand profits. We will also optimize our manufacturing cost structure and respond to fluctuating exchange rates by establishing global development and manufacturing systems. In addition, we will build an optimal business portfolio and promote appropriate resource allocation based on it, and develop related businesses in the medical/health and imaging/information fields.

Furthermore, the Company has been promoting corporate structural reforms since 2001, for example, by reducing the number of Directors by one half and shortening the term of office to one year. It has also been making efforts to reinforce oversight regarding the execution of business operations through such measures as the appointment of three independent Outside Directors at the General Meeting of Shareholders held on June 27, 2008. The Company will continue to enhance its corporate governance.

2) Measures to prevent control of financial and business policy decisions by inappropriate parties from the perspective of basic policies

(i) The Company obtained approval at the 141st General Meeting of Shareholders held on June 26, 2009 for the proposal that a gratis allotment of stock acquisition rights (*shinkabu yoyakuken mushou wariate*) would be available to the Board of Directors as a countermeasure for large-scale acquisitions of 20% or more of the Company's shares (the "Plan").

(ii) Details of the Plan

The purpose of the Plan is to prevent decisions on the Company's financial and business policies from being controlled by persons who would propose a large-scale acquisition of the shares of the Company in a manner that does not contribute to the corporate value of the Company or the common interests of its shareholders, to deter large-scale acquisitions that are detrimental to the corporate value of the Company and the common interests of its shareholders; and should it receive a large-scale acquisition proposal from an acquirer; and to ensure the necessary time and information for shareholders to decide whether or not to accept the large-scale acquisition proposal or for the Board of Directors to present an alternative proposal to the shareholders.

The Plan will be applied in cases where any purchase or other acquisition of share certificates, etc. of the Company that falls under (i) a purchase or other acquisition that would result in the holding ratio of share certificates, etc. (*kabuken tou hoyuu wariai*) of a holder (*hoyuusha*) totaling at least 20% of the share certificates, etc. (*kabuken tou*) issued by the Company; or (ii) a tender offer (*koukai kaitsuke*) that would result in the party making the tender offer have an ownership ratio of share certificates, etc. (*kabuken tou shoyuu wariai*) or a person having a special relationship (*tokubetsu kankei-sha*) have an ownership ratio of share certificates, etc. totaling at least 20% of the share certificates, etc. (*kabuken tou*) issued by the Company, or any similar action, or a proposal for such action. The party effecting the acquisition (the "Acquirer") shall follow the procedures prescribed in the Plan, and the Acquirer must not effect an acquisition until and unless the Board of Directors passes a resolution not to implement the gratis allotment of stock acquisition rights in accordance with the Plan.

The Company will request an Acquirer to submit to the Company in the form prescribed separately by the Company a document that includes an undertaking that the Acquirer will comply with the procedures set out in the Plan before commencing or effecting the acquisition. In addition, the Acquirer is required to provide the Board of Directors with a document containing specific information necessary for shareholders to make decisions (the "Acquisition Document") in a form designated by the Company. Upon receiving the Acquisition Document, the Board of Directors will send the document to the Special Committee composed of members including Outside Directors.

The Special Committee will consider the acquisition terms including information provided by the Acquirer and the Board of Directors, collect information on materials such as the management plans and business plans of the Acquirer and the Board of Directors for comparison, and consider any alternative plans. Further, it will discuss with the Acquirer and disclose information to shareholders. If the Special Committee determines that the acquisition falls under the trigger events stipulated below in Item (A), the Special Committee will recommend implementation of the gratis allotment of stock acquisition rights to the Board of Directors as triggering the Plan.

If there is concern that an acquisition may fall under the second trigger event set out below in Item (A), the Special Committee shall recommend implementation of the gratis allotment of stock acquisition rights subject to obtaining approval at a general meeting of shareholders in advance, and the Board of Directors may convene a general meeting of shareholders and confirm the intent of the Company's shareholders regarding this issue.

The Board of Directors will pass a resolution relating to implementation or non-implementation of a gratis allotment of stock acquisition rights while respecting to the maximum extent any recommendation made by the Special Committee described above. If the general meeting of shareholders described above is convened, the Board of Directors will comply with any resolution passed by shareholders.

(A) Requirements for the gratis allotment of stock acquisition rights

The requirements for triggering the Plan to implement a gratis allotment of stock acquisition rights are as follows.

Trigger event (1)

The acquisition is not in compliance with the procedures prescribed in the Plan (including cases where reasonable time and information necessary to consider details of the acquisition are not offered), and it is reasonable to implement the gratis allotment of stock acquisition rights.

Trigger event (2)

The acquisition falls under any of the items below and it is reasonable to implement the gratis allotment of stock acquisition rights.

(a) An acquisition that threatens to cause obvious harm to the corporate value of the Company and, in turn, the common interests of its shareholders through any of the following actions:

  (i) A buyout of share certificates to require such share certificates to be compulsorily purchased by the Company's affiliates at a high price.

  (ii) Management that achieves an advantage for the Acquirer to the detriment of the Company, such as temporary control of the Company's management for the low-cost acquisition of the Company's material assets.

  (iii) Diversion of the Company's assets to secure or repay debts of the Acquirer or its group company.

  (iv) Temporary control of the Company's management to bring about the disposal of high-value assets that have no current relevance to the Company's business and paying temporarily high dividends from the profits of disposal, or selling the shares at a high price by taking advantage of the opportunity arising from the sudden increase of share prices created by the temporarily high dividends.

(b) Certain acquisitions that threaten to have the effect of coercing shareholders into selling shares, such as coercive two-tiered tender offers (meaning acquisitions of shares, including tender offers, in which no offer is made to acquire all shares in the initial acquisition, and acquisition terms for the second stage are unfavorable or unclear).

(c) Acquisitions whose terms (including amount and type of consideration, timeframe, legality of the acquisition method, feasibility of acquisition being effected, and post-acquisition policies for the Company's other shareholders, employees, customers, business partners, and any other stakeholders in the Company) are inadequate or inappropriate in light of the Company's intrinsic value.

(d) Acquisitions that materially threaten to decrease the corporate value of the Company or the common interests of shareholders, by destroying relationships with the Company's employees, customers, business partners, etc., which are indispensable for generating the Company's corporate value or the disintegration of our corporate culture.

(B) Other

The stock acquisition rights to be allotted to our shareholders under the Plan are exercised to obtain one share of common stock, as a basic rule, by paying the amount decided by the Board of Directors within the range of a minimum of one (1) yen and the maximum of the amount equivalent to one-half of the market value of one share in the Company. Furthermore, exercise conditions whereby the non-qualified party including the Acquirer may not exercise stock acquisition rights (except if an exceptional event occurs), and provisions for acquisition whereby the Company will acquire one stock acquisition right from parties other than the non-qualified party in exchange for one share in the Company have been provided.

The effective period of the Plan is until the conclusion of the general meeting of shareholders for the last fiscal year ending within three years of the conclusion of the 141st General Meeting of

Shareholders held on June 26, 2009. However, if, before expiration of the effective period, a resolution is passed at the Company's general meeting of shareholders to revoke its resolution to assign to the Board of Directors the authority set out above relating to the gratis allotment of stock acquisition rights with respect to the Plan, or the Board of Directors passes a resolution to abolish the Plan, the Plan will be abolished at that time.

Even after introducing the Plan, assuming gratis allotment of stock acquisition rights has not been implemented, there is no direct or specific impact on shareholders. If the gratis allotment of stock acquisition rights has been implemented in accordance with the Plan, and the Company's shareholders do not exercise their stock acquisition rights or pay the amount equivalent to the exercise price, the share value may be diluted. However, if the Company acquires stock acquisition rights in exchange for shares in the Company, a dilution of share value will not basically affect shareholders other than non-qualified parties.

(3) Board of Directors' views on measure in (2) above and reasons thereof

The Plan was introduced to ensure and enhance the corporate value of the Company and the common interests of its shareholders in accordance with the basic policy. The Company primarily introduced the Plan to assure fairness and objectivity on the condition that: (i) it is subject to approval at a general meeting of shareholders; (ii) it is based on a system to confirm the intent of the Company's shareholders regarding the triggering of the Plan in some cases; (iii) the effective period thereof is to be three years and the Plan may be abolished at anytime by a resolution at a general meeting of shareholders or by the Board of Directors; (iv) the Special Committee composed of members including Outside Directors has been established as an organization independent of the management of the Company and the Plan must never be triggered without a decision of the Special Committee; (v) the Special Committee may at the cost of the Company obtain advice from independent third parties; and, (vi) reasonable and objective requirements regarding the triggering thereof are established. Accordingly, the purpose of the Plan is not to maintain the position of the Company's Directors and Corporate Auditors, but to contribute to the corporate value of the Company and, in turn, the common interests of its shareholders.

143rd Term

(Reference)

Comparison of the Business Report after correction and before correction

# For the 143rd Term (April 1, 2010 to March 31, 2011)

**Page 2**

## I Review of Group Operations

### 1. Review of Operations

Paragraph 6

[After Correction]

The consolidated net sales over the fiscal year under review decreased ¥35,981 million, or 4.1%, year on year to ¥847,105 million. Although the Medical Systems Business and the Information & Communication Business achieved increases in revenue, there were declines in revenue mainly from the impact of foreign exchange effects and the transfer of the diagnostic systems business in August 2009 as well as in the Imaging Systems Business. Operating income was down <u>37.3%</u> year on year to <u>¥38,379 million</u>, impacted by foreign exchange effects and an operating loss being posted by the Imaging Systems Business. Ordinary income decreased <u>49.6%</u> year on year to <u>¥23,215 million</u> primarily due to a decrease in operating income. Net income was <u>¥3,866 million</u>, a decrease of <u>¥48,661 million</u> or <u>92.6%</u> compared with the previous fiscal year when extraordinary income was recorded in connection with the transfer of the diagnostic systems business.

[Before Correction]

The consolidated net sales over the fiscal year under review decreased ¥35,981 million, or 4.1%, year on year to ¥847,105 million. Although the Medical Systems Business and the Information & Communication Business achieved increases in revenue, there were declines in revenue mainly from the impact of foreign exchange effects and the transfer of the diagnostic systems business in August 2009 as well as in the Imaging Systems Business. Operating income was down <u>41.2%</u> year on year to <u>¥35,360 million</u>, impacted by foreign exchange effects and an operating loss being posted by the Imaging Systems Business. Ordinary income decreased <u>50.9%</u> year on year to <u>¥22,148 million</u> primarily due to a decrease in operating income. Net income was <u>¥7,381 million</u>, a decrease of <u>¥40,382 million</u> or <u>84.5%</u> compared with the previous fiscal year when extraordinary income was recorded in connection with the transfer of the diagnostic systems business.

**Page 2**

## 2. Results of the Business Activities by Business Segment

**Medical Systems Business**

Paragraph 1

[After Correction]

Consolidated net sales in the Medical Systems Business amounted to ¥355,322 million (up 1.3% year on year), while operating income amounted to ¥71,682 million (down 4.7% year on year).

[Before Correction]

Consolidated net sales in the Medical Systems Business amounted to ¥355,322 million (up 1.3% year on year), while operating income amounted to ¥69,314 million (down 7.5% year on year).

**Page 3**

**Others**

Paragraph 1

[After Correction]

Consolidated net sales for other businesses was ¥50,038 million (down 7.3% year on year) and an operating loss was ¥3,606 million (compared with an operating loss of ¥5,003 million in the previous fiscal year).

[Before Correction]

Consolidated net sales for other businesses was ¥50,038 million (down 7.3% year on year) and an operating loss was ¥4,258 million (compared with an operating loss of ¥5,734 million in the previous fiscal year).

143rd Term

**Page 5**

## 5. Changes in Assets and Results of Operation

[After Correction]

(Millions of yen)

| | 140th term | 141st term | 142nd term | 143rd term |
|---|---|---|---|---|
| Net sales | 1,128,875 | 980,803 | 883,086 | 847,105 |
| Ordinary income | 97,312 | 25,679 | 46,075 | 23,215 |
| Net income (loss) | 54,625 | (50,561) | 52,527 | 3,866 |
| Net income (loss) per share (Yen) | 202.11 | (188.85) | 194.90 | 14.39 |
| Total assets | 1,217,172 | 1,038,253 | 1,104,528 | 1,019,160 |
| Net assets | 244,281 | 110,907 | 163,131 | 115,579 |
| Net assets per share (Yen) | 861.58 | 387.31 | 576.63 | 421.37 |

Notes:
1. In the 141st term, the Company recorded a consolidated net loss due to the recording of an extraordinary loss of ¥46,100 million including loss on valuation of investment securities and lump-sum amortization of goodwill.
2. See "I Review of Group Operations 1. Review of Operations" on pages 1 to 2 above for details on results for the 143rd term (current fiscal year).

[Before Correction]

(Millions of yen)

| | 140th term | 141st term | 142nd term | 143rd term |
|---|---|---|---|---|
| Net sales | 1,128,875 | 980,803 | 883,086 | 847,105 |
| Ordinary income | 93,085 | 18,390 | 45,115 | 22,148 |
| Net income (loss) | 57,969 | (114,810) | 47,763 | 7,381 |
| Net income (loss) per share (Yen) | 214.48 | (428.83) | 177.22 | 27.47 |
| Total assets | 1,358,349 | 1,106,318 | 1,152,227 | 1,063,593 |
| Net assets | 367,876 | 168,784 | 216,891 | 166,836 |
| Net assets per share (Yen) | 1,318.65 | 603.92 | 775.76 | 613.39 |

Notes:
1. In the 141st term, the Company recorded a consolidated net loss due to the recording of an extraordinary loss of ¥110,400 million including loss on valuation of investment securities and lump-sum amortization of goodwill.
2. See "I Review of Group Operations 1. Review of Operations" on pages 3 to 4 above for details on results for the 143rd term (current fiscal year).

143rd Term

After Correction

# Consolidated Balance Sheet

(As of March 31, 2011)

(Millions of yen)

| Accounts | Amount | Accounts | Amount |
|---|---|---|---|
| **ASSETS:** | | **LIABILITIES:** | |
| **Current assets** | **533,534** | **Current liabilities** | **332,772** |
| Cash and time deposits | 213,561 | Notes and accounts payable | 68,715 |
| Notes and accounts receivable | 141,176 | Short-term borrowings | 127,295 |
| Merchandise and finished goods | 55,247 | Current maturities of bonds | 240 |
| Work in process | 19,959 | Accrued expenses | 59,664 |
| Raw materials and supplies | 17,723 | Income taxes payable | 16,274 |
| Deferred income taxes | 32,568 | Provision for product warranties | 8,360 |
| Other current assets | 55,948 | Other reserves | 812 |
| Allowance for doubtful accounts | (2,648) | Other current liabilities | 51,412 |
| | | **Non-current liabilities** | **570,809** |
| **Fixed assets** | **485,626** | Long-term bonds, less current maturities | 110,120 |
| **Property, plant and equipment** | **141,341** | Long-term borrowings, less current maturities | 411,132 |
| Buildings and structures | 64,077 | Severance and retirement allowance | 18,798 |
| Machinery and equipment | 12,741 | Severance and retirement allowance for directors and corporate auditors | 156 |
| Tools, furniture and fixtures | 37,739 | Other non-current liabilities | 30,603 |
| Land | 19,430 | **Total liabilities** | **903,581** |
| Lease assets | 5,000 | | |
| Construction in progress | 2,354 | **NET ASSETS:** | |
| | | **Shareholders' equity** | **205,555** |
| **Intangible fixed assets** | **205,979** | Common stock | 48,332 |
| Goodwill | 133,050 | Capital surplus | 54,788 |
| Others | 72,929 | Retained earnings | 113,532 |
| | | Treasury stock, at cost | (11,097) |
| **Investments and other assets** | **138,306** | | |
| Investment securities | 59,342 | **Accumulated other comprehensive income** | **(93,078)** |
| Deferred income taxes | 14,926 | Net unrealized holding gains (losses) on available-for-sale securities, net of taxes | 6,524 |
| Other assets | 72,187 | Net unrealized gains (losses) on hedging derivatives, net of taxes | (758) |
| Allowance for doubtful accounts | (8,149) | Foreign currency translation adjustments | (95,201) |
| | | Pension liabilities adjustment of foreign subsidiaries | (3,643) |
| | | **Minority interests** | **3,102** |
| | | **Total net assets** | **115,579** |
| **Total assets** | **1,019,160** | **Total liabilities and net assets** | **1,019,160** |

143rd Term

Before Correction (Reference)

## Consolidated Balance Sheet

(As of March 31, 2011)

(Millions of yen)

| Accounts | Amount | Accounts | Amount |
|---|---|---|---|
| **ASSETS:** | | **LIABILITIES:** | |
| **Current assets** | **533,660** | **Current liabilities** | **325,948** |
| Cash and time deposits | 213,561 | Notes and accounts payable | 68,715 |
| Notes and accounts receivable | 141,176 | Short-term borrowings | 127,295 |
| Merchandise and finished goods | 55,247 | Current maturities of bonds | 240 |
| Work in process | 19,959 | Accrued expenses | 59,664 |
| Raw materials and supplies | 17,849 | Income taxes payable | 9,450 |
| Deferred income taxes | 32,568 | Provision for product warranties | 8,360 |
| Other current assets | 55,948 | Other reserves | 812 |
| Allowance for doubtful accounts | (2,648) | Other current liabilities | 51,412 |
| | | **Non-current liabilities** | **570,809** |
| **Fixed assets** | **529,933** | Long-term bonds, less current maturities | 110,120 |
| **Property, plant and equipment** | **142,625** | Long-term borrowings, less current maturities | 411,132 |
| Buildings and structures | 64,190 | Severance and retirement allowance | 18,798 |
| Machinery and equipment | 13,409 | Severance and retirement allowance for directors and corporate auditors | 156 |
| Tools, furniture and fixtures | 37,743 | Other non-current liabilities | 30,603 |
| Land | 19,447 | **Total liabilities** | **896,757** |
| Lease assets | 5,000 | | |
| Construction in progress | 2,836 | **NET ASSETS:** | |
| | | **Shareholders' equity** | **262,462** |
| **Intangible fixed assets** | **248,405** | Common stock | 48,332 |
| Goodwill | 175,472 | Capital surplus | 54,788 |
| Others | 72,933 | Retained earnings | 170,439 |
| | | Treasury stock, at cost | (11,097) |
| **Investments and other assets** | **138,903** | | |
| Investment securities | 59,342 | **Accumulated other comprehensive income** | **(98,728)** |
| Deferred income taxes | 15,325 | Net unrealized holding gains (losses) on available-for-sale securities, net of taxes | 6,524 |
| Other assets | 64,974 | Net unrealized gains (losses) on hedging derivatives, net of taxes | (758) |
| Allowance for doubtful accounts | (738) | Foreign currency translation adjustments | (100,851) |
| | | Pension liabilities adjustment of foreign subsidiaries | (3,643) |
| | | **Minority interests** | **3,102** |
| | | **Total net assets** | **166,836** |
| **Total assets** | **1,063,593** | **Total liabilities and net assets** | **1,063,593** |

143rd Term

After Correction

# Consolidated Statement of Income

(April 1, 2010 to March 31, 2011)

(Millions of yen)

| Accounts | Amount |
|---|---|
| Net sales | 847,105 |
| Cost of sales | 459,420 |
| **Gross profit** | **387,685** |
| Selling, general and administrative expenses | 349,306 |
| **Operating income** | **38,379** |
| Non-operating income | 8,179 |
| Interest income | 894 |
| Net income of investment in affiliated companies carried on the equity method | 574 |
| Foreign currency exchange gain | 2,615 |
| Others | 4,096 |
| Non-operating expenses | 23,343 |
| Interest expenses | 12,744 |
| Others | 10,599 |
| **Ordinary income** | **23,215** |
| Extraordinary income | 6,118 |
| Gain on sales of investment securities in subsidiaries and affiliates | 64 |
| Gain on sales of investment securities | 950 |
| Gain on transfer of business | 2,696 |
| Gain on negative goodwill | 2,408 |
| Extraordinary losses | 9,395 |
| Impairment loss on fixed assets | 482 |
| Loss on sales of investment securities in subsidiaries and affiliates | 141 |
| Loss on sales of investment securities | 3,083 |
| Loss on valuation of investment securities | 1,054 |
| Loss on step acquisitions | 310 |
| Loss on adjustment for changes of accounting standard for asset retirement obligations | 311 |
| Loss on disaster | 608 |
| Amortization of goodwill | 631 |
| Loss on funds invested | 327 |
| Provision of allowance for doubtful accounts | 2,448 |
| **Income before provision for income taxes** | **19,938** |
| Income taxes, current | 17,362 |
| Income taxes, deferred | (1,737) |
| **Income before minority interests** | **4,313** |
| Minority interest in income of consolidated subsidiaries | 447 |
| **Net income** | **3,866** |

143rd Term

Before Correction (Reference)

## Consolidated Statement of Income

(April 1, 2010 to March 31, 2011)

(Millions of yen)

| Accounts | Amount |
|---|---|
| Net sales | 847,105 |
| Cost of sales | 459,511 |
| **Gross profit** | **387,594** |
| Selling, general and administrative expenses | 352,234 |
| **Operating income** | **35,360** |
| Non-operating income | 10,693 |
| Interest income | 894 |
| Net income of investment in affiliated companies carried on the equity method | 574 |
| Foreign currency exchange gain | 2,615 |
| Gain on sales of investment securities | 2,733 |
| Others | 3,877 |
| Non-operating expenses | 23,905 |
| Interest expenses | 12,744 |
| Others | 11,161 |
| **Ordinary income** | **22,148** |
| Extraordinary income | 6,118 |
| Gain on sales of investment securities in subsidiaries and affiliates | 64 |
| Gain on sales of investment securities | 950 |
| Gain on transfer of business | 2,696 |
| Gain on negative goodwill | 2,408 |
| Extraordinary losses | 5,507 |
| Loss on sales of investment securities in subsidiaries and affiliates | 141 |
| Loss on sales of investment securities | 3,083 |
| Loss on valuation of investment securities | 1,054 |
| Loss on step acquisitions | 310 |
| Loss on adjustment for changes of accounting standard for asset retirement obligations | 311 |
| Loss on disaster | 608 |
| **Income before provision for income taxes** | **22,759** |
| Income taxes, current | 17,342 |
| Income taxes, deferred | (2,411) |
| **Income before minority interests** | **7,828** |
| Minority interest in income of consolidated subsidiaries | 447 |
| **Net income** | **7,381** |

After Correction

# Consolidated Statement of Changes in Net Assets

(April 1, 2010 to March 31, 2011)

(Millions of yen)

| Items | Shareholders' equity | | | | |
|---|---|---|---|---|---|
| | Common stock | Capital surplus | Retained earnings | Treasury stock, at cost | Total Shareholders' equity |
| Balance at March 31, 2010 | 48,332 | 55,166 | 114,719 | (4,136) | 214,081 |
| Transfer to pension liabilities adjustment of foreign subsidiaries | | | 4,124 | | 4,124 |
| Changes during the year | | | | | |
| Cash dividends paid | | | (8,099) | | (8,099) |
| Net income | | | 3,866 | | 3,866 |
| Changes of scope of consolidation | | | (872) | | (872) |
| Decrease in retained earnings due to change in equity | | | (206) | | (206) |
| Acquisition of treasury stock | | | | (10,006) | (10,006) |
| Disposal of treasury stock | | (378) | | 3,045 | 2,667 |
| Net changes in items other than shareholders' equity | | | | | |
| Net changes during the year | – | (378) | (5,311) | (6,961) | (12,650) |
| Balance at March 31, 2011 | 48,332 | 54,788 | 113,532 | (11,097) | 205,555 |

| Items | Accumulated other comprehensive income | | | | |
|---|---|---|---|---|---|
| | Net unrealized holding gains (losses) on available-for-sale securities, net of taxes | Net unrealized gains (losses) on hedging derivatives, net of taxes | Foreign currency translation adjustments | Pension liabilities adjustment of foreign subsidiaries | Total accumulated other comprehensive income |
| Balance at March 31, 2010 | 8,020 | (438) | (65,991) | – | (58,409) |
| Transfer to pension liabilities adjustment of foreign subsidiaries | | | | (4,124) | (4,124) |
| Changes during the year | | | | | |
| Cash dividends paid | | | | | |
| Net income | | | | | |
| Changes of scope of consolidation | | | | | |
| Decrease in retained earnings due to change in equity | | | | | |
| Acquisition of treasury stock | | | | | |
| Disposal of treasury stock | | | | | |
| Net changes in items other than shareholders' equity | (1,496) | (320) | (29,210) | 481 | (30,545) |
| Net changes during the year | (1,496) | (320) | (29,210) | 481 | (30,545) |
| Balance at March 31, 2011 | 6,524 | (758) | (95,201) | (3,643) | (93,078) |

143rd Term

| Items | Minority interests | Total net assets |
|---|---|---|
| Balance at March 31, 2010 | 7,459 | 163,131 |
| Transfer to pension liabilities adjustment of foreign subsidiaries | | – |
| Changes during the year<br>Cash dividends paid | | (8,099) |
| Net income | | 3,866 |
| Changes of scope of consolidation | | (872) |
| Decrease in retained earnings due to change in equity | | (206) |
| Acquisition of treasury stock | | (10,006) |
| Disposal of treasury stock | | 2,667 |
| Net changes in items other than shareholders' equity | (4,357) | (34,902) |
| Net changes during the year | (4,357) | (47,552) |
| Balance at March 31, 2011 | 3,102 | 115,579 |

Before Correction (Reference)

# Consolidated Statement of Changes in Net Assets

(April 1, 2010 to March 31, 2011)

(Millions of yen)

| Items | Shareholders' equity | | | | |
|---|---|---|---|---|---|
| | Common stock | Capital surplus | Retained earnings | Treasury stock, at cost | Total Shareholders' equity |
| Balance at March 31, 2010 | 48,332 | 55,166 | 168,238 | (4,136) | 267,600 |
| Transfer to pension liabilities adjustment of foreign subsidiaries | | | 4,124 | | 4,124 |
| Changes during the year | | | | | |
| Cash dividends paid | | | (8,099) | | (8,099) |
| Net income | | | 7,381 | | 7,381 |
| Changes of scope of consolidation | | | (1,205) | | (1,205) |
| Acquisition of treasury stock | | | | (10,006) | (10,006) |
| Disposal of treasury stock | | (378) | | 3,045 | 2,667 |
| Net changes in items other than shareholders' equity | | | | | |
| Net changes during the year | – | (378) | (1,923) | (6,961) | (9,262) |
| Balance at March 31, 2011 | 48,332 | 54,788 | 170,439 | (11,097) | 262,462 |

| Items | Accumulated other comprehensive income | | | | |
|---|---|---|---|---|---|
| | Net unrealized holding gains (losses) on available-for-sale securities, net of taxes | Net unrealized gains (losses) on hedging derivatives, net of taxes | Foreign currency translation adjustments | Pension liabilities adjustment of foreign subsidiaries | Total accumulated other comprehensive income |
| Balance at March 31, 2010 | 9,101 | (438) | (66,831) | – | (58,168) |
| Transfer to pension liabilities adjustment of foreign subsidiaries | | | | (4,124) | (4,124) |
| Changes during the year | | | | | |
| Cash dividends paid | | | | | |
| Net income | | | | | |
| Changes of scope of consolidation | | | | | |
| Acquisition of treasury stock | | | | | |
| Disposal of treasury stock | | | | | |
| Net changes in items other than shareholders' equity | (2,577) | (320) | (34,020) | 481 | (36,436) |
| Net changes during the year | (2,577) | (320) | (34,020) | 481 | (36,436) |
| Balance at March 31, 2011 | 6,524 | (758) | (100,851) | (3,643) | (98,728) |

143rd Term

| Items | Minority interests | Total net assets |
|---|---|---|
| Balance at March 31, 2010 | 7,459 | 216,891 |
| Transfer to pension liabilities adjustment of foreign subsidiaries | | – |
| Changes during the year<br>Cash dividends paid | | (8,099) |
| Net income | | 7,381 |
| Changes of scope of consolidation | | (1,205) |
| Acquisition of treasury stock | | (10,006) |
| Disposal of treasury stock | | 2,667 |
| Net changes in items other than shareholders' equity | (4,357) | (40,793) |
| Net changes during the year | (4,357) | (50,055) |
| Balance at March 31, 2011 | 3,102 | 166,836 |

After Correction

# Notes to Consolidated Financial Statements

Regarding correction of consolidated financial statements

The Company established a third party committee consisting of members who hold no interests with the Company (Chairman: Tatsuo Kainaka, attorney-at-law; the "Third Party Committee") on November 1, 2011 for the purpose of investigating all transactions regarding the acquisitions of Gyrus Group PLC ("Gyrus") and three domestic subsidiaries (Altis Co., Ltd., NEWS CHEF, Inc. and Humalabo Co., Ltd.), from the beginning of examination of each acquisition to the time of closing of each transaction. The Company then received an investigation report issued by the Third Party Committee on December 6, 2011, which contained details of the situation regarding the Company's postponing of recognition of losses and its settlement of such losses, and the impact of these actions. The investigation by the Third Party Committee revealed that the Company incurred large losses on securities investments, derivative transactions, etc. from the 1990's, and postponed the recognition of the losses. It also revealed that, by means such as going through multiple funds, the Company used the acquisition funds for the three domestic subsidiaries, as well as the fees paid to financial advisors and the funds to buy back preferred shares in connection with the acquisition of Gyrus, for purposes including settling hidden losses on securities investments incurred from the Company's past postponement of the recognition of losses.

The Company judged that there were significant errors in the consolidated financial statements for the five fiscal years including and following the fiscal year ended March 31, 2007. The Company then remade the relevant consolidated financial statements in order to recognize the hidden losses, which had previously been treated as outside the scope of consolidation due to the Company's past postponement of the recognition of losses, etc., as losses of the Company for the relevant past fiscal years, with corrections of the associated errors.

## Important Items That Form the Basis for Preparing the Consolidated Financial Statements

1. Scope of consolidation
   (1) Number of consolidated subsidiaries and names of principal consolidated subsidiaries

   Number of consolidated subsidiaries: 179

   Principal consolidated subsidiaries:

   Olympus Medical Systems Corp., Olympus Imaging Corp., Aizu Olympus Co., Ltd., Shirakawa Olympus Co., Ltd., Aomori Olympus Co., Ltd., Olympus Opto-Technology Co., Ltd., ITX Corporation, Olympus Europa Holding GmbH, Olympus America Inc. and Olympus Hong Kong and China Limited

   Newly added consolidated subsidiaries: 19

   Olympus Business Creation Corp., Spiration Inc. and other 17 companies

   Olympus Biotech Europe SAS. and other 2 companies are newly established subsidiaries during the fiscal year ended March 31, 2011.

Innov-X Systems, Inc. and other 9 companies have been included into consolidation through equity participation carried out during the fiscal year.

Spiration Inc. has been included into consolidation due to additional acquisition of shares during the fiscal year.

Olympus Business Creation Corp. and other 4 companies have been switched from non-consolidated subsidiaries not subject to application of the equity method to consolidated subsidiaries due to increase in materiality during the fiscal year.

Excluded companies: 7

United Healthcare Corporation, Olympus RUS LLC and other 5 companies

United Healthcare Corporation and another company have been excluded from consolidated subsidiaries due to sale of shares during the fiscal year.

Olympus RUS LLC and other 2 companies have been excluded from consolidated subsidiaries due to merger with other consolidated subsidiaries during the fiscal year.

Media Hanshin Co., Ltd. and another company have been excluded from consolidated subsidiaries due to liquidation during the fiscal year.

The following 5 receiver funds (Note) determined to be used to segregate hidden losses on financial assets, derivative transactions, etc., and to be substantially controlled by the Company, have been excluded from consolidated subsidiaries due to their liquidation during the fiscal year.

- SG Bond Plus Fund
- Central Forest Corporation
- Creative Dragons SPC-Sub Fund E
- Easterside Investments Limited
- Twenty-First Century Global Fixed Income Fund Limited

Note: This term refers to a number of receiver funds that served as assignees of financial assets, derivative transactions, etc. (collectively, the "Receiver Funds") as the Company incurred large losses from securities investments, derivative transactions, etc. from the 1990's and segregated the hidden losses beginning with the fiscal year ended March 31, 2000 with the intention of postponing the recognition of the losses.

(2) Names and other information of principal non-consolidated subsidiaries

Principal non-consolidated subsidiaries:

LA PLANTA CO., LTD., Olympus Supportmate Corporation and Olympus UK Acquisitions Limited

The 9 non-consolidated subsidiaries are all small and not material when measured by the impact of total amounts of assets, net sales, net income, and retained earnings (based on the Company's ownership percentage) of those companies on consolidated financial documents. They have therefore been excluded from the scope of consolidation.

2. Application of the equity method
   (1) Radio Cafe, Inc., which was a non-consolidated subsidiary accounted for under the equity method, has been excluded from a non-consolidated subsidiary accounted for under the equity method due to sale of shares during the fiscal year.
   (2) Number of affiliated companies accounted for under the equity method and names of principal companies, etc.

   Affiliated companies accounted for under the equity method: 4

   Principal affiliated companies:

   Adachi Co., Ltd., Artefactory Inc. and Olympus Cytori Inc.

   Excluded companies: 3

   ORTEK Corporation and other 2 companies

   ORTEK Corporation and other 2 companies have been excluded from affiliated companies accounted for under the equity method due to sale of shares during the fiscal year.

   (3) LA PLANTA CO., LTD. and other 8 non-consolidated subsidiaries and 7 affiliated companies have not been accounted for under the equity method because the impact of all those companies on consolidated net income and retained earnings is not material.

3. Items concerning accounting principles
   (1) Important asset valuation principles and methods
   (a) Securities

| | |
|---|---|
| Held-to-maturity securities | Amortized cost method |
| Other securities | |
| Items with market value | Market value method based on fair market value on the account settlement date (the net unrealized gains and losses on these securities are reported as a separate component of net assets, and the cost of sales is calculated by the moving-average method) |
| Items without market value | Cost method based on the moving-average method<br>Contributions to limited liability partnerships engaged in investment business and similar partnerships (contributions deemed as securities as per Article 2, Paragraph 2 of the Financial Instruments and Exchange Act) are reported using a method that treats the amount (net) equivalent to the equity ownership portion based on the latest available financial statements depending on the reporting date stipulated in the partnership agreement. |

   (b) Claims and liabilities from derivatives transactions

| | |
|---|---|
| | Market value method |
| (c) Inventories | Mainly reported using the First-in First-out cost method (for the value stated in the balance sheet, the book value is written down based on the decreased profitability) |

(2) Depreciation and amortization method for important depreciated and amortized assets

(a) Property, plant and equipment (excluding lease assets)

| | |
|---|---|
| | Mainly by the declining balance method |
| Vehicles, tools and fixtures | Mainly based on useful lives as per the Corporate Tax Law |
| Other property, plant and equipment | Mainly based on useful lives prescribed by the Company determined in accordance with estimated functional useful years |

(b) Intangible fixed assets (excluding lease assets)

Straight-line method

Mainly based on estimated useful lives

Software for internal use is reported using the usable period within the Company (3 to 5 years).

(c) Lease assets

Finance lease assets not involving the transfer of ownership

Lease assets are calculated on the straight-line method over the lease period as the useful lives and assuming no residual value.

The accounting treatment for finance lease transactions not involving the transfer of ownership whose transaction commenced on or before March 31, 2008 follows the same method as for ordinary operating lease transactions.

(3) Accounting method for important allowances and reserves

(a) Allowance for doubtful accounts

To provide for losses due to unrecoverable claims such as accounts receivable and loans receivable, ordinary claims are accounted using the historical loan loss ratio and doubtful and other specified claims are reported in amounts expected to be unrecoverable considering the recoverability of each claim separately.

(b) Provision for product warranties

Due to the accounting of after service cost expected within the guarantee period with respect to products sold, the provision for product warranties is accounted using prescribed standards based on actually incurred past after service cost.

(c) Severance and retirement allowance

To provide for severance and retirement benefit payments to employees, the cost recognized as occurring at the end of the current fiscal year is accounted based on the severance and retirement liabilities and pension assets as of the end of the current fiscal year.

Pertaining to past service liabilities, the pro-rata amount calculated using a fixed number of years (mainly 5 years) within the average remaining service period of employees at the time of occurrence of such past service liabilities is accounted as an expense.

Pertaining to the actuarial difference, the pro-rata amount calculated using a fixed number of years (mainly 5 years) within the average remaining service period of employees at the time of occurrence of such actuarial difference is accounted as an expense starting from the following fiscal year.

(d) Severance and retirement allowance for directors and corporate auditors

To provide for outlays for severance and retirement benefit payments for directors and corporate auditors, the necessary payment amount at the end of the fiscal year is accounted by domestic consolidated subsidiaries based on their respective internal regulations.

(4) Other important items that form the basis for preparing consolidated financial statements

(a) Treatment method for important deferred assets

Stock issuance expense and bond issuance expense

Total expense recorded at the time of occurrence

(b) Accounting principles for income and costs

Accounting principles for income involving finance lease transactions

Income involving finance lease transactions mainly follows a method of accounting net sales and cost of sales on the commencement date of the lease transaction

(c) Important hedge accounting methods

The deferred hedge treatment method is used. Foreign currency-denominated monetary claims and liabilities under foreign exchange forward contracts are accounted by translation at the foreign exchange rate stipulated in the contracts. Pertaining to interest rate swaps, a special treatment is used for those whose requirements for special treatment are satisfied.

Hedging instruments and hedged items

| | |
|---|---|
| Hedging instruments | Foreign exchange forward contracts, currency option contracts, currency swap contracts, interest rate swap contracts |
| Hedged items | Forecasted transactions for foreign currency-denominated monetary claims and liabilities, borrowings |

Hedging policy

Foreign exchange rate fluctuation risk and interest rate fluctuation risk are hedged based on internal regulations that stipulate authorization relating to derivatives and transaction limits.

Hedging effect evaluation method

The effect is evaluated by checking whether there exists a high correlation among the value fluctuations of hedged items, the cash flow and hedging instruments.

(d) Amortization of goodwill and amortization period

Goodwill is amortized equally mainly over a period of 5 to 20 years.

(e) Treatment of consumption taxes

Treated using the tax exclusive method.

(f) Application of the consolidated tax payment system

The consolidated tax payment system under designating Olympus Corporation as the parent company is adopted at the Company and some of its consolidated subsidiaries.

4. Changes in important items that form the basis for preparing the consolidated financial statements

(1) Application of accounting standards for asset retirement obligations

Effective from the current fiscal year, the Company adopted the “Accounting Standard for Asset Retirement Obligations” (ASBJ Statement No.18, March 31, 2008) and the “Guidance on Accounting Standard for Asset Retirement Obligations” (ASBJ Guidance No.21, March 31, 2008).

The impact on operating income, ordinary income and income before provision for income taxes due to the changes, and the change in amount of asset retirement obligations due to the application of these accounting standards are immaterial.

(2) Application of accounting standards for business combinations, etc.

Effective from the current fiscal year, the Company adopted the “Accounting Standard for Business Combinations” (ASBJ Statement No.21, December 26, 2008), the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No.22, December 26, 2008) , the “Partial Amendments to Accounting Standard for Research and Development Costs” (ASBJ Statement No.23, December 26, 2008), the “Accounting Standard for Business Divestitures” (ASBJ Statement No.7, December 26, 2008), the “Accounting Standard for Equity Method of Accounting for Investments” (ASBJ Statement No.16, the portion announced on December 26, 2008) and the “Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No.10, December 26, 2008).

5. Changes in presentation method

<Consolidated statements of income>

Effective from the current fiscal year, the Company adopted the “Ministerial Ordinance on Partial Revisions of Enforcement Regulations for the Company Law, Corporate Calculation Regulations, etc.” (Ministry of Justice Ordinance No. 7 of 2009, March 27, 2009), and “Income before minority interests” is presented as a separate line item in accordance with the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No.22, December 26, 2008).

**Notes to Consolidated Balance Sheet**

1. Assets pledged as collateral and obligations secured by such collateral

(1) Assets pledged as collateral

| | |
|---|---|
| Cash and time deposits | ¥181 million |
| Notes and accounts receivable | ¥1,004 million |
| Merchandise and finished goods | ¥250 million |
| Others | ¥11,391 million |
| Buildings and structures | ¥1,409 million |
| Machinery and equipment | ¥358 million |
| Total | ¥14,593 million |

(2) Obligations secured by such collateral

| | |
|---|---|
| Long-term borrowings, less current maturities | ¥4,796 million |
| Short-term borrowings | ¥7,701 million |
| Total | ¥12,497 million |

2. Accumulated depreciation for property, plant and equipment

¥229,289 million

3. Liabilities for guarantees

| (Guaranteed party) | (Description of guarantee) | (Amount) |
|---|---|---|
| Employees | Housing fund loans, etc. | ¥176 million |
| Other | Bank loans, etc. | ¥157 million |
| Total | | ¥333 million |

4. Notes receivable discounted ¥753 million
(including discounted bills of exchange for export) ¥753 million

5. Allowance for doubtful accounts

¥7,211 million of allowance for doubtful accounts is the amount expected to be unrecoverable with respect to ¥7,211 million of long-term accounts receivable-other that is commission fees related to Receiver Funds, which are mentioned in scope of consolidation, and included as an excess amount in “other assets” under investments and other assets. Although these fees were paid to the external partners of multiple Receiver Funds, the Company plans to request payment from these external partners of Receiver Funds because the fees were not agreed.

**Notes to Consolidated Statement of Income**

1. Extraordinary losses

¥327 million of “loss on funds invested” under extraordinary losses mainly consists of commission fees pertaining to management of receiver fund assets.

¥2,448 million of “provision of allowance for doubtful accounts” is the amount expected to be unrecoverable of long-term accounts receivable-other that is commission fees related to Receiver Funds and included in “other assets” under investments and other assets.

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**Notes to Consolidated Statement of Changes in Net Assets**

1. Class and total number of issued shares at the end of the current fiscal year

   Common stock 271,283,608 shares

2. Items concerning dividends

   (1) Paid dividends

| Resolution | Class of shares | Total dividends (Millions of yen) | Dividend per share (Yen) | Record date | Effective date |
|---|---|---|---|---|---|
| General Meeting of Shareholders held on June 29, 2010 | Common stock | 4,049 | 15.00 | March 31, 2010 | June 30, 2010 |
| Board of Directors' meeting held on November 5, 2010 | Common stock | 4,050 | 15.00 | September 30, 2010 | December 3, 2010 |
| Total | – | 8,099 | – | – | – |

   (2) Dividends whose record date falls in the current fiscal year and have an effective date in the next fiscal year

   In the agenda of the General Meeting of Shareholders to be held on June 29, 2011, the Company proposes the following regarding dividends of common stocks:

   (a) Total dividends ¥4,004 million

   (b) Dividend per share ¥15.00

   (c) Record date March 31, 2011

   (d) Effective date June 30, 2011

   (3) Other

   As dividends were already paid in accordance with the procedures based on the resolution by the General Meeting of Shareholders and the Board of Directors, the amount of retained earnings was determined after subtracting the dividends.

**Notes to Financial Instruments**

1. Items concerning status of financial instruments

   With regard to fund management, the Olympus Group primarily uses short-term deposits. For financing, it uses loans from bank and other financial institutions and bond issuances.

   Notes and accounts receivable–trade, which are exposed to customer credit risks, are hedged based on internal regulations. Further, market prices of investment securities are checked on a quarterly basis.

   We use loans to fund working capital (mainly, short-term) and business investments (long-term). We hedge interest rate fluctuation risks using interest rate swaps for some long-term borrowings. Our policy for derivatives is to use them based only on actual demand, in accordance with internal regulations.

2. Items concerning fair value of financial instruments

   Consolidated balance sheet amounts and fair value as of March 31, 2011 (consolidated balance sheet date for the current fiscal year), and their variances, of financial instruments are as follows. However, financial instruments that have low materiality and whose fair value is deemed to be extremely difficult to compute are not included (please refer to Note 2).

(Millions of yen)

| | Consolidated balance sheet amount | Fair value | Variance |
|---|---|---|---|
| (1) Cash and time deposits | 213,561 | 213,561 | – |
| (2) Notes and accounts receivable | 141,176 | 141,176 | – |
| (3) Investment securities | 51,879 | 51,879 | – |
| Total assets | 406,616 | 406,616 | – |
| (4) Notes and accounts payable | 68,715 | 68,715 | – |
| (5) Short-term borrowings | 64,094 | 64,094 | – |
| (6) Bonds (including current maturities of bonds) | 110,360 | 111,750 | 1,390 |
| (7) Long-term borrowings, less current maturities (including current maturities of long-term borrowings) | 474,333 | 479,666 | 5,333 |
| Total liabilities | 717,502 | 724,225 | 6,723 |
| (8) Derivatives | (82) | (82) | – |

* Net receivables and payables arising from derivative transactions are shown in net amounts. Figures in parentheses are posted to liabilities.

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Note 1: Items concerning the method of computing the fair value of financial instruments

(1) Cash and time deposits, and (2) Notes and accounts receivable
Because these accounts are settled in a short period, their fair value is nearly equal to their book value. Therefore, book value is taken to be fair value.

(3) Investment securities
The fair value of stocks is the price on the relevant stock exchange, while that of bonds and investment trusts is the price on the relevant stock exchange or price presented by financial institutions with which the Company does business.

(4) Notes and accounts payable, and (5) Short-term borrowings
Because these accounts are settled in a short period, their fair values are nearly equal to their book values. Therefore, book value is taken to be fair value.

(6) Bonds
The fair value of bonds issued by the Company is its present value at which the sum of principals is calculated at the rate obtained in consideration of the remaining periods of bonds and credit risks.

(7) Long-term borrowings, less current maturities
The fair value is the value at which the sum of principal and interest is discounted at the rate obtained assuming that a similar loan is newly provided. Long-term borrowings with variable interest rates are subject to special treatment of interest rate swaps (refer to Item (8)). The fair value of such borrowings is the value at which the sum of principal and interest, which are treated in combination with the said interest rate swap, is discounted at a reasonable rate estimated for a similar new loan.

(8) Derivatives
The fair value of a derivative is the price presented by financial institutions with which the Company does business and entered into an agreement.
Derivatives that are subject to special treatment of interest rate swaps and are translated at a foreign exchange rate to foreign currency-denominated accounts receivable are treated together with hedged items, and the fair value of such derivatives is therefore included in the fair value of the hedged items.

Note 2: Financial instruments whose fair values are deemed to be extremely difficult to compute

(Millions of yen)

| Classification | Consolidated balance sheet amount |
|---|---:|
| (1) Unlisted shares | 2,449 |
| (2) Other | 2,067 |
| Total | 4,516 |

These items do not have market prices and a considerable cost is likely to be incurred to estimate future cash flow. They are not therefore included in “(3) Investment securities” in “Note 1” because it is deemed to be extremely difficult to compute their fair value.

**Notes to Per-Share Information**

1. Net assets per share ¥421.37
2. Net income per share ¥14.39

**Notes to Other Matters**

1. Future conditions

Following the Company's announcement on November 8, 2011 concerning its postponing of recognition of losses on securities investments, etc., investigations by domestic and overseas investigative authorities, supervisory bodies and other public bodies (including those in the U.K. and U.S.) have begun. The consolidated financial statements may be amended if any further important information comes to light in such investigations in the future. Furthermore, as a result of inappropriate financial reporting by the Company, parties such as holders of its American Depositary Receipts (ADRs) have filed a lawsuit against the Company, and there is a risk that various shareholders and shareholder groups may claim damages or file lawsuits against the Company for a similar reason.

2. Investment in Gyrus Group Limited

In line with the circulation of investments in Gyrus Group Limited to the Receiver Funds used to segregate hidden losses on financial assets, derivative transactions, etc., all remaining losses held by the Receiver Funds were settled and the following assets bound to hold the hidden losses in the Receiver Funds were redeemed during the fiscal year (proceeds from redemption).

| | |
|---|---|
| SG Bond Plus Fund | ¥63,105 million |

3. Impairment losses

Impairment losses are accounted for the following asset groups.

| Application | Type | Location | Impairment loss |
|---|---|---|---|
| Other business assets | Construction in progress | Nagano prefecture | ¥482 million |
| Total | | | ¥482 million |

Business assets are mainly grouped by segment by type of business.

Pertaining to business assets, because recoverability is not recognized over the estimated future cash flow period due to changes in the business environment, their book value is reduced to the recoverable amount. The recoverable amount is measured according to the value in use. When the value in use is negative based on future cash flow, the recoverable value is considered to be zero (0) for the purposes of calculations.

143rd Term

Before Correction (Reference)

# Notes to Consolidated Financial Statements

## Important Items That Form the Basis for Preparing the Consolidated Financial Statements

1. Scope of consolidation

(1) Number of consolidated subsidiaries and names of principal consolidated subsidiaries

Number of consolidated subsidiaries: 179

Principal consolidated subsidiaries:

Olympus Medical Systems Corp., Olympus Imaging Corp., Aizu Olympus Co., Ltd., Shirakawa Olympus Co., Ltd., Aomori Olympus Co., Ltd., Olympus Opto-Technology Co., Ltd., ITX Corporation, Olympus Europa Holding GmbH, Olympus America Inc. and Olympus Hong Kong and China Limited

Newly added consolidated subsidiaries: 19

Olympus Business Creation Corp., Spiration Inc. and other 17 companies

Olympus Biotech Europe SAS. and other 2 companies are newly established subsidiaries during the fiscal year ended March 31, 2011.

Innov-X Systems, Inc. and other 9 companies have been included into consolidation through equity participation carried out during the fiscal year.

Spiration Inc. has been included into consolidation due to additional acquisition of shares during the fiscal year.

Olympus Business Creation Corp. and other 4 companies have been switched from non-consolidated subsidiaries not subject to application of the equity method to consolidated subsidiaries due to increase in materiality during the fiscal year.

Excluded companies: 7

United Healthcare Corporation, Olympus RUS LLC and other 5 companies

United Healthcare Corporation and another company have been excluded from consolidated subsidiaries due to sale of shares during the fiscal year.

Olympus RUS LLC and other 2 companies have been excluded from consolidated subsidiaries due to merger with other consolidated subsidiaries during the fiscal year.

Media Hanshin Co., Ltd. and another company have been excluded from consolidated subsidiaries due to liquidation during the fiscal year.

(2) Names and other information of principal non-consolidated subsidiaries

Principal non-consolidated subsidiaries:

LA PLANTA CO., LTD., Olympus Supportmate Corporation and Olympus UK Acquisitions Limited

The 9 non-consolidated subsidiaries are all small and not material when measured by the impact of total amounts of assets, net sales, net income, and retained earnings (based on the Company's ownership percentage) of those companies on consolidated financial documents. They have therefore been excluded from the scope of consolidation.

2. Application of the equity method

(1) Radio Cafe, Inc., which was a non-consolidated subsidiary accounted for under the equity method, has been excluded from a non-consolidated subsidiary accounted for under the equity method due to sale of shares during the fiscal year.

(2) Number of affiliated companies accounted for under the equity method and names of principal companies, etc.

Affiliated companies accounted for under the equity method: 4

Principal affiliated companies:

Adachi Co., Ltd., Artefactory Inc. and Olympus Cytori Inc.

Excluded companies: 3

ORTEK Corporation and other 2 companies

ORTEK Corporation and other 2 companies have been excluded from affiliated companies accounted for under the equity method due to sale of shares during the fiscal year.

(3) LA PLANTA CO., LTD. and other 8 non-consolidated subsidiaries and 7 affiliated companies have not been accounted for under the equity method because the impact of all those companies on consolidated net income and retained earnings is not material.

3. Items concerning accounting principles

(1) Important asset valuation principles and methods

(a) Securities

| | |
|---|---|
| Held-to-maturity securities | Amortized cost method |
| Other securities | |
| Items with market value | Market value method based on fair market value on the account settlement date (the net unrealized gains and losses on these securities are reported as a separate component of net assets, and the cost of sales is calculated by the moving-average method) |

Items without market value — Cost method based on the moving-average method

Contributions to limited liability partnerships engaged in investment business and similar partnerships (contributions deemed as securities as per Article 2, Paragraph 2 of the Financial Instruments and Exchange Act) are reported using a method that treats the amount (net) equivalent to the equity ownership portion based on the latest available financial statements depending on the reporting date stipulated in the partnership agreement.

(b) Claims and liabilities from derivatives transactions

Market value method

(c) Inventories — Mainly reported using the First-in First-out cost method (for the value stated in the balance sheet, the book value is written down based on the decreased profitability)

(2) Depreciation and amortization method for important depreciated and amortized assets

(a) Property, plant and equipment (excluding lease assets)

Mainly by the declining balance method

Vehicles, tools and fixtures — Mainly based on useful lives as per the Corporate Tax Law

Other property, plant and equipment — Mainly based on useful lives prescribed by the Company determined in accordance with estimated functional useful years

(b) Intangible fixed assets (excluding lease assets)

Straight-line method

Mainly based on estimated useful lives

Software for internal use is reported using the usable period within the Company (3 to 5 years).

(c) Lease assets

Finance lease assets not involving the transfer of ownership

Lease assets are calculated on the straight-line method over the lease period as the useful lives and assuming no residual value.

The accounting treatment for finance lease transactions not involving the transfer of ownership whose transaction commenced on or before March 31, 2008 follows the same method as for ordinary operating lease transactions.

(3) Accounting method for important allowances and reserves

(a) Allowance for doubtful accounts

To provide for losses due to unrecoverable claims such as accounts receivable and loans receivable, ordinary claims are accounted using the historical loan loss ratio and doubtful and other specified claims are reported in amounts expected to be unrecoverable considering the recoverability of each claim separately.

(b) Provision for product warranties

Due to the accounting of after service cost expected within the guarantee period with respect to products sold, the provision for product warranties is accounted using prescribed standards based on actually incurred past after service cost.

(c) Severance and retirement allowance

To provide for severance and retirement benefit payments to employees, the cost recognized as occurring at the end of the current fiscal year is accounted based on the severance and retirement liabilities and pension assets as of the end of the current fiscal year.

Pertaining to past service liabilities, the pro-rata amount calculated using a fixed number of years (mainly 5 years) within the average remaining service period of employees at the time of occurrence of such past service liabilities is accounted as an expense.

Pertaining to the actuarial difference, the pro-rata amount calculated using a fixed number of years (mainly 5 years) within the average remaining service period of employees at the time of occurrence of such actuarial difference is accounted as an expense starting from the following fiscal year.

(d) Severance and retirement allowance for directors and corporate auditors

To provide for outlays for severance and retirement benefit payments for directors and corporate auditors, the necessary payment amount at the end of the fiscal year is accounted by domestic consolidated subsidiaries based on their respective internal regulations.

(4) Other important items that form the basis for preparing consolidated financial statements

(a) Treatment method for important deferred assets

| | |
|---|---|
| Stock issuance expense and bond issuance expense | |
| | Total expense recorded at the time of occurrence |

(b) Accounting principles for income and costs

| | |
|---|---|
| Accounting principles for income involving finance lease transactions | |
| | Income involving finance lease transactions mainly follows a method of accounting net sales and cost of sales on the commencement date of the lease transaction |

(c) Important hedge accounting methods

The deferred hedge treatment method is used. Foreign currency-denominated monetary claims and liabilities under foreign exchange forward contracts are accounted by translation at the foreign exchange rate stipulated in the contracts. Pertaining to interest rate swaps, a special treatment is used for those whose requirements for special treatment are satisfied.

Hedging instruments and hedged items

| | |
|---|---|
| Hedging instruments | Foreign exchange forward contracts, currency option contracts, currency swap contracts, interest rate swap contracts |
| Hedged items | Forecasted transactions for foreign currency-denominated |

monetary claims and liabilities, borrowings

Hedging policy

Foreign exchange rate fluctuation risk and interest rate fluctuation risk are hedged based on internal regulations that stipulate authorization relating to derivatives and transaction limits.

Hedging effect evaluation method

The effect is evaluated by checking whether there exists a high correlation among the value fluctuations of hedged items, the cash flow and hedging instruments.

(d) Amortization of goodwill and amortization period

Goodwill is amortized equally mainly over a period of 5 to 20 years.

(e) Treatment of consumption taxes

Treated using the tax exclusive method.

(f) Application of the consolidated tax payment system

The consolidated tax payment system under designating Olympus Corporation as the parent company is adopted at the Company and some of its consolidated subsidiaries.

4. Changes in important items that form the basis for preparing the consolidated financial statements

(1) Application of accounting standards for asset retirement obligations

Effective from the current fiscal year, the Company adopted the "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No.18, March 31, 2008) and the "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No.21, March 31, 2008).

The impact on operating income, ordinary income and income before provision for income taxes due to the changes, and the change in amount of asset retirement obligations due to the application of these accounting standards are immaterial.

(2) Application of accounting standards for business combinations, etc.

Effective from the current fiscal year, the Company adopted the "Accounting Standard for Business Combinations" (ASBJ Statement No.21, December 26, 2008), the "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No.22, December 26, 2008) , the "Partial Amendments to Accounting Standard for Research and Development Costs" (ASBJ Statement No.23, December 26, 2008), the "Accounting Standard for Business Divestitures" (ASBJ Statement No.7, December 26, 2008), the "Accounting Standard for Equity Method of Accounting for Investments" (ASBJ Statement No.16, the portion announced on December 26, 2008) and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No.10, December 26, 2008).

5. Changes in presentation method

<Consolidated statements of income>

Effective from the current fiscal year, the Company adopted the "Ministerial Ordinance on Partial Revisions of Enforcement Regulations for the Company Law, Corporate Calculation Regulations, etc." (Ministry of Justice Ordinance No. 7 of 2009, March 27, 2009), and "Income before minority interests" is presented as a separate line item in accordance with the "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No.22, December 26, 2008).

**Notes to Consolidated Balance Sheet**

1. Assets pledged as collateral and obligations secured by such collateral

(1) Assets pledged as collateral

| | |
|---|---|
| Cash and time deposits | ¥181 million |
| Notes and accounts receivable | ¥1,004 million |
| Merchandise and finished goods | ¥250 million |
| Others | ¥11,391 million |
| Buildings and structures | ¥1,409 million |
| Machinery and equipment | ¥358 million |
| Total | ¥14,593 million |

(2) Obligations secured by such collateral

| | |
|---|---|
| Long-term borrowings, less current maturities | ¥4,796 million |
| Short-term borrowings | ¥7,701 million |
| Total | ¥12,497 million |

2. Accumulated depreciation for property, plant and equipment

¥229,815 million

3. Liabilities for guarantees

| (Guaranteed party) | (Description of guarantee) | (Amount) |
|---|---|---|
| Employees | Housing fund loans, etc. | ¥176 million |
| Other | Bank loans, etc. | ¥157 million |
| Total | | ¥333 million |

4. Notes receivable discounted ¥753 million
(including discounted bills of exchange for export) ¥753 million

**Notes to Consolidated Statement of Changes in Net Assets**

1. Class and total number of issued shares at the end of the current fiscal year

Common stock 271,283,608 shares

2. Items concerning dividends

(1) Paid dividends

| Resolution | Class of shares | Total dividends (Millions of yen) | Dividend per share (Yen) | Record date | Effective date |
|---|---|---|---|---|---|
| General Meeting of Shareholders held on June 29, 2010 | Common stock | 4,049 | 15.00 | March 31, 2010 | June 30, 2010 |
| Board of Directors' meeting held on November 5, 2010 | Common stock | 4,050 | 15.00 | September 30, 2010 | December 3, 2010 |
| Total | – | 8,099 | – | – | – |

(2) Dividends whose record date falls in the current fiscal year and have an effective date in the next fiscal year

In the agenda of the General Meeting of Shareholders to be held on June 29, 2011, the Company proposes the following regarding dividends of common stocks:

| | |
|---|---|
| (a) Total dividends | ¥4,004 million |
| (b) Dividend per share | ¥15.00 |
| (c) Record date | March 31, 2011 |
| (d) Effective date | June 30, 2011 |

**Notes to Financial Instruments**

1. Items concerning status of financial instruments

With regard to fund management, the Olympus Group primarily uses short-term deposits. For financing, it uses loans from bank and other financial institutions and bond issuances.

Notes and accounts receivable–trade, which are exposed to customer credit risks, are hedged based on internal regulations. Further, market prices of investment securities are checked on a quarterly basis.

We use loans to fund working capital (mainly, short-term) and business investments (long-term). We hedge interest rate fluctuation risks using interest rate swaps for some long-term borrowings. Our policy for derivatives is to use them based only on actual demand, in accordance with internal regulations.

2. Items concerning fair value of financial instruments

Consolidated balance sheet amounts and fair value as of March 31, 2011 (consolidated balance sheet date for the current fiscal year), and their variances, of financial instruments are as follows. However, financial instruments that have low materiality and whose fair value is deemed to be extremely difficult to compute are not included (please refer to Note 2).

(Millions of yen)

| | Consolidated balance sheet amount | Fair value | Variance |
|---|---|---|---|
| (1) Cash and time deposits | 213,561 | 213,561 | – |
| (2) Notes and accounts receivable | 141,176 | 141,176 | – |
| (3) Investment securities | 51,879 | 51,879 | – |
| Total assets | 406,616 | 406,616 | – |
| (4) Notes and accounts payable | 68,715 | 68,715 | – |
| (5) Short-term borrowings | 64,094 | 64,094 | – |
| (6) Bonds (including current maturities of bonds) | 110,360 | 111,750 | 1,390 |
| (7) Long-term borrowings, less current maturities (including current maturities of long-term borrowings) | 474,333 | 479,666 | 5,333 |
| Total liabilities | 717,502 | 724,225 | 6,723 |
| (8) Derivatives | (82) | (82) | – |

* Net receivables and payables arising from derivative transactions are shown in net amounts. Figures in parentheses are posted to liabilities.

Note 1: Items concerning the method of computing the fair value of financial instruments

(1) Cash and time deposits, and (2) Notes and accounts receivable
Because these accounts are settled in a short period, their fair value is nearly equal to their book value. Therefore, book value is taken to be fair value.

(3) Investment securities
The fair value of stocks is the price on the relevant stock exchange, while that of bonds and investment trusts is the price on the relevant stock exchange or price presented by financial institutions with which the Company does business.

(4) Notes and accounts payable, and (5) Short-term borrowings
Because these accounts are settled in a short period, their fair values are nearly equal to their book values. Therefore, book value is taken to be fair value.

(6) Bonds
The fair value of bonds issued by the Company is its present value at which the sum of principals is calculated at the rate obtained in consideration of the remaining periods of bonds and credit risks.

(7) Long-term borrowings, less current maturities
The fair value is the value at which the sum of principal and interest is discounted at the rate obtained assuming that a similar loan is newly provided. Long-term borrowings with variable interest rates are subject to special treatment of interest rate swaps (refer to Item (8)). The fair value of such borrowings is the value at which the sum of principal and interest, which are treated in combination with the said interest rate swap, is discounted at a reasonable rate estimated for a similar new loan.

(8) Derivatives
The fair value of a derivative is the price presented by financial institutions with which the Company does business and entered into an agreement.
Derivatives that are subject to special treatment of interest rate swaps and are translated at a foreign exchange rate to foreign currency-denominated accounts receivable are treated together with hedged items, and the fair value of such derivatives is therefore included in the fair value of the hedged items.

Note 2: Financial instruments whose fair values are deemed to be extremely difficult to compute

(Millions of yen)

| Classification | Consolidated balance sheet amount |
|---|---|
| (1) Unlisted shares | 2,449 |
| (2) Other | 2,067 |
| Total | 4,516 |

These items do not have market prices and a considerable cost is likely to be incurred to estimate future cash flow. They are not therefore included in “(3) Investment securities” in “Note 1” because it is deemed to be extremely difficult to compute their fair value.

**Notes to Per-Share Information**

1. Net assets per share ¥613.39
2. Net income per share ¥27.47

143rd Term

After Correction

# Non-Consolidated Balance Sheet

(As of March 31, 2011)

(Millions of yen)

| Accounts | Amount | Accounts | Amount |
|---|---|---|---|
| **ASSETS:** | | **LIABILITIES:** | |
| **Current assets** | **126,397** | **Current liabilities** | **111,685** |
| Cash and time deposits | 77,140 | Notes payable | 125 |
| Notes receivable | 553 | Accounts payable | 7,706 |
| Accounts receivable | 17,857 | Short-term borrowings | 1,305 |
| Finished goods | 3,629 | Current maturities of bonds | 35,000 |
| Work in process | 3,704 | Lease liabilities | 288 |
| Materials | 426 | Other payable | 8,508 |
| Short-term loans receivable | 13,081 | Accrued expenses | 13,789 |
| Other receivables | 10,278 | Income taxes payable | 1,436 |
| Deferred income taxes | 4,541 | Deposits received | 43,072 |
| Other current assets | 2,134 | Provision for product warranties | 308 |
| Allowance for doubtful accounts | (6,947) | Other current liabilities | 148 |
| **Fixed assets** | **490,817** | **Non-current liabilities** | **441,491** |
| **Property, plant and equipment** | **36,228** | Long-term bonds, less current maturities | 110,000 |
| Buildings | 18,796 | Long-term borrowings, less current maturities | 330,000 |
| Structures | 537 | Lease liabilities | 743 |
| Machinery and equipment | 2,126 | Long-term deposits received, less current maturities | 727 |
| Vehicles | 2 | Asset retirement obligations | 21 |
| Tools, furniture and fixtures | 4,458 | | |
| Land | 8,960 | **Total liabilities** | **553,176** |
| Lease assets | 982 | | |
| Construction in progress | 367 | **NET ASSETS:** | |
| **Intangible fixed assets** | **3,128** | **Shareholders' equity** | **57,352** |
| Goodwill | 98 | **Common stock** | **48,332** |
| Patent right | 1,237 | **Capital surplus** | **54,788** |
| Software | 850 | Legal capital surplus | 23,027 |
| Software in progress | 843 | Other capital surplus | 31,761 |
| Lease assets | 49 | **Retained earnings** | **(34,671)** |
| Right of using facilities, etc. | 51 | Legal reserve | 6,626 |
| **Investments and other assets** | **451,461** | Other retained earnings | (41,297) |
| Investment securities | 52,590 | Reserve for special depreciation | 1 |
| Investment securities in subsidiaries and affiliates | 362,515 | Reserve for advanced depreciation | 2,073 |
| Investments in capital of subsidiaries and affiliates | 16,028 | Retained earnings carried forward | (43,371) |
| Long-term loans receivable | 11,182 | **Treasury stock, at cost** | **(11,097)** |
| Prepaid pension cost | 7,535 | **Valuation and translation adjustments** | **6,686** |
| Deferred income taxes | 4,244 | Net unrealized holding gains (losses) on available-for-sale securities, net of taxes | 6,719 |
| Long-term accounts receivable-other | 7,211 | Net unrealized gains (losses) on hedging derivatives, net of taxes | (33) |
| Other assets | 3,724 | | |
| Allowance for doubtful accounts | (13,567) | **Total net assets** | **64,038** |
| **Total assets** | **617,213** | **Total liabilities and net assets** | **617,213** |

Before Correction (Reference)

# Non-Consolidated Balance Sheet

(As of March 31, 2011)

(Millions of yen)

| Accounts | Amount | Accounts | Amount |
|---|---|---|---|
| **ASSETS:** | | **LIABILITIES:** | |
| **Current assets** | **135,380** | **Current liabilities** | **110,183** |
| Cash and time deposits | 77,140 | Notes payable | 125 |
| Notes receivable | 553 | Accounts payable | 7,706 |
| Accounts receivable | 17,857 | Short-term borrowings | 1,305 |
| Finished goods | 3,629 | Current maturities of bonds | 35,000 |
| Work in process | 3,704 | Lease liabilities | 288 |
| Materials | 426 | Other payable | 8,434 |
| Short-term loans receivable | 13,081 | Accrued expenses | 13,789 |
| Other receivables | 10,278 | Income taxes payable | 8 |
| Income taxes receivable | 5,384 | Deposits received | 43,072 |
| Deferred income taxes | 4,541 | Provision for product warranties | 308 |
| Other current assets | 2,134 | Other current liabilities | 148 |
| Allowance for doubtful accounts | (3,347) | **Non-current liabilities** | **441,491** |
| **Fixed assets** | **541,701** | Long-term bonds, less current maturities | 110,000 |
| **Property, plant and equipment** | **36,228** | Long-term borrowings, less current maturities | 330,000 |
| Buildings | 18,796 | Lease liabilities | 743 |
| Structures | 537 | Long-term deposits received, less current maturities | 727 |
| Machinery and equipment | 2,126 | Asset retirement obligations | 21 |
| Vehicles | 2 | | |
| Tools, furniture and fixtures | 4,458 | **Total liabilities** | **551,674** |
| Land | 8,960 | | |
| Lease assets | 982 | **NET ASSETS:** | |
| Construction in progress | 367 | **Shareholders' equity** | **118,721** |
| **Intangible fixed assets** | **3,128** | **Common stock** | **48,332** |
| Goodwill | 98 | **Capital surplus** | **54,788** |
| Patent right | 1,237 | Legal capital surplus | 23,027 |
| Software | 850 | Other capital surplus | 31,761 |
| Software in progress | 843 | **Retained earnings** | **26,698** |
| Lease assets | 49 | Legal reserve | 6,626 |
| Right of using facilities, etc. | 51 | Other retained earnings | 20,072 |
| **Investments and other assets** | **502,345** | Reserve for special depreciation | 1 |
| Investment securities | 52,590 | Reserve for advanced depreciation | 2,073 |
| Investment securities in subsidiaries and affiliates | 413,191 | Retained earnings carried forward | 17,998 |
| Investments in capital of subsidiaries and affiliates | 16,028 | **Treasury stock, at cost** | **(11,097)** |
| Long-term loans receivable | 11,182 | **Valuation and translation adjustments** | **6,686** |
| Prepaid pension cost | 7,535 | Net unrealized holding gains (losses) on available-for-sale securities, net of taxes | 6,719 |
| Deferred income taxes | 4,642 | Net unrealized gains (losses) on hedging derivatives, net of taxes | (33) |
| Other assets | 3,724 | | |
| Allowance for doubtful accounts | (6,547) | **Total net assets** | **125,407** |
| **Total assets** | **677,081** | **Total liabilities and net assets** | **677,081** |

143rd Term
After Correction

# Non-Consolidated Statement of Income

(April 1, 2010 to March 31, 2011)

(Millions of yen)

| Accounts | Amount |
|---|---|
| Net sales | 86,737 |
| Cost of sales | 45,454 |
| **Gross profit** | **41,283** |
| Selling, general and administrative expenses | 50,200 |
| **Operating loss** | **8,917** |
| Non-operating income | 23,156 |
| Interest income | 467 |
| Dividends income | 21,061 |
| Foreign currency exchange gain | 374 |
| Others | 1,254 |
| Non-operating expenses | 14,468 |
| Interest expenses | 6,786 |
| Interest on bonds | 1,958 |
| Loss on sales of securities | 372 |
| Provision of allowance for doubtful accounts | 3,905 |
| Others | 1,447 |
| **Ordinary loss** | **230** |
| Extraordinary income | 3,415 |
| Gain on sales of investment securities | 219 |
| Gain on sales of investment securities in subsidiaries and affiliates | 311 |
| Reversal of allowance for doubtful accounts | 12 |
| Gain on transfer of business | 2,873 |
| Extraordinary losses | 4,174 |
| Loss on valuation of investment securities | 978 |
| Loss on sales of investment securities in subsidiaries and affiliates | 401 |
| Loss on adjustment for changes of accounting standard for asset retirement obligations | 21 |
| Loss on valuation of investments in affiliates | 327 |
| Provision of allowance for doubtful accounts | 2,448 |
| **Loss before provision for income taxes** | **989** |
| Income taxes, current | (6,750) |
| Income taxes, deferred | (596) |
| **Net income** | **6,357** |

Before Correction (Reference)

# Non-Consolidated Statement of Income

(April 1, 2010 to March 31, 2011)

(Millions of yen)

| Accounts | Amount |
|---|---|
| Net sales | 86,737 |
| Cost of sales | 45,454 |
| **Gross profit** | **41,283** |
| Selling, general and administrative expenses | 50,200 |
| **Operating loss** | **8,917** |
| Non-operating income | 25,889 |
| Interest income | 467 |
| Dividends income | 21,061 |
| Foreign currency exchange gain | 374 |
| Gain on sales of securities | 2,733 |
| Others | 1,254 |
| Non-operating expenses | 14,578 |
| Interest expenses | 6,786 |
| Interest on bonds | 1,958 |
| Provision of allowance for doubtful accounts | 4,387 |
| Others | 1,447 |
| **Ordinary income** | **2,394** |
| Extraordinary income | 3,415 |
| Gain on sales of investment securities | 219 |
| Gain on sales of investment securities in subsidiaries and affiliates | 311 |
| Reversal of allowance for doubtful accounts | 12 |
| Gain on transfer of business | 2,873 |
| Extraordinary losses | 1,768 |
| Loss on valuation of investment securities | 978 |
| Loss on sales of investment securities in subsidiaries and affiliates | 769 |
| Loss on adjustment for changes of accounting standard for asset retirement obligations | 21 |
| **Income before provision for income taxes** | **4,041** |
| Income taxes, current | (6,831) |
| Income taxes, deferred | (1,270) |
| **Net income** | **12,142** |

143rd Term

After Correction

## Non-Consolidated Statement of Changes in Net Assets

(April 1, 2010 to March 31, 2011)

(Millions of yen)

| Items | Shareholders' equity | | | |
|---|---|---|---|---|
| | Common stock | Capital surplus | | |
| | | Legal capital surplus | Other capital surplus | Total capital surplus |
| Balance at March 31, 2010 | 48,332 | 23,027 | 32,139 | 55,166 |
| Changes during the year | | | | |
| Cash dividends paid | | | | |
| Net income | | | | |
| Acquisition of treasury stock | | | | |
| Disposal of treasury stock | | | (378) | (378) |
| Net changes in items other than shareholders' equity | | | | |
| Net changes during the year | – | – | (378) | (378) |
| Balance at March 31, 2011 | 48,332 | 23,027 | 31,761 | 54,788 |

| Items | Shareholders' equity | | | | |
|---|---|---|---|---|---|
| | Retained earnings | | | Treasury stock, at cost | Total shareholders' equity |
| | Legal reserve | Other retained earnings (Note) | Total retained earnings | | |
| Balance at March 31, 2010 | 6,626 | (39,555) | (32,929) | (4,136) | 66,433 |
| Changes during the year | | | | | |
| Cash dividends paid | | (8,099) | (8,099) | | (8,099) |
| Net income | | 6,357 | 6,357 | | 6,357 |
| Acquisition of treasury stock | | | | (10,006) | (10,006) |
| Disposal of treasury stock | | | | 3,045 | 2,667 |
| Net changes in items other than shareholders' equity | | | | | |
| Net changes during the year | – | (1,742) | (1,742) | (6,961) | (9,081) |
| Balance at March 31, 2011 | 6,626 | (41,297) | (34,671) | (11,097) | 57,352 |

143rd Term

(Millions of yen)

| Items | Valuation and translation adjustments | | | Total net assets |
|---|---|---|---|---|
| | Net unrealized holding gains (losses) on available-for-sale securities, net of taxes | Net unrealized gains (losses) on hedging derivatives, net of taxes | Total valuation and translation adjustments | |
| Balance at March 31, 2010 | 9,151 | (5) | 9,146 | 75,579 |
| Changes during the year | | | | |
| Cash dividends paid | | | | (8,099) |
| Net income | | | | 6,357 |
| Acquisition of treasury stock | | | | (10,006) |
| Disposal of treasury stock | | | | 2,667 |
| Net changes in items other than shareholders' equity | (2,431) | (28) | (2,460) | (2,460) |
| Net changes during the year | (2,431) | (28) | (2,460) | (11,541) |
| Balance at March 31, 2011 | 6,719 | (33) | 6,686 | 64,038 |

Note: Breakdown of other retained earnings

| Items | Reserve for special depreciation | Reserve for advanced depreciation | Retained earnings carried forward | Total |
|---|---|---|---|---|
| Balance at March 31, 2010 | 91 | 2,208 | (41,854) | (39,555) |
| Changes during the year | | | | |
| Cash dividends paid | | | (8,099) | (8,099) |
| Reversal of reserve for special depreciation | (90) | | 90 | – |
| Reversal of reserve for advanced depreciation | | (135) | 135 | – |
| Net income | | | 6,357 | 6,357 |
| Net changes during the year | (90) | (135) | (1,518) | (1,742) |
| Balance at March 31, 2011 | 1 | 2,073 | (43,371) | (41,297) |

As dividends were already paid in accordance with the procedures based on the resolution by the General Meeting of Shareholders and the Board of Directors, the amount of retained earnings carried forward was determined after subtracting the dividends.

143rd Term

Before Correction (Reference)

## Non-Consolidated Statement of Changes in Net Assets

(April 1, 2010 to March 31, 2011)

(Millions of yen)

| Items | Shareholders' equity | | | |
|---|---|---|---|---|
| | Common stock | Capital surplus | | |
| | | Legal capital surplus | Other capital surplus | Total capital surplus |
| Balance at March 31, 2010 | 48,332 | 23,027 | 32,139 | 55,166 |
| Changes during the year<br>Cash dividends paid | | | | |
| Net income | | | | |
| Acquisition of treasury stock | | | | |
| Disposal of treasury stock | | | (378) | (378) |
| Net changes in items other than shareholders' equity | | | | |
| Net changes during the year | – | – | (378) | (378) |
| Balance at March 31, 2011 | 48,332 | 23,027 | 31,761 | 54,788 |

| Items | Shareholders' equity | | | | |
|---|---|---|---|---|---|
| | Retained earnings | | | Treasury stock, at cost | Total shareholders' equity |
| | Legal reserve | Other retained earnings (Note) | Total retained earnings | | |
| Balance at March 31, 2010 | 6,626 | 16,029 | 22,655 | (4,136) | 122,017 |
| Changes during the year<br>Cash dividends paid | | (8,099) | (8,099) | | (8,099) |
| Net income | | 12,142 | 12,142 | | 12,142 |
| Acquisition of treasury stock | | | | (10,006) | (10,006) |
| Disposal of treasury stock | | | | 3,045 | 2,667 |
| Net changes in items other than shareholders' equity | | | | | |
| Net changes during the year | – | 4,043 | 4,043 | (6,961) | (3,296) |
| Balance at March 31, 2011 | 6,626 | 20,072 | 26,698 | (11,097) | 118,721 |

143rd Term

(Millions of yen)

| Items | Valuation and translation adjustments | | | Total net assets |
|---|---|---|---|---|
| | Net unrealized holding gains (losses) on available-for-sale securities, net of taxes | Net unrealized gains (losses) on hedging derivatives, net of taxes | Total valuation and translation adjustments | |
| Balance at March 31, 2010 | 10,232 | (5) | 10,227 | 132,244 |
| Changes during the year<br>Cash dividends paid | | | | (8,099) |
| Net income | | | | 12,142 |
| Acquisition of treasury stock | | | | (10,006) |
| Disposal of treasury stock | | | | 2,667 |
| Net changes in items other than shareholders' equity | (3,513) | (28) | (3,541) | (3,541) |
| Net changes during the year | (3,513) | (28) | (3,541) | (6,837) |
| Balance at March 31, 2011 | 6,719 | (33) | 6,686 | 125,407 |

Note: Breakdown of other retained earnings

| Items | Reserve for special depreciation | Reserve for advanced depreciation | Retained earnings carried forward | Total |
|---|---|---|---|---|
| Balance at March 31, 2010 | 91 | 2,208 | 13,730 | 16,029 |
| Changes during the year<br>Cash dividends paid | | | (8,099) | (8,099) |
| Reversal of reserve for special depreciation | (90) | | 90 | – |
| Reversal of reserve for advanced depreciation | | (135) | 135 | – |
| Net income | | | 12,142 | 12,142 |
| Net changes during the year | (90) | (135) | 4,268 | 4,043 |
| Balance at March 31, 2011 | 1 | 2,073 | 17,998 | 20,072 |

143rd Term
After Correction

# Notes to Non-Consolidated Financial Statements

Regarding correction of non-consolidated financial statements and their supplementary schedules

The Company established a third party committee consisting of members who hold no interests with the Company (Chairman: Tatsuo Kainaka, attorney-at-law; the "Third Party Committee") on November 1, 2011 for the purpose of investigating all transactions regarding the acquisitions of Gyrus Group PLC ("Gyrus") and three domestic subsidiaries (Altis Co., Ltd., NEWS CHEF, Inc. and Humalabo Co., Ltd.), from the beginning of examination of each acquisition to the time of closing of each transaction. The Company then received an investigation report issued by the Third Party Committee on December 6, 2011, which contained details of the situation regarding the Company's postponing of recognition of losses and its settlement of such losses, and the impact of these actions. The investigation by the Third Party Committee revealed that the Company incurred large losses on securities investments, derivative transactions, etc. from the 1990's, and postponed the recognition of the losses. It also revealed that, by means such as going through multiple funds, the Company used the acquisition funds for the three domestic subsidiaries, as well as the fees paid to financial advisors and the funds to buy back preferred shares in connection with the acquisition of Gyrus, for purposes including settling hidden losses on securities investments incurred from the Company's past postponement of the recognition of losses.
The Company judged that there were significant errors in the non-consolidated financial statements and their supplementary schedules for the five fiscal years including and following the fiscal year ended March 31, 2007. The Company then remade the relevant non-consolidated financial statements and their supplementary schedules in order to recognize the hidden losses of funds, which had previously been treated as being off the balance sheet due to the Company's past postponement of the recognition of losses, etc., as losses of the Company for the relevant past fiscal years, with corrections of the associated errors.

## Notes Concerning Items Related to Important Accounting Policies

1. Asset valuation principles and methods
   (1) Securities
      (a) Held-to-maturity securities — Amortized cost method
      (b) Investment securities in subsidiaries and affiliates — Cost method based on the moving-average method
      (c) Other securities
         Items with market value — Market value method based on fair market value on the account settlement date (the net unrealized gains and losses on these securities are reported as a separate component of net assets, and the cost of sales is calculated by the moving-average method)
         Items without market value — Cost method based on the moving-average method
         Contributions to limited liability partnerships engaged in investment business and similar partnerships (contributions

deemed as securities as per Article 2, Paragraph 2 of the Financial Instruments and Exchange Act) are reported using a method that treats the amount (net) equivalent to the equity ownership portion based on the latest available financial statements depending on the reporting date stipulated in the partnership agreement.

(2) Claims and liabilities from derivatives transactions

Market value method

(3) Inventories

Reported using the First-in First-out cost method (for the value stated in the balance sheet, the book value is written down based on the decreased profitability)

2. Depreciation and amortization method for fixed assets

(1) Property, plant and equipment (excluding lease assets)

Declining balance method

| | |
|---|---|
| (a) Vehicles, tools and fixtures | Based on useful lives as per the Corporate Tax Law |
| (b) Other property, plant and equipment | Based on useful lives prescribed by the Company determined in accordance with estimated functional useful years |

(2) Intangible fixed assets (excluding lease assets)

Straight-line method

Based on useful lives as per the Corporate Tax Law

Software for internal use is reported using the usable period within the Company (3 years).

(3) Lease assets

Finance lease assets not involving the transfer of ownership

Calculated on the straight-line method over the lease period as the useful lives and assuming no residual value.

The accounting treatment for finance lease transactions not involving the transfer of ownership whose transaction commenced on or before March 31, 2008 follows the same method as for ordinary operating lease transactions.

3. Accounting principles for allowances and reserves

(1) Allowance for doubtful accounts

To provide for losses due to unrecoverable claims such as accounts receivable and loans receivable, ordinary claims are accounted using the historical loan loss ratio and doubtful and other specified claims are reported in amounts expected to be unrecoverable considering the recoverability of each claim separately.

(2) Provision for product warranties

Due to the accounting of after service cost expected within the Company's guarantee period with respect to products sold, the provision for product warranties is accounted using the prescribed Company's standards based on actually incurred past after service cost.

(3) Severance and retirement allowance

To provide for severance and retirement benefit payments to employees, the cost recognized as occurring at the end of the current fiscal year is accounted based on the severance and retirement liabilities and pension assets as of the end of the current fiscal year.

Pertaining to past service liabilities, the pro-rata amount calculated using a fixed number of years (5 years) within the average remaining service period of employees at the time of occurrence of such past service liabilities is accounted as an expense.

Pertaining to the actuarial difference, the pro-rata amount calculated using a fixed number of years (5 years) within the average remaining service period of employees at the time of occurrence of such actuarial difference is accounted as an expense starting from the following fiscal year.

4. Other important items that form the basis for preparing non-consolidated financial statements

(1) Hedge accounting methods

(a) Hedge accounting methods

The deferred hedge treatment method is used. Foreign currency-denominated accounts receivable under foreign exchange forward contracts are accounted for upon translation at the foreign exchange rate stipulated in the contracts. Pertaining to interest rate swaps, requirements for special treatment are satisfied, therefore a special treatment is used.

(b) Hedging instruments and hedged items

| | |
|---|---|
| · Hedging instruments | Foreign exchange forward contracts, interest rate swap contracts |
| · Hedged items | Forecasted transactions for foreign currency-denominated accounts receivable, borrowings |

(c) Hedging policy

Foreign exchange rate fluctuation risk and interest rate fluctuation risk are hedged based on internal regulations that stipulate authorization relating to derivatives and transaction limits.

(d) Hedging effect evaluation method

The effect is evaluated by checking whether there exists a high correlation among the value fluctuations of hedged items, the cash flow and hedging instruments.

(2) Treatment of consumption taxes

Treated using the tax exclusive method.

(3) Application of the consolidated tax payment system

The consolidated tax payment system is adopted.

5. Changes in accounting policy

Application of accounting standards for asset retirement obligations

Effective from the current fiscal year, the Company adopted the "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No.18, March 31, 2008) and the "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No.21, March 31, 2008).

The impact on operating loss, ordinary income and income before provision for income taxes due to the changes, and the change in the amount of asset retirement obligations due to the application of these accounting standards are immaterial.

**Notes to Non-Consolidated Balance Sheet**

| | |
|---|---|
| 1. Accumulated depreciation for property, plant and equipment | ¥59,303 million |
| 2. Liabilities for guarantees | ¥45,155 million |

The above amount includes ¥44,556 million in contracted guarantees to subsidiaries and affiliates.

| | |
|---|---|
| 3. Short-term monetary claims to subsidiaries and affiliates | ¥30,873million |
| 4. Long-term monetary claims to subsidiaries and affiliates | ¥11,036 million |
| 5. Short-term monetary liabilities to subsidiaries and affiliates | ¥51,835 million |
| 6. Discounted bills of exchange for export | ¥4,595 million |

7. Allowance for doubtful accounts

¥7,211 million of allowance for doubtful accounts is the amount expected to be unrecoverable with respect to ¥7,211 million that is commission fees related to Receiver Funds and included as an excess amount in "long-term accounts receivable-other" under investments and other assets. Although these fees were paid to the external partners of multiple Receiver Funds, the Company plans to request payment from these external partners of Receiver Funds because the fees were not agreed.

**Notes to Non-Consolidated Statement of Income**

1. Total transactions with subsidiaries and affiliates

| | |
|---|---|
| Amounts resulting from business transactions | |
| Net sales | ¥54,771 million |
| Net purchases | ¥30,139 million |
| Amount resulting from non-business transactions | ¥22,259 million |

2. Extraordinary losses

¥327 million of "loss on valuation of investments in affiliates" under extraordinary losses is the amount by which investment fund assets decreased due to commission fees paid related to Receiver Funds.

¥2,448 million of "provision of allowance for doubtful accounts" is the amount expected to be unrecoverable that is commission fees related to Receiver Funds and included in "long-term accounts receivable-other" under investments and other assets.

143rd Term

**Notes to Non-Consolidated Statement of Changes in Net Assets**

1. Number of issued shares at end of current fiscal year 271,283,608 shares
2. Number of treasury shares at end of current fiscal year 4,348,948 shares
3. Total cash dividends during the current fiscal year ¥8,099 million
4. Total cash dividends whose recorded date falls in the current fiscal year and that have an effective date in the next fiscal year ¥4,004 million

**Notes to Tax Effect Accounting**

**Breakdown of deferred tax assets and liabilities by main cause**

| | |
|---|---|
| ***Deferred tax assets*** | |
| Stocks of subsidiaries and affiliates | ¥26,877 million |
| Investment securities | ¥8,695 million |
| Intangible fixed assets | ¥4,387 million |
| Loss brought forward | ¥8,789 million |
| Property, plant and equipment | ¥2,853 million |
| Inventories | ¥1,564 million |
| Prepaid expenses | ¥3,413 million |
| Accrued bonuses | ¥1,286 million |
| Provision of allowance for doubtful accounts | ¥5,484 million |
| Provision for product warranties | ¥125 million |
| Denial of loss due to unrecoverable claims | ¥2,860 million |
| Denial of loss on funds invested | ¥51,765 million |
| Other | ¥1,872 million |
| Subtotal of deferred tax assets | ¥119,970 million |
| Valuation allowance | ¥(104,710) million |
| Total deferred tax assets | ¥15,260 million |
| ***Deferred tax liabilities*** | |
| Reserve for advanced depreciation | ¥(1,350) million |
| Prepaid pension expenses | ¥(3,066) million |
| Valuation difference on available-for-sale securities | ¥(2,033) million |
| Other | ¥(26) million |
| Total deferred tax liabilities | ¥(6,475) million |
| Net deferred tax assets | ¥8,785 million |

The above includes items resulting from a correction made to treatment pertaining to the segregation and settlement of losses on financial assets. However, as the treatment of income taxes is yet to be determined at this time, it is unclear whether they will be treated as temporary differences. Please note that the whole amount of such temporary differences is recorded in valuation allowance.

**Notes to Leased Fixed Assets**

In addition to the fixed assets accounted in the Non-Consolidated Balance Sheet, a portion of the microscope manufacturing equipment and computers are used under leasing agreements.

## Notes to Transactions with Related Parties

Subsidiaries and affiliates etc.

| Type | Name | Voting rights ownership ratio (%) | Relation | Details of transaction | Amount (Millions of yen) | Item | End-of-period balance (Millions of yen) |
|---|---|---|---|---|---|---|---|
| Subsidiary (Fund) | SG Bond Plus Fund | Direct ownership 100.0 (Note 1) | Receiver fund | Collection of moneys (Note 2) | 63,105 | – | – |

Notes: 1. The voting rights ownership ratio shows the ratio of capital contribution in funds.
2. The Company liquidated SG Bond Plus Fund and was paid back the investment fund assets on September 24, 2010 and March 25, 2011.

## Notes to Per-Share Information

1. Net assets per share ¥239.90
2. Net income per share ¥23.66

## Notes to Other Matters

Future conditions

Following the Company's announcement on November 8, 2011 concerning its postponing of recognition of losses on securities investments, etc., investigations by domestic and overseas investigative authorities, supervisory bodies and other public bodies (including those in the U.K. and U.S.) have begun. The non-consolidated financial statements and their supplementary schedules may be amended if any further important information comes to light in such investigations in the future. Furthermore, as a result of inappropriate financial reporting by the Company, parties such as holders of its American Depositary Receipts (ADRs) have filed a lawsuit against the Company, and there is a risk that various shareholders and shareholder groups may claim damages or file lawsuits against the Company for a similar reason.

143rd Term

Before Correction (Reference)

# Notes to Non-Consolidated Financial Statements

## Notes Concerning Items Related to Important Accounting Policies

1. Asset valuation principles and methods
   (1) Securities
      (a) Held-to-maturity securities — Amortized cost method
      (b) Investment securities in subsidiaries and affiliates — Cost method based on the moving-average method
      (c) Other securities
         Items with market value — Market value method based on fair market value on the account settlement date (the net unrealized gains and losses on these securities are reported as a separate component of net assets, and the cost of sales is calculated by the moving-average method)
         Items without market value — Cost method based on the moving-average method
         Contributions to limited liability partnerships engaged in investment business and similar partnerships (contributions deemed as securities as per Article 2, Paragraph 2 of the Financial Instruments and Exchange Act) are reported using a method that treats the amount (net) equivalent to the equity ownership portion based on the latest available financial statements depending on the reporting date stipulated in the partnership agreement.

   (2) Claims and liabilities from derivatives transactions — Market value method

   (3) Inventories — Reported using the First-in First-out cost method (for the value stated in the balance sheet, the book value is written down based on the decreased profitability)

2. Depreciation and amortization method for fixed assets
   (1) Property, plant and equipment (excluding lease assets) — Declining balance method
      (a) Vehicles, tools and fixtures — Based on useful lives as per the Corporate Tax Law
      (b) Other property, plant and equipment — Based on useful lives prescribed by the Company determined in accordance with estimated functional useful years

(2) Intangible fixed assets (excluding lease assets)

Straight-line method
Based on useful lives as per the Corporate Tax Law
Software for internal use is reported using the usable period within the Company (3 years).

(3) Lease assets

Finance lease assets not involving the transfer of ownership

Calculated on the straight-line method over the lease period as the useful lives and assuming no residual value.
The accounting treatment for finance lease transactions not involving the transfer of ownership whose transaction commenced on or before March 31, 2008 follows the same method as for ordinary operating lease transactions.

3. Accounting principles for allowances and reserves

(1) Allowance for doubtful accounts

To provide for losses due to unrecoverable claims such as accounts receivable and loans receivable, ordinary claims are accounted using the historical loan loss ratio and doubtful and other specified claims are reported in amounts expected to be unrecoverable considering the recoverability of each claim separately.

(2) Provision for product warranties

Due to the accounting of after service cost expected within the Company's guarantee period with respect to products sold, the provision for product warranties is accounted using the prescribed Company's standards based on actually incurred past after service cost.

(3) Severance and retirement allowance

To provide for severance and retirement benefit payments to employees, the cost recognized as occurring at the end of the current fiscal year is accounted based on the severance and retirement liabilities and pension assets as of the end of the current fiscal year.
Pertaining to past service liabilities, the pro-rata amount calculated using a fixed number of years (5 years) within the average remaining service period of employees at the time of occurrence of such past service liabilities is accounted as an expense.
Pertaining to the actuarial difference, the pro-rata amount calculated using a fixed number of years (5 years) within the average remaining service period of employees at the time of occurrence of such actuarial difference is accounted as an expense starting from the following fiscal year.

4. Other important items that form the basis for preparing non-consolidated financial statements

(1) Hedge accounting methods

(a) Hedge accounting methods

The deferred hedge treatment method is used. Foreign currency-denominated accounts receivable under foreign exchange forward contracts are accounted for upon translation at the foreign exchange rate stipulated in the contracts. Pertaining to interest rate swaps, requirements for special treatment are satisfied, therefore a special treatment is used.

(b) Hedging instruments and hedged items

| | |
|---|---|
| · Hedging instruments | Foreign exchange forward contracts, interest rate swap contracts |
| · Hedged items | Forecasted transactions for foreign currency-denominated accounts receivable, borrowings |

(c) Hedging policy

Foreign exchange rate fluctuation risk and interest rate fluctuation risk are hedged based on internal regulations that stipulate authorization relating to derivatives and transaction limits.

(d) Hedging effect evaluation method

The effect is evaluated by checking whether there exists a high correlation among the value fluctuations of hedged items, the cash flow and hedging instruments.

(2) Treatment of consumption taxes

Treated using the tax exclusive method.

(3) Application of the consolidated tax payment system

The consolidated tax payment system is adopted.

5. Changes in accounting policy

Application of accounting standards for asset retirement obligations

Effective from the current fiscal year, the Company adopted the “Accounting Standard for Asset Retirement Obligations” (ASBJ Statement No.18, March 31, 2008) and the “Guidance on Accounting Standard for Asset Retirement Obligations” (ASBJ Guidance No.21, March 31, 2008).

The impact on operating loss, ordinary income and income before provision for income taxes due to the changes, and the change in the amount of asset retirement obligations due to the application of these accounting standards are immaterial.

**Notes to Non-Consolidated Balance Sheet**

| | |
|---|---|
| 1. Accumulated depreciation for property, plant and equipment | ¥59,303 million |
| 2. Liabilities for guarantees | ¥45,155 million |
| The above amount includes ¥44,556 million in contracted guarantees to subsidiaries and affiliates. | |
| 3. Short-term monetary claims to subsidiaries and affiliates | ¥30,873million |
| 4. Long-term monetary claims to subsidiaries and affiliates | ¥11,036 million |
| 5. Short-term monetary liabilities to subsidiaries and affiliates | ¥51,835 million |
| 6. Discounted bills of exchange for export | ¥4,595 million |

**Notes to Non-Consolidated Statement of Income**

| | |
|---|---|
| Total transactions with subsidiaries and affiliates | |
| Amounts resulting from business transactions | |
| Net sales | ¥54,771 million |
| Net purchases | ¥30,139 million |
| Amount resulting from non-business transactions | ¥22,259 million |

**Notes to Non-Consolidated Statement of Changes in Net Assets**

| | |
|---|---|
| 1. Number of issued shares at end of current fiscal year | 271,283,608 shares |
| 2. Number of treasury shares at end of current fiscal year | 4,348,948 shares |
| 3. Total cash dividends during the current fiscal year | ¥8,099 million |
| 4. Total cash dividends whose recorded date falls in the current fiscal year and that have an effective date in the next fiscal year | ¥4,004 million |

143rd Term

**Notes to Tax Effect Accounting**

**Breakdown of deferred tax assets and liabilities by main cause**

| | |
|---|---|
| ***Deferred tax assets*** | |
| Stocks of subsidiaries and affiliates | ¥55,005 million |
| Investment securities | ¥7,964 million |
| Intangible fixed assets | ¥ 4,387 million |
| Loss brought forward | ¥9,803 million |
| Property, plant and equipment | ¥ 2,853 million |
| Inventories | ¥ 1,564 million |
| Prepaid expenses | ¥ 3,413 million |
| Accrued bonuses | ¥1,286 million |
| Provision of allowance for doubtful accounts | ¥4,019 million |
| Provision for product warranties | ¥125 million |
| Other | ¥ 1,473 million |
| Subtotal of deferred tax assets | ¥ 91,892 million |
| Valuation allowance | ¥(76,234) million |
| Total deferred tax assets | ¥ 15,658 million |
| ***Deferred tax liabilities*** | |
| Reserve for advanced depreciation | ¥(1,350) million |
| Prepaid pension expenses | ¥(3,066) million |
| Valuation difference on available-for-sale securities | ¥(2,033) million |
| Other | ¥(26) million |
| Total deferred tax liabilities | ¥(6,475) million |
| Net deferred tax assets | ¥ 9,183 million |

**Notes to Leased Fixed Assets**

In addition to the fixed assets accounted in the Non-Consolidated Balance Sheet, a portion of the microscope manufacturing equipment and computers are used under leasing agreements.

**Notes to Per-Share Information**

1. Net assets per share ¥469.80
2. Net income per share ¥45.19

(English Translation of the Accounting Auditor's Report Originally Issued in the Japanese Language)

The Accounting Auditor's Audit Report of Consolidated Financial Statements

**Independent Auditor's Audit Report**

February 28, 2012

To the Board of Directors of OLYMPUS CORPORATION

Ernst & Young ShinNihon LLC

Kenzo Oka [Seal]
Certified Public Accountant
Designated and Engagement Partner

Hirofumi Harashina [Seal]
Certified Public Accountant
Designated and Engagement Partner

Hiroyuki Yoshino [Seal]
Certified Public Accountant
Designated and Engagement Partner

We have audited the corrected Consolidated Balance Sheet, Consolidated Statement of Income, Consolidated Statement of Changes in Net Assets, and Notes to Consolidated Financial Statements of OLYMPUS CORPORATION for the fiscal year beginning on April 1, 2010 and ending on March 31, 2011, in accordance with Article 444(4) of the Company Law. Responsibility for preparation of these consolidated financial statements lies with the Company's management. Our responsibility is to express an opinion on these consolidated financial statements from an independent perspective.

We conducted our audit in accordance with generally accepted auditing standards in Japan. The auditing standards require us to obtain reasonable assurance as to whether or not there are any material misstatements in consolidated financial statements. The auditing is conducted on a test basis, and includes overall examinations of the disclosures of consolidated financial statements, and the evaluation of accounting principles and methods used and estimates made by the management. We believe that we have obtained reasonable bases to express our opinion as a result of our audit.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and the results of operations of OLYMPUS CORPORATION and its consolidated subsidiaries for the period, for which the consolidated financial statements were prepared, in conformity with accounting principles generally accepted in Japan.

Additional Information

1. As indicated by "Regarding correction of consolidated financial statements" at the beginning of the notes to consolidated financial statements, the Company has corrected its consolidated financial statements. We conducted our audit on the corrected consolidated financial statements.
2. As indicated by the notes to other matters in the notes to consolidated financial statements, following the Company's announcement on November 8, 2011 concerning its postponing of recognition of losses on securities investments, etc., investigations by domestic and overseas investigative authorities, supervisory bodies and other public bodies (including those in the U.K. and U.S.) have begun. The consolidated financial statements may be amended if any further important information comes to light in such investigations. Furthermore, as a result of inappropriate financial reporting by the Company, holders of its American Depositary Receipts (ADRs) have filed a lawsuit against the Company, and there is a risk that various shareholders and shareholder groups may claim damages or file lawsuits against the Company for a similar reason.

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Law of Japan.

(English Translation of the Accounting Auditor's Report Originally Issued in the Japanese Language)

The Accounting Auditor's Audit Report of Non-Consolidated Financial Statements

**Independent Auditor's Audit Report**

February 28, 2012

To the Board of Directors of OLYMPUS CORPORATION

Ernst & Young ShinNihon LLC
Kenzo Oka [Seal]
Certified Public Accountant
Designated and Engagement Partner
Hirofumi Harashina [Seal]
Certified Public Accountant
Designated and Engagement Partner
Hiroyuki Yoshino [Seal]
Certified Public Accountant
Designated and Engagement Partner

We have audited the corrected Non-Consolidated Balance Sheet, Non-Consolidated Statement of Income, Non-Consolidated Statement of Changes in Net Assets, and Notes to Non-Consolidated Financial Statements, and their supplementary schedules, of OLYMPUS CORPORATION for the 143rd fiscal year beginning on April 1, 2010 and ending on March 31, 2011, in accordance with Article 436(2)(i) of the Company Law. Responsibility for preparation of these financial statements and their supplementary schedules lies with the Company's management. Our responsibility is to express an opinion on these non-consolidated financial statements and their supplementary schedules from an independent perspective.

We conducted our audit in accordance with generally accepted auditing standards in Japan. The auditing standards require us to obtain reasonable assurance as to whether or not there are any material misstatements in financial statements and their supplementary schedules. The auditing is conducted on a test basis, and includes overall examinations of the disclosures of financial statements and their supplementary schedules, and the evaluation of accounting principles and methods used and estimates made by the management. We believe that we have obtained reasonable bases to express our opinion as a result of our audit.

In our opinion, the financial statements and their supplementary schedules referred to above present fairly, in all material respects, the financial position and the results of operations of OLYMPUS CORPORATION for the period, for which the financial statements and their supplementary schedules were prepared, in conformity with accounting principles generally accepted in Japan.

Additional Information

1. As indicated by "Regarding correction of non-consolidated financial statements and their supplementary schedules" at the beginning of the notes to financial statements, the Company has corrected its financial statements and their supplementary schedules. We conducted our audit on the corrected financial statements and their supplementary schedules.
2. As indicated by the notes to other matters in the notes to financial statements, following the Company's announcement on November 8, 2011 concerning its postponing of recognition of losses on securities investments, etc., investigations by domestic and overseas investigative authorities, supervisory bodies and other public bodies (including those in the U.K. and U.S.) have begun. The financial statements and their supplementary schedules may be amended if any further important information comes to light in such investigations. Furthermore, as a result of inappropriate financial reporting by the Company, holders of its American Depositary Receipts (ADRs) have filed a lawsuit against the Company, and there is a risk that various shareholders and shareholder groups may claim damages or file lawsuits against the Company for a similar reason.

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Law of Japan.

(English Translation of the Board of Corporate Auditors' Report Originally Issued in the Japanese Language)

The Board of Corporate Auditors' Audit Report

**Audit Report**

Based on the audit report prepared by each Corporate Auditor with regard to the performance of duties by the Directors of OLYMPUS CORPORATION (the "Company") for the 143rd fiscal year (from April 1, 2010 to March 31, 2011), the Board of Corporate Auditors of the Company prepares this audit report after deliberation and reports as follows:

In response to the results of investigation of an investigation committee consisting of members who hold no interests with the Company, which was established on November 1, 2011 (Chairman: Tatsuo Kainaka, attorney-at-law; hereinafter the "Third Party Committee"), as well as the results of an internal company investigation, the Company corrected its business report, financial statements (balance sheet, statement of income, statement of changes in net assets, and notes to financial statements), and their supplementary schedules, as well as its consolidated financial statements (consolidated balance sheet, consolidated statement of income, consolidated statement of changes in net assets, and notes to consolidated financial statements), for the 143rd fiscal year.

1. Auditing methods used by Corporate Auditors and the Board of Corporate Auditors, and details of audit

The Board of Corporate Auditors specified audit policies, assigned duties to each Corporate Auditor and received reports from each Corporate Auditor on the status of implementation and results of audit as well as received reports from Directors, etc. and accounting auditors on the status of the execution of their duties and asked them for explanations as necessary.

Each Corporate Auditor, according to the auditing standards set up by the Board of Corporate Auditors, the audit policies and the duties assigned to each Corporate Auditor, has maintained good communications with Directors, the Internal Audit Department and other employees and strived to collect information and improve the audit environment as well as attended meetings of the Board of Directors and other meetings as deemed important, received from Directors and employees reports on the execution of their duties, asked for explanations as necessary, perused the documents whereby the important decisions were made, and examined business and financial position at the head office and principal operating offices. In addition, we have verified the content of the resolution made by the Board of Directors concerning the development of a system for ensuring that the performance of duties by Directors complies with laws and regulations and the Company's Articles of Incorporation, and other systems to ensure the properness of operations of a stock company, and the status of the systems developed based on such resolution (internal control system).

With regard to the basic policy on the control of the Company and initiatives based on the policy, which are described in the corrected business report, we have reviewed the details in consideration of the status of deliberations at the Board of Directors, etc. Also, we have maintained good communications and exchanged information with directors, corporate auditors and others of the subsidiaries of the Company and asked the subsidiaries for reports on their business conditions as per need.

Based on the methods mentioned above, we have reviewed the business report for the said fiscal year and their supplementary schedules.

We have also verified whether the accounting auditors maintained independence and properly implemented its audit, received from the accounting auditors reports on the execution of their duties, and asked them for explanations as necessary. The accounting auditors reported to us that the systems for ensuring proper execution of duties have been developed in accordance with the "Quality Control Standards concerning Audit" and other applicable regulations, and we asked them for explanations as necessary.

Based on the methods mentioned above, we have reviewed the corrected financial statements (balance sheet, statement of income, statement of changes in net assets, and notes to financial statements), and their supplementary schedules, and consolidated financial statements (consolidated balance sheet, consolidated statement of income, consolidated statement of changes in net assets, and notes to consolidated financial statements) for the said fiscal year.

2. Audit results

(1) Results of audit of the corrected business report, etc.

(i) We confirm that the corrected business report and its supplementary schedules for the 143rd fiscal year present fairly the situation of the Company in accordance with relevant laws and regulations and the Company's Articles of Incorporation.

(ii) The Board of Directors, which should supervise the business execution of management as an important part of the company-wide internal control system, did not function effectively because of collusion among several former members of the Company's management for improper purposes.
As a result, it cannot be concluded that the performance of duties by Directors with respect to the said internal control system, including internal control related to financial reporting, was appropriate.

(iii) Although past resolutions of the Board of Directors with regard to the internal control system were in themselves appropriate, we do not recognize that such resolutions were properly implemented at the time of the 143rd fiscal year.
It is reported to us that the Company established a management reform committee, consisting of members who hold no interests with the Company, on December 7, 2011 (the "Management Reform Committee"), and that under the guidance and supervision of the Management Reform Committee, the Company is working, on the basis of the Company and across the entire Group, to renew management systems and to establish governance systems, internal control systems and compliance systems.

(iv) With respect to the basic policy concerning control of the Company, which is described in the business report, we confirm that there are no matters to be pointed out. We confirm that the initiatives based on the said basic policy do not damage the common interests of shareholders of the Company and that they are not aimed at maintaining the positions of Directors or Corporate Auditors of the Company.

(2) Results of audit of corrected financial statements and their supplementary schedules
We confirm that the auditing methods and results of Ernst & Young ShinNihon LLC, an accounting auditor, are proper.

(3) Results of audit of corrected consolidated financial statements
We confirm that the auditing methods and results of Ernst & Young ShinNihon LLC, an accounting auditor, are proper.

March 1, 2012

The Board of Corporate Auditors,
OLYMPUS CORPORATION

Standing Corporate Auditor: Tadao Imai [Seal]
Outside Corporate Auditor: Makoto Shimada [Seal]
Outside Corporate Auditor: Yasuo Nakamura [Seal]

Attached Documents

**142nd Business Report**

(April 1, 2009 to March 31, 2010)

# I Review of Group Operations

## 1. Review of Operations

In the Japanese economy during the fiscal year under review, although there were signs of a partial recovery in production activity and exports on the back of improvements in the overseas economy, mainly in the emerging countries, the employment environment and consumer spending remained weak and the situation remained difficult overall. Although the world economic situation remained serious with worsening employment demand particularly in Europe and the U.S., a trend of gradual improvement could be observed thanks to the effect of the economic measures of the various countries.

Amid this mixed business environment, the Olympus Group has continuously been promoting initiatives such as cost reduction activities by making operations more efficient, and reform of production structure on a global level as part of high profitability-oriented business structural reforms.

In the Imaging Systems Business, we exploited new markets and strengthened sales structures both in Japan and abroad through the development of the "Olympus PEN" series, a digital single-lens camera with interchangeable lenses applying the Micro Four Thirds System standard, which takes advantage of the superiority of an entirely digital design. In the Medical Systems Business, we increased sales not only by moving forward with an expansion of the surgical business through a merger with Gyrus, but also by strengthening the sales structure in the rapidly growing Chinese market, while enhancing the efficiency of development and manufacturing functions.

In August 2009, our diagnostic systems business was divested to the Beckman Coulter Group of the U.S. Taking this as an opportunity to integrate our overseas subsidiaries and affiliates, the Company, aiming to achieve sustainable growth in the medium to long term, raised business efficiency by reorganizing the life science business, the non-destructive testing equipment and the information equipment business in January 2010 to establish Life Sciences and Industrial Systems Company as an internal company entity. Then, in April 2010, the Company, aiming to accelerate innovation in production systems of the Olympus Group, develop new products and boost new business startups, established the Corporate Monozukuri Innovation Center.

The consolidated net sales over the fiscal year under review decreased by ¥97,717 million (10.0% year on year) to ¥883,086 million from declines in revenue in each of our businesses, except the Information & Communication Business, as a result of the global recession, and the appreciating yen. Operating income, despite being significantly impacted by revenue loss through high-yen exchange rates, increased 43.2% year on year to ¥61,160 million thanks to lower cost of sales and reduced general and administrative expenses achieved through structural business reforms. Ordinary income increased 79.4% year on year to ¥46,075 million primarily due to the improvement in operating income. The Olympus Group ended the year with a consolidated net income of ¥52,527 million (in contrast to a net loss of ¥50,561 million for the previous fiscal year). While on one hand, we recorded extraordinary income of ¥51,986 million, including gain from transfer of business of ¥47,674 million accompanying the transfer of the diagnostic systems business, we also recorded extraordinary losses of ¥7,358 million, including loss on valuation of investment securities of ¥3,043 million due to heavily fallen market values, as well as recording income taxes of ¥38,001 million.

Notes: 1. For monetary amounts indicated in units of ¥1 million, fractions of ¥1 million are rounded off.

2. From the current fiscal year, due to its management reorganization, the Company determine to classify business results of "mobile resolution," "mobile content services," etc., which had been included in the segment "Information & Communication Business," as parts of the segment "Others." This classification also applies to compile business results of the previous fiscal year, for the purpose of year-to-year comparison.

## 2. Results of the Business Activities by Business Segment

**Imaging Systems Business**

In the Imaging Systems Business, the Olympus Group registered consolidated net sales of ¥174,924 million (down 22.1 % year on year) and operating income of ¥3,314 million (in contrast to an operating loss of ¥5,131 million in the previous fiscal year).

In the digital camera field, sales was favorable both in Japan and abroad for the "Olympus PEN" series interchangeable lens system digital camera with a small, lightweight and dignified design compliant with the "Micro Four Thirds System" standard. We also saw robust sales of compact camera the "μTOUGH" series whose stylish body is built with functions such as water and dust resistance, shock resistance and low-temperature resistance. However, sales declined because of the decrease in units sold and drop in unit price for compact cameras as a result of foreign exchange effects and the economic downturn.

In the recorder field, although demand in Japan for IC recorders mildly recovered in the second half of the fiscal year, revenue fell due to the significant effects of the global drop in unit price and weakening of demand that occurred in the first half of the fiscal year.

As for the bottom line, the Imaging Systems Business was able to turn the operating loss recorded in the previous fiscal year into operating income for this fiscal year as a result of cost cutting efforts.

**Medical Systems Business**

Consolidated net sales in the Medical Systems Business amounted to ¥350,716 million (down 8.6% year on year), while operating income amounted to ¥75,209 million (down 0.3% year on year).

In the medical endoscope field, although sales expanded in the Chinese market and the number of contracts in the Value-per-Procedure program steadily increased in Japan and abroad, revenue declined as a result of low sales of our flagship high-resolution HDTV endoscope system due to the effects of the appreciation of the yen and the global economic downturn.

Surgical and endo-therapy devices field saw robust sales in surgical products and sampling treatment devices such as biopsy forceps thanks to synergies created by Gyrus's integration into the Olympus Group. We also saw steady overseas sales of new products, namely, disposable guide wires used for endoscope treatment such as for pancreatic ducts that we co-developed with Terumo Corporation, and laparoscopic surgical equipment that lightens the burden on patients compared with performing a laparotomy. However, revenue in the surgical and endotherapy devices field was down overall due to foreign currency effects.

In the Medical Systems Business, we were able to secure operating income thanks to cost reduction activities mainly in the surgical and endotherapy devices field.

**Life Science Business**

Consolidated net sales for the Life Science Business was ¥80,100 million (down 32.6% year on year), while operating income amounted to ¥5,620 million (up 18.1% year on year).

In the micro-imaging (microscopes) field, although sales were favorable for biological microscopes, particularly products for research such as sales in Japan for "FLUOVIEW" Series of confocal scanning laser microscopes, sales of industrial products declined, particularly in the first half of the fiscal year due to the restraints on capital investments by companies. With the foreign exchange effect also being a factor, revenue was down overall in the micro-imaging field.

Revenue was also down for the entire Life Science Business owing to the divestment of the Olympus Group's diagnostic systems business to the Beckman Coulter Group of the U.S. in August 2009.

Operating income for the Life Science Business increased as a result of substantial improvements in earnings as cost reduction activities progressed.

**Information & Communication Business**

Consolidated net sales for the Information & Communication Business was ¥189,354 million (up 23.8% year on year), while operating income showed ¥4,864 million (up 194.1% year on year).

In the mobile field, sales of mobile phones increased due to an aggressive expansion in sales channels for mobile phones attributable to corporate acquisitions and others.

Operating income for the Information & Communication Business rose thanks not only to expanded sales channels for mobile phones and the greater share of sales being achieved at highly profitable directly managed stores and franchise stores, but also to the boosted profitability gained from corporate structural reform such as the centralization of group business resources and revision of the business portfolio continuously being promoted by ITX Corporation.

**Others**

Consolidated net sales for other businesses was ¥87,992 million (down 12.7% year on year) and an operating loss was ¥1,869 million (in contrast to an operating loss of ¥6,966 million for the previous fiscal year).

In the non-destructive testing equipment field, despite favorable sales of new products, namely the IPLEX L series, an industrial endoscope equipped with excellent usability, functionality and durability, and the ultrasonic defect detection device with phased array features, overall sales were down due to the effect of restrained capital investment mostly in the automobile industry.

In the information equipment field, despite a strong sales performance by the new models of high-speed inkjet printers, overall sales were down due to the effect of the economic downturn.

In the biomedical materials field, sales of “OSferion,” an artificial bone replacement material, expanded both in Japan and abroad, sales of other products also steadily expanded, and cost of sales was reduced.

With respect to the bottom line, the Others reduced its operating loss as a result of lower costs associated with amortization of goodwill of subsidiaries.

## 3. Financing and Capital Investment

(1) Financing

During the current fiscal year, Olympus took out new long-term borrowings of ¥40,000 million.

(2) Capital investment

A total of approximately ¥34,300 million was spent this fiscal year in capital investment. Major expenditures include an investment in infrastructure development at the R&D Center Ishikawa (Tokyo Prefecture), Olympus’ R&D base, metal molds for new products in the Imaging Systems Business, and demonstration equipment in the Medical Systems Business.

## 4. Future Challenges

Although there are still factors of uncertainty regarding the future, such as the employment situation, the Japanese economy is expected to continue to steadily recover. Elsewhere in the world, although a mild recovery is expected to be led by the Chinese economy, there are also concerns that the economy will slump further in Europe and the U.S. due to the credit crunch and the deteriorating employment situation.

Given these conditions, the Olympus Group laid out a Corporate Strategic Plan which will start in the fiscal year ending March 31, 2011. With the slogan “Advancing to the Next Stage of Globalization,” we will accelerate the transformation of Olympus into a more globally competitive company and continue to strengthen our business presence in emerging markets, while aiming to meet our business objective of maximizing our corporate value.

Group-wide initiatives based on horizontal strategy include expanding our business presence in the China/Asia market, reinforcing our global business and environmental management such as reducing our CO2 emissions. In the China/Asia market strategy, we will expand sales in the market by developing an organizational structure through which business activities throughout China/Asia will be promoted in a comprehensive manner. To reinforce our business structure, we will boost overseas production, with the aim of establishing a production structure that can hedge against demand and foreign currency fluctuations. Moreover, we will establish a group infrastructure, including standards, rules, organizations, authorities, and other necessary matters to achieve efficient and flexible global management systems that transcend regions and business segments. In environmental management, we will improve our technologies to reduce size and weight, and save energy, and develop cyclical environmental technologies that enable us to ensure environmentally-friendly manufacturing, while reducing CO2 emissions.

We have also established segment management strategies. In the Imaging Systems Business, to build a business foundation and achieve high growth for digital single-lens cameras applying the Micro Four Thirds

System standard, we will concentrate on technological and product development and strengthen sales and service structures. We will also introduce ways to make photography more enjoyable by providing comprehensive solutions through the use of digital networks. In the Medical Systems Business, we will expand businesses centering on energy-related products and therapeutic devices fields, aiming to develop the surgical business to the same level as the digestive endoscope business. In the digestive endoscope business, we will maintain our superior competitiveness through the introduction of next-generation systems. In addition, we will establish a business structure including a sales and service structure in the Asian market, which promises high growth. In the Life Science and Industrial Systems Business, we will build our new business expansion strategy in the automated pathology market, which is expected to expand in the future, while strengthening the income base of existing businesses including the biological microscopes field. In the Information & Communication Business and New Business Activities, we will strengthen our competitiveness and accelerate development of new business activities through a business reorganization of the Group and centralization of management resources.

As a result, we will, as the “Olympus Group in 10 years,” which will celebrate its 100th anniversary in 2019, seek to become a globally desirable and trusted company by bringing innovations to peoples’ lives and to society with our world-leading imaging technologies and cutting-edge medical and life science technologies; a company that contributes to making the lives of people around the world healthier, safer, more secure and more fulfilling by supplying products and services that are supportive of people, society, and the earth; and, a company that promotes environmental management as one of the most environmentally efficient companies in the world.

To our shareholders, we appreciate your continuing support and understanding.

## 5. Changes in Assets and Results of Operation

(Millions of yen)

| | 139th term | 140th term | 141st term | 142nd term |
|---|---|---|---|---|
| Net sales | 1,061,786 | 1,128,875 | 980,803 | 883,086 |
| Ordinary income | 78,346 | 97,312 | 25,679 | 46,075 |
| Net income (loss) | 46,962 | 54,625 | (50,561) | 52,527 |
| Net income (loss) per share (Yen) | 173.69 | 202.11 | (188.85) | 194.90 |
| Total assets | 1,002,665 | 1,217,172 | 1,038,253 | 1,104,528 |
| Net assets | 224,951 | 244,281 | 110,907 | 163,131 |
| Net assets per share (Yen) | 792.72 | 861.58 | 387.31 | 576.63 |

Notes:
1. In the 140th term, the addition of Gyrus Group PLC (current Gyrus Group Limited) in the scope of consolidation resulted in an increase in total assets from the end of the previous fiscal year.
2. See “I Review of Group Operations 1. Review of Operations” on pages 78 to 79 above for details on results for the 142nd term (current fiscal year).
3. Owing to the correction of improper accounting treatment, at the beginning of the 139th term, there was a ¥118,353 million reduction in retained earnings to account for the corresponding loss.

## 6. Major Parent Companies and Subsidiaries

(1) Relationship with parent companies

There is no relevant information.

(2) Major subsidiaries

There are 172 consolidated subsidiaries, including the following 6 major subsidiaries, and 8 equity-method companies.

| Name of company | Capital stock or investment | Ratio of capital contribution by the Company (%) | Principal business |
|---|---|---|---|
| Olympus Imaging Corp. | ¥11,000 million | 100.0 | Manufactures and sales of image-related products |
| Olympus Medical Systems Corp. | ¥1,000 million | 100.0 | Manufactures and sales of medical treatment-related products |
| ITX Corporation | ¥25,444 million | 82.1 | Sales of mobile terminals including mobile handsets |
| Olympus Corporation of the Americas | $13,000 | 100.0 | Holding company to conduct comprehensive management planning for U.S. subsidiaries and affiliates |
| Olympus Europa Holding GmbH | €100,000,000 | 100.0 | Holding company to conduct comprehensive management planning for European subsidiaries and affiliates |
| Olympus (China) Co., Ltd. | $31,003,000 | 100.0 | Holding company to conduct comprehensive management planning for Chinese subsidiaries and affiliates |

## 7. Principal Business

| Segment | Principal products and business |
|---|---|
| Imaging Systems Business | Manufactures and sales of digital cameras and voice recorders |
| Medical Systems Business | Manufactures and sales of medical endoscopes, surgical endoscopes, ultrasound endoscopes and endo-therapy devices |
| Life Science Business | Manufactures and sales of biological microscopes and industrial microscopes |
| Information & Communication Business | Sales of mobile terminals including mobile handsets |
| Others | Manufactures and sales of industrial endoscopes, non-destructive testing equipment and printers, system development, mobile resolution, mobile content services etc. |

## 8. Principal Places of Business and Plants

(1) Principal places of business of the Company

| | |
|---|---|
| Head Office | Shibuya-ku, Tokyo |
| Main Office | Shinjuku-ku, Tokyo |
| R&D Center | Hachioji-shi, Tokyo |
| Ina Facility | Ina-shi, Nagano |
| Tatsuno Facility | Kamiina-gun, Nagano |
| Shirakawa Facility | Nishi-Shirakawa-gun, Fukushima |
| Branch | Sapporo, Nagoya, Osaka, Hiroshima, Fukuoka |
| Sales Offices | Sendai, Saitama, Chiba, Yokohama, Niigata, Matsumoto, Shizuoka, Kanazawa, Kyoto, Matsuyama, Okayama, Kagoshima |

(2) Principal places of business of the Company's subsidiaries

| | |
|---|---|
| Olympus Imaging Corp. | Shibuya-ku, Tokyo (Head office)<br>Shinjuku-ku, Tokyo (Main office) |
| Olympus Medical Systems Corp. | Shibuya-ku, Tokyo (Head office)<br>Shinjuku-ku, Tokyo (Main office) |
| ITX Corporation | Minato-ku, Tokyo |
| Olympus Corporation of the Americas | U.S. |
| Olympus Europa Holding GmbH | Germany |
| Olympus (China) Co., Ltd. | China |

## 9. Employee Situation of the Group

| Segment | Numbers of employees | Increase (decrease) from the previous fiscal year |
|---|---|---|
| Imaging Systems Business | 12,864 | 424 |
| Medical Systems Business | 13,987 | 820 |
| Life Science Business | 3,013 | (1,791) |
| Information & Communication Business | 920 | 254 |
| Others | 3,256 | (769) |
| Management division | 1,336 | (65) |
| Total | 35,376 | (1,127) |

Notes:
1. The number of employees represents individuals working within the Group and includes employees on loan to the Group but does not include employees on loan outside the Group.
2. The decrease in the number of employees in the Life Science Business by 1,791 compared to the previous fiscal year is mainly due to the transfer of its diagnostic systems business to Beckman Coulter Group (USA).
3. The decrease in the number of employees in the Others segment by 769 compared to the previous fiscal year is mainly due to a decrease in the number of consolidated subsidiaries due to sale of share of subsidiaries.

142nd Term

## 10. Principal Lenders

(Millions of yen)

| Lender | Balance of borrowing |
|---|---|
| Sumitomo Mitsui Banking Corporation | 90,930 |
| The Bank of Tokyo-Mitsubishi UFJ, Ltd. | 65,295 |

## 11. Business Transfers, Absorption-type Spin-off and Corporate Spin-off

The Company, based on a resolution at a meeting of the Board of Directors held on February 27, 2009, spun off the diagnostic systems business of the Company's Life Science Business and transferred it to Olympus-DS Corp., a wholly-owned subsidiary of the Company, on August 1, 2009, and transferred all shares of the company to Beckman Coulter Group (USA) on August 3, 2009.

## 12. Acquisition or Disposition of Shares of Other Companies

The Company, based on a resolution at a meeting of the Board of Directors held on April 24, 2009, acquired all of the shares of Iwaken Co., Ltd. through a share exchange, and made Iwaken a wholly-owned subsidiary on June 1, 2009.

# II Matters Concerning Shares

**1. Total Number of Shares Authorized to be Issued:** 1,000,000,000 shares

**2. Total Number of Issued Shares:** 269,968,503 shares

(Excluding treasury stock 1,315,105 shares)

**3. Number of Shareholders as of March 31, 2010:** 16,372

**4. Principal Shareholders (Top 10)**

| Shareholders | Numbers of shares held | Shareholding ratio |
|---|---|---|
| Nippon Life Insurance Company | 22,426,718 | 8.31% |
| The Master Trust Bank of Japan, Ltd. (trust account) | 15,554,600 | 5.76% |
| The Bank of Tokyo-Mitsubishi UFJ, Ltd. | 13,286,586 | 4.92% |
| Japan Trustee Services Bank, Ltd. (trust account) | 11,490,700 | 4.26% |
| Japan Trustee Services Bank, Ltd. (Olympus shares in Sumitomo Mitsui Banking Corporation's retirement benefit trust account are entrusted to The Sumitomo Trust & Banking Co., Ltd., which consigns their management to Japan Trustee Service Bank, Ltd.) | 9,004,000 | 3.34% |
| Sumitomo Mitsui Banking Corporation | 8,350,648 | 3.09% |
| State Street Bank and Trust Company | 7,394,428 | 2.74% |
| Terumo Corporation | 6,811,000 | 2.52% |
| The Government of Singapore Investment Corporation Pte Ltd. | 4,583,200 | 1.70% |
| Meiji Yasuda Life Insurance Company | 4,518,230 | 1.67% |

Note: The shareholding ratio is calculated with the amount of treasury stock (1,315,105 shares) deducted.

**5. Important Items Concerning Other Shares**

To expand our investor base including private investors, we changed the number of shares constituting one unit from 1,000 shares to 100 shares as of May 1, 2009.

142nd Term

# III Matters Concerning Board of Directors and Corporate Auditors

## 1. Name of Directors and Corporate Auditors

| Appointment | Name | Position and responsibility in the Company and important concurrent positions at other organizations |
|---|---|---|
| President and Representative Director | Tsuyoshi Kikukawa | |
| Director | Masaharu Okubo | President and Representative Director, Olympus Imaging Corp. / Chairman of the board, Olympus Corporation of the Americas |
| Director | Hideo Yamada | Director in charge of Corporate, Corporate Social Responsibility Div., Trade Compliance Bureau and Internal Audit Dept. |
| Director | Haruhito Morishima | President and Representative Director, Olympus Medical Systems Corp. |
| Director | Masataka Suzuki | CEO, Olympus (China) Co., Ltd. |
| Director | Kazuhisa Yanagisawa | Group president of Corporate R&D Center / Director in charge of Intellectual Property & Licensing Div. and Ina Facility |
| Director | Shuichi Takayama | Group President of Life Science and Industrial Systems Company / Director in charge of Pharmaceutical Affairs Div. / President and Director, Olympus Cytori Inc. |
| Director | Takashi Tsukaya | Division Manager of Production Engineering Div. / Director in charge of Quality and Environment Administration Div. |
| Director | Hisashi Mori | Group president of the Corporate Center / Director in charge of Business Planning Div., New Business Planning Div. and New Business Administration Div. |
| Director | Kazuhiro Watanabe | Director and Executive Vice President, Olympus America Inc. |
| Director | Shinichi Nishigaki | Director, Olympus Medical Systems Corp. |
| Director | Hironobu Kawamata | Division Manager of Business Support Div. |
| Director | Rikiya Fujita | |
| Director | Masanobu Chiba | President and Representative Director, LBS Co., Ltd. |
| Director | Junichi Hayashi | Representative Director, Angram Ltd. / Outside Corporate Auditor, ITX Corporation |
| Standing Corporate Auditor | Tadao Imai | |
| Standing Corporate Auditor | Katsuo Komatsu | |
| Corporate Auditor | Makoto Shimada | |
| Corporate Auditor | Yasuo Nakamura | |

Notes:
1. The following individuals were newly elected at the 141st General Meeting of Shareholders held on June 26, 2009 and assumed their post.

   Director Shinichi Nishigaki
   Director Hironobu Kawamata
2. The following individuals retired on June 26, 2009.

   Director Masaaki Terada
   Director Tatsuo Nagasaki
3. Among the Directors, Rikiya Fujita, Masanobu Chiba and Junichi Hayashi are Outside Directors.
4. Among the Corporate Auditors, Makoto Shimada and Yasuo Nakamura are Outside Corporate Auditors.
5. Under the Company's executive officer system, the following are executive officers as of March 31, 2010. The "*" mark indicates individuals serving concurrently as Directors.

| Appointment | Name |
|---|---|
| Executive Vice President | Masaharu Okubo * |
| Executive Vice President | Hideo Yamada * |
| Senior Managing Executive Officer | Haruhito Morishima * |
| Senior Managing Executive Officer | Masataka Suzuki * |
| Managing Executive Officer | Kazuhisa Yanagisawa * |
| Managing Executive Officer | Shuichi Takayama * |
| Managing Executive Officer | Takashi Tsukaya * |
| Managing Executive Officer | Hisashi Mori * |
| Managing Executive Officer | Kazuhiro Watanabe * |
| Managing Executive Officer | Toshiaki Gomi |
| Managing Executive Officer | Masao Kuribayashi |
| Executive Officer | Shinichi Nishigaki * |
| Executive Officer | Hironobu Kawamata * |
| Executive Officer | Takashi Saito |
| Executive Officer | Koichi Karaki |
| Executive Officer | Norio Saito |
| Executive Officer | Hitoshi Kawada |
| Executive Officer | Yoshihiko Masakawa |
| Executive Officer | Naohiko Kawamata |
| Executive Officer | Hiroyuki Sasa |
| Executive Officer | Masanori Nakashima |
| Executive Officer | Atsushi Nishikawa |
| Executive Officer | Yasuo Yoda |
| Executive Officer | F. Mark Gumz |
| Executive Officer | Michael C. Woodford |
| Executive Officer | Akira Kubota |
| Executive Officer | Yasuo Takeuchi |
| Executive Officer | Nobuyuki Koga |
| Executive Officer | Shigeo Hayashi |

6. Principal revisions in position and responsibility in the Company and important concurrent positions at other organizations of Directors during the current fiscal year are as follows:

| Name | Date of Revision | Position and responsibility in the Company and important concurrent positions at other organizations after revision | Position and responsibility in the Company and important concurrent positions at other organizations prior to revision |
|---|---|---|---|
| Masataka Suzuki | April 1, 2009 | CEO, Olympus (China) Co., Ltd. | Executive Managing Director, Shareholder Representative, Olympus Europa Holding GmbH |
| Kazuhisa Yanagisawa | April 1, 2009 | Group president of Corporate R&D center / Group president of Life Science Group | Group president of Life Science Group |
| | June 26, 2009 | Group president of Corporate R&D center / Group president of Life Science Group / Director in charge of Intellectual Property & Licensing Div., IMS Business Div. and PS Business Div. | Group president of Corporate R&D center / Group president of Life Science Group |
| | July 1, 2009 | Group president of Corporate R&D center / Director in charge of Intellectual Property & Licensing Div., MIS Business Div., Ina Facility, DS Business Div., IMS Business Div. and PS Business Div. | Group president of Corporate R&D center / Group president of Life Science Group / Director in charge of Intellectual Property & Licensing Div., IMS Business Div. and PS Business Div. |
| | January 1, 2010 | Group president of Corporate R&D center / Director in charge of Intellectual Property & Licensing Div. and Ina Facility | Group president of Corporate R&D center / Director in charge of Intellectual Property & Licensing Div., MIS Business Div., Ina Facility, IMS Business Div. and PS Business Div. |

| Name | Date of Revision | Position and responsibility in the Company and important concurrent positions at other organizations after revision | Position and responsibility in the Company and important concurrent positions at other organizations prior to revision |
|---|---|---|---|
| Shuichi Takayama | April 1, 2009 | Division Manager of R&D Planning Div. and Medical Technology R&D Div. | Division Manager of R&D Planning Div. |
| | June 26, 2009 | Division Manager of R&D Planning Div. and Medical Technology R&D Div. / President and Director, Olympus Cytori Inc. | Division Manager of R&D Planning Div. and Medical Technology R&D Div. |
| | August 1, 2009 | Division Manager of R&D Planning Div. and Medical Technology R&D Div. / Director in charge of Pharmaceutical Affairs Div. / President and Director, Olympus Cytori Inc. | Division Manager of R&D Planning Div. and Medical Technology R&D Div. / President and Director, Olympus Cytori Inc. |
| | January 1, 2010 | Group President and Division Manager of Life and Industrial Systems Group / Director in charge of Pharmaceutical Affairs Div. / President and Director, Olympus Cytori Inc. | Division Manager of R&D Planning Div. and Medical Technology R&D Div. / Director in charge of Pharmaceutical Affairs Div. / President and Director, Olympus Cytori Inc. |
| Hisashi Mori | April 1, 2009 | Group President, Corporate Center / Division Manager of Corporate Social Responsibility Div. / Director in charge of Corporate Planning Div., New Business Planning Div. and New Business Administration Div. | Division Manager of Corporate Social Responsibility Div. / Director in charge of Corporate Planning Div., New Business Planning Div. and New Business Administration Div. |
| Rikiya Fujita | August 31, 2009 | | Director, Sankikai Association / President, Tsurumaki Onsen Hospital |

## 2. Amount of Remuneration for Directors and Corporate Auditors

| | Number | Total amount paid |
|---|---|---|
| Director | 17 | ¥586 million |
| Corporate Auditor | 4 | ¥91 million |

Notes:
1. By resolution of the 138th General Meeting of Shareholders held on June 29, 2006, the maximum monthly remuneration for Directors is set at ¥65 million and the maximum monthly remuneration for Corporate Auditors is set at ¥10 million and the annual bonus for Directors is ¥120 million. No bonuses are paid to Corporate Auditors.
2. The above number of Directors and amount of remuneration for Directors include 2 Directors retired at the conclusion of the 141st General Meeting of Shareholders held on June 26, 2009.
3. The above amount of remuneration for Directors does not include ¥21 million in salaries for employees serving concurrently as Directors.
4. Of the above amount of remuneration for Directors and Corporate Auditors, the total amount paid to 5 Outside Directors and Outside Corporate Auditors (3 Outside Directors, 2 Outside Corporate Auditors) is ¥64 million.
5. The total amount paid of remuneration for Directors and Corporate Auditors to 1 Outside Director during the current fiscal year from a subsidiary of the Company is ¥2 million.

## 3. Matters Concerning Outside Directors and Outside Corporate Auditors

(1) Important concurrent position as an executive officer at other organizations and relations between same and the Company

Director Masanobu Chiba is President and Representative Director of LBS Co., Ltd., which has business relations with the Company in the area of advertising and promotion.

Director Junichi Hayashi is Representative Director of Angram Ltd., which does not have business relations with the Company.

(2) Important concurrent position as an outside officer at other organizations and relations between same and the Company

Director Junichi Hayashi serves as an Outside Corporate Auditor at ITX Corporation. The Company owns 82.1% of the issued shares of ITX Corporation.

(3) Major activities during current fiscal year

Rikiya Fujita, Director

Mr. Fujita attended 14 of the 17 Board of Directors' meetings (except for meetings that were not held by omission of a resolution of the Board of Directors pursuant to Article 370 of the Company Law; The same shall apply hereinafter.) held during the current fiscal year and made statements as he saw fit, based on his profound knowledge and broad insight as a medical doctor from a perspective independent of the management engaged in the execution of business operations.

Masanobu Chiba, Director

Mr. Chiba attended all 17 Board of Directors' meetings held during the current fiscal year and made statements as he saw fit, based on his profound knowledge and broad insight as a business manager from a perspective that is independent of the management engaged in the execution of business operations.

Junichi Hayashi, Director

Mr. Hayashi attended all 17 Board of Directors' meetings held during the current fiscal year and made statements as he saw fit, based on his profound knowledge and broad insight as a business manager, and from experience in the securities industry from a perspective that is independent of the management engaged in the execution of business operations.

Makoto Shimada, Corporate Auditor

Mr. Shimada attended all 17 Board of Directors' meetings and all 35 Board of Corporate Auditors' meetings and made statements as he saw fit from the perspective of a business manager with profound knowledge to ensure appropriate and fair decision making by the Board of Directors.

Yasuo Nakamura, Corporate Auditor

Mr. Nakamura attended all 17 Board of Directors' meetings and all 35 Board of Corporate Auditors' meetings and made statements as he saw fit from the perspective of a business manager with profound knowledge to ensure appropriate and fair decision making by the Board of Directors.

(4) Overview of content of limited liability agreement

The Company has entered into an agreement with all of its Outside Directors and Outside Corporate Auditors to limit their liability pursuant to Article 423, Paragraph 1 of the Company Law, setting the minimum amount stipulated by law as the maximum liability.

142nd Term

# IV Accounting Auditor

## 1. Name of Accounting Auditor

Ernst & Young ShinNihon LLC

Note: KPMG AZSA & Co., the Accounting Auditors of the Company, resigned from their position upon the conclusion of the 141st General Meeting of Shareholders held on June 26, 2009, due to the expiration of their term of office.

## 2. Amount of Remuneration

| Classification | Amount paid |
|---|---|
| Remuneration to Accounting Auditor for the current fiscal year | ¥91 million |
| Total amount of money and other financial interests to be paid by the Company and its subsidiaries | ¥225 million |

Notes:
1. The audit agreement between the Company and its Accounting Auditor does not distinguish compensation paid for audit work performed in conformity with the Company Law and compensation paid for audit work performed in conformity with the Financial Instruments and Exchange Act and it is effectively impossible to do so. Therefore, the total amount is provided.
2. Among the important subsidiaries of the Company, Olympus Corporation of the Americas, Olympus Europa Holding GmbH and Olympus (China) Co., Ltd. are audited by auditing firms other than the Accounting Auditor of the Company.
3. No remuneration is paid by the Company to KPMG AZSA & Co., for auditing services for the current fiscal year.

## 3. Description of Non-Auditing Services

There is no relevant information.

## 4. Policy on Dismissal and Non-Reappointment of Accounting Auditor

The Company will dismiss the Accounting Auditor, with the unanimous consent of the Corporate Auditors of the Board of Corporate Auditors, in the event said Accounting Auditor is recognized as falling under one of the items listed in Article 340, Paragraph 1 of the Company Law.

In addition to the foregoing, the Company will propose the dismissal or non-reappointment of the Accounting Auditor to the General Meeting of Shareholders in the event it is recognized that the appropriate performance of duties by said Accounting Auditor is rendered not possible due to reasons on the part of the Company or due to events affecting the qualifications and credibility of the Accounting Auditor.

# V Company's Systems and Policies

## 1. Basic Policy on the Internal Control System

The Company refers to the concept of assimilating, as members, with society, sharing values with other members of society, and making people's lives healthy and happy by proposing new values through business activities as "Social IN," and identifies the concept as the leading motive lying behind all our activities.

The Board of Directors, based on this basic concept, shall prepare a framework in which ensures the sound operations of the Company, and make continuous improvements with its application.

(1) Framework to ensure the compliance by Directors and employees, in performance of duties, to applicable laws and regulations as well as the Articles of Incorporation

1) In order to ensure a system in which Directors and employees perform their duties in compliance with applicable laws and regulations and the Articles of Incorporation, the Board of Directors shall establish the Olympus Group's Charter of Corporate Behavior and Olympus Group's Code of Conduct and other basic policies and internal corporate regulations.

2) The Company shall set up a Compliance Office to manage compliance activities. The Compliance Office shall continuously conduct compliance related activities, including the education of Directors and employees.

3) The Company shall establish a helpline to consult or receive report compliance related issues. The Company shall also develop a system to report contents, etc. of compliance related issues, if arises, to the Board of Directors and the Board of Corporate Auditors through a compliance officer in charge.

4) In order to ensure the appropriateness and reliability of financial reporting, the Company shall set up a J-sox Act Compliance Department and will maintain its efforts to ensure the control activities function effectively.

5) The Administration Department shall be responsible for working with lawyers, the police and other parties to systematically stand firm against anti-social forces and organizations which threaten societal order and safety.

(2) Framework regarding the maintenance of records and management of information in relation to performance of duties by auditors

1) Pursuant to applicable laws and regulations and internal corporate regulations including the internal rules on document management, etc., the Company shall maintain and manage documents or electronic data.

2) Directors and Corporate Auditors may access important documents such as the minutes of a meeting of the Board of Directors and documentary approvals at any time.

(3) Rules relating to the risk management in the event of loss and other circumstances

1) The Company shall manage its business risks based on thorough discussions held at meetings of the Board of Directors and the executive management committee, among other meetings, and appropriate operation of the internal approval procedure.

2) The Company shall manage risks such as those relating to quality, product safety, export control,

information security, health and safety, the environment and disasters by establishing divisions in charge, establishing internal corporate regulations and manuals, and through implementing education and training, among others.

3) Pursuant to the internal rule on risk management, each operational department shall be aware of risks and take preventative measures, and the Company shall develop a framework which enables prompt actions in the event of an emergency. In the event of a disaster including earthquakes, fire and accidents, and occurrence of incidents of great risks, such as the violation of corporate ethics, etc., the operational departments shall, through a risk management office as a window, make immediate reports to the President, other members of the risk management committee and relevant people. The final determination in such circumstance shall be made by the President.
4) A meeting of the risk management committee, with the President as a chairman of the committee, shall be held regularly. The risk management committee shall receive and review reports plans and measures in relation to risk management, and [make efforts] to establish and maintain a risk management system.

(4) Framework to ensure the effective performance of duties by Directors

1) The Board of Directors shall develop medium and long-term basic business plans in order to clarify the Company's business goals and achieve efficient resource allocation based on its annual business plan as determined each business year. In addition, the Board of Directors shall receive a monthly report on business performance in order to evaluate the status of the Company's annual business plan.
2) The Board of Directors shall determine the separation of duties among the Representative Director, other Operating Directors and Executive Officers and supervise with respect to their duties as performed.
3) The Representative Director shall make a decision about significant matters after discussing at meetings of the executive management committee.
4) Based on internal corporate regulations relating to approval procedures and organizational matters, the Board of Directors shall determine the management organization and the separation of duties as well as the responsibility and authority of each of the Representative Director, other Operating Directors and Executive Officers, and establish a fair and effective system for performance of duties.

(5) System to ensure the fairness of operations of the Company and its subsidiaries

1) Pursuant to the internal rule on management of affiliated companies, the Company shall clearly provide for management standards applied to its subsidiaries and promote Olympus Group's enhancement and development by providing guidance and training to its subsidiaries.
2) The Company shall dispatch Directors and Corporate Auditors to major subsidiaries to ensure the fairness of operations of subsidiaries by requesting them to obtain the Company's approval for significant matters based on the internal rule [on settlement].
3) The Company shall make efforts with such conducts the contents of Olympus Group's Charter of Corporate Behavior among subsidiaries and promote enhanced awareness for compliance with such conducts among the Group.

4) The audit office of the Company shall conduct status audits regarding the internal control, compliance audit and system audit, etc. based on the annual audit plan approved by the President of the Company and report the audit results to the President, Board of Directors and the Board of Corporate Auditors of the Company. The Company shall establish an internal audit department for conducting audits of its major subsidiaries.

(6) Matters relating to employees that assist the Corporate Auditors upon the request of such Corporate Auditor for assistance and matters relating to independence of the relevant employees from Directors

1) The Company will establish the office of Corporate Auditors and allocate personnel who will assist with the Corporate Auditors' duties. In order to assist with Corporate Auditors' duties, such personnel shall not receive directions or guidance from any Directors.
2) Appointment, dismissal, transfers, wages and personnel evaluation, etc. of employees, who should assist with Corporate Auditors' duties, shall be determined after obtaining the approval of the Board of Corporate Auditor, and the independence of such employees from Directors shall be ensured.

(7) Framework regarding reports by Directors and employees to Corporate Auditors, and other reports to the Corporate Auditors

The Board of Directors shall make reports to Corporate Auditors pursuant to relevant laws and regulations. Corporate Auditors may request reports from Directors and employees based on relevant laws and regulations, the Rules of the Board of Corporate Auditors and the Corporate Auditors' Audit Standard.

(8) Other systems to ensure the effectiveness of audit by Corporate Auditors

1) Corporate Auditors shall conduct audits on Directors, employees and subsidiaries through hearings or visiting audits, to ensure the effectiveness of its audit.
2) The Board of Corporate Auditors shall hold regular meetings with Directors including the President as well as with each head of department, and exchange opinions regarding significant audit related issues.
3) The Board of Corporate Auditors shall, in order to ensure an effective audit, hold meetings to discuss their findings with Accounting Auditors, the audit office and Corporate Auditors of major subsidiaries.

## 2. Basic Policy on Management of Joint Stock Company

(1) Details of basic policy

The Company believes that the persons who control decisions on the Company's financial and business policies need to be persons who fully understand the details of the Company's financial and business affairs and the source of the Company's corporate value and who will make it possible to continually and persistently ensure and enhance the Company's corporate value and, in turn, the common interests of its shareholders.

The Company will not indiscriminately reject a large-scale acquisition of the shares in the Company if it will contribute to the corporate value of the Company and, in turn, the common interests of its shareholders. The Company also believes that ultimately its shareholders as a whole must make the decision on any proposed acquisition that would involve a transfer of corporate control of a joint stock company.

Nonetheless, there are some forms of corporate acquisition that benefit neither the corporate value of the target company nor the common interests of its shareholders, including those with a purpose that would obviously harm the corporate value of the target company and, in turn, the common interests of its shareholders, those with the potential to substantially coerce shareholders into selling their shares, those that do not provide sufficient time or information for the target company's board of directors and shareholders to consider the details of acquisition or for the target company's board of directors to make an alternative proposal, and those that require the target company to negotiate with the acquirer in order to procure more favorable terms for shareholders than those presented by the acquirer.

Above all, in order for the Company to ensure and enhance its corporate value and the common interests of its shareholders, it is essential that the Company has a management function that emphasizes (i) maintaining technologies and personnel that have been cultivated over the years and protecting and improving technologies and personnel from a long-term perspective; and (ii) maintaining and strengthening its network with clients and the Company's brand.

Unless the acquirer of a proposed large-scale acquisition of the shares in the Company understands the source of the corporate value of the Company and would ensure and enhance these elements over the medium-to-long term, the corporate value of the Company and, in turn, the common interests of its shareholders would be harmed. The Company believes that persons who would make a large-scale acquisition of the shares in the Company in a manner that does not contribute to the corporate value of the Company or the common interests of its shareholders would be inappropriate to become persons who would control decisions on the Company's financial and business policies. The Company also believes that it is necessary to ensure the corporate value of the Company and, in turn, the common interests of its shareholders by taking the necessary and reasonable countermeasures against a large-scale acquisition by such persons.

(2) Measures for realization of basic policies

1) Details of special measures for the realization of basic policies

The Company will seek to secure and enhance corporate value and the common interests of shareholders in a stable and sustainable manner by further improving its ability to create value and emphasizing new businesses that meet future needs.

More specifically, in the Imaging Systems Business, we will build a corporate structure capable of continuously securing earnings by focusing our energies on high-value added products such as compact cameras with water and dust resistance features and proposing to users a digital single-lens camera with interchangeable lenses that is dramatically reduced in size and weight by way of the Micro Four Thirds System standard, which takes advantage of the superiority of an entirely digital design. In the Medical Systems Business, we will offer a "safe, reliable, and efficient" medical procedure, contributing to society by improving the quality of life of patients, reducing medical costs, and reinforcing the surgical field in an effort to steadily expand profits. We will also optimize our manufacturing cost structure and respond to fluctuating exchange rates by establishing global development and manufacturing systems. In addition, we will build an optimal business portfolio and promote appropriate resource allocation based on it, and develop related businesses in the medical/health and imaging/information fields.

Furthermore, the Company has been promoting business structural reforms since 2001, for example, by reducing the number of Directors by one half and shortening the term in office to one year. It has also been making efforts to reinforce oversight regarding the execution of business operations through such measures as the appointment of three independent Outside Directors at the General Meeting of Shareholders held on June 27, 2008. The Company will continue to enhance its corporate governance.

2) Measures to prevent control of financial and business policy decisions by inappropriate parties from the perspective of basic policies

(i) The Company obtained approval at the 141st Ordinary General Meeting of Shareholders held on June 26, 2009 for the proposal that a gratis allotment of stock acquisition rights (*shinkabu yoyakuken mushou wariate*) would be available to the Board of Directors as a countermeasure for large-scale acquisitions of 20% or more of the Company's shares (the "Plan").

(ii) Details of the Plan

The purpose of the Plan is to prevent decisions on the Company's financial and business policies from being controlled by persons who would propose a large-scale acquisition of the shares of the Company in a manner that does not contribute to the corporate value of the Company or the common interests of its shareholders, to deter large-scale acquisitions that are detrimental to the corporate value of the Company and the common interests of its shareholders, and should it receive a large-scale acquisition proposal from an acquirer, to ensure the necessary time and information for shareholders to decide whether or not to accept the large-scale acquisition proposal or for the Board of Directors to present an alternative proposal to the shareholders.

The Plan will be applied in cases where any purchase or other acquisition of share certificates, etc. of the Company that falls under: (i) a purchase or other acquisition that would result in the holding ratio of share certificates, etc. (*kabuken tou hoyuu wariai*) of a holder (*hoyuusha*) totaling at least 20% of the share certificates, etc. (*kabuken tou*) issued by the Company; or, (ii) a tender offer (*koukai kaitsuke*) that would result in the party making the tender offer have an ownership ratio of share certificates, etc. (*kabuken tou shoyuu wariai*) or a person having a special relationship (*tokubetsu kankei-sha*) have an ownership ratio of share certificates, etc. totaling at least 20% of the share certificates, etc. (*kabuken tou*) issued by the Company, or any similar action, or a proposal for such action. The party effecting the acquisition (the "Acquirer") shall follow the procedures prescribed in the Plan, and the Acquirer must not effect an acquisition until and unless the Board of Directors passes a resolution not to implement the gratis allotment of stock acquisition rights in accordance with the Plan.

The Company will request an Acquirer to submit to the Company in the form prescribed separately by the Company a document that includes an undertaking that the Acquirer will comply with the procedures set out in the Plan before commencing or effecting the acquisition. In addition, the Acquirer is required to provide the Board of Directors with a document containing specific information necessary for shareholders to make decisions (the "Acquisition Document") in a form designated by the Company. Upon receiving the Acquisition Document, the Board of Directors will send the document to the Special Committee composed of members including Outside Directors.

The Special Committee will consider the acquisition terms including information provided by the Acquirer and the Board of Directors, collect information on materials such as the management plans and business plans of the Acquirer and the Board of Directors for comparison, and consider any alternative plans. Further, it will discuss with the Acquirer and disclose information to shareholders. If the Special Committee determines that the acquisition falls under the trigger events stipulated below in Item (A), the Special Committee will recommend implementation of the gratis allotment of stock acquisition rights to the Board of Directors as triggering the Plan.

If there is concern that an acquisition may fall under the second trigger event set out below in Item (A), the Special Committee shall recommend implementation of the gratis allotment of stock acquisition rights subject to obtaining approval at a shareholders meeting in advance, and the Board of Directors may convene a meeting of shareholders and confirm the intent of the Company's shareholders regarding this issue.

The Board of Directors will pass a resolution relating to implementation or non-implementation of a gratis allotment of stock acquisition rights while respecting to the maximum extent any recommendation made by the Special Committee described above. If the shareholders meeting described above is convened, the Board of Directors will comply with any resolution passed by shareholders.

(A) Requirements for the gratis allotment of stock acquisition rights

The requirements for triggering the Plan to implement a gratis allotment of stock acquisition rights are as follows.

Trigger event (1)

The acquisition is not in compliance with the procedures prescribed in the Plan (including cases where reasonable time and information necessary to consider details of the acquisition are not offered), and it is reasonable to implement the gratis allotment of stock acquisition rights.

Trigger event (2)

The acquisition falls under any of the items below and it is reasonable to implement the gratis allotment of stock acquisition rights.

(a) An acquisition that threatens to cause obvious harm to the corporate value of the Company and, in turn, the common interests of its shareholders through any of the following actions:
    (i) A buyout of share certificates to require such share certificates to be compulsorily purchased by the Company's affiliates at a high price.
    (ii) Management that achieves an advantage for the Acquirer to the detriment of the Company, such as temporary control of the Company's management for the low-cost acquisition of the Company's material assets.
    (iii) Diversion of the Company's assets to secure or repay debts of the Acquirer or its group company.

(iv) Temporary control of the Company's management to bring about the disposal of high-value assets that have no current relevance to the Company's business and paying temporarily high dividends from the profits of disposal, or selling the shares at a high price by taking advantage of the opportunity arising from the sudden increase of share prices created by the temporarily high dividends.

(b) Certain acquisitions that threaten to have the effect of coercing shareholders into selling shares, such as coercive two-tiered tender offers (meaning acquisitions of shares, including tender offers, in which no offer is made to acquire all shares in the initial acquisition, and acquisition terms for the second stage are unfavorable or unclear).

(c) Acquisitions whose terms (including amount and type of consideration, timeframe, legality of the acquisition method, feasibility of acquisition being effected, and post-acquisition policies for the Company's other shareholders, employees, customers, business partners, and any other stakeholders in the Company) are inadequate or inappropriate in light of the Company's intrinsic value.

(d) Acquisitions that materially threaten to decrease the corporate value of the Company or the common interests of shareholders, by destroying relationships with the Company's employees, customers, business partners, etc., which are indispensable for generating the Company's corporate value or the disintegration of our corporate culture.

(B) Other

The stock acquisition rights to be allotted to our shareholders under the Plan are exercised to obtain one share of common stock, as a basic rule, by paying the amount decided by the Board of Directors within the range of a minimum of one (1) yen and the maximum of the amount equivalent to one-half of the market value of one share in the Company. Furthermore, exercise conditions whereby the non-qualified party including the Acquirer may not exercise stock acquisition rights (except if an exceptional event occurs), and provisions for acquisition whereby the Company will acquire one stock acquisition right from parties other than the non-qualified party in exchange for one share in the Company have been provided.

The effective period of the Plan is until the conclusion of the ordinary general meeting of shareholders for the last fiscal year ending within three years of the conclusion of the 141st Ordinary General Shareholders Meeting held on June 26, 2009. However, if, before expiration of the effective period, a resolution is passed at the Company's shareholders meeting to revoke its resolution to assign to the Board of Directors the authority set out above relating to the gratis allotment of stock acquisition rights with respect to the Plan, or the Board of Directors passes a resolution to abolish the Plan, the Plan will be abolished at that time.

Even after introducing the Plan, assuming gratis allotment of stock acquisition rights has not been implemented, there is no direct or specific impact on shareholders. If the gratis allotment of stock acquisition rights has been implemented in accordance with the Plan, and the Company's shareholders do not exercise their stock acquisition rights or pay the amount equivalent to the exercise price, the share value may be diluted. However, if the Company acquires stock acquisition rights in exchange for shares in the Company, a dilution of share value will not basically affect shareholders other than non-qualified parties.

(3) Board of Directors' views on measure in (2) above and reasons thereof

The Plan was introduced to ensure and enhance the corporate value of the Company and the common interests of its shareholders in accordance with the basic policy. The Company primarily introduced the Plan to assure fairness and objectivity on the condition that: (i) it is subject to approval at a general meeting of shareholders; (ii) it is based on a system to confirm the intent of the Company's shareholders regarding the triggering of the Plan in some cases; (iii) the effective period thereof is to be three years and the Plan may be abolished at anytime by a resolution at a general meeting of shareholders or by the Board of Directors; (iv) the Special Committee composed of members including outside directors has been established as an organization independent of the management of the Company and the Plan must never be triggered without a decision of the Special Committee; (v) the Special Committee may at the cost of the Company obtain advice from independent third parties; and, (vi) reasonable and objective requirements regarding the triggering thereof are established. Accordingly, the purpose of the Plan is not to maintain the position of the Company's Directors and Corporate Auditors, but to contribute to the corporate value of the Company and, in turn, the common interests of its shareholders.

(Reference)

Comparison of the Business Report after correction and before correction

# For the 142nd Term (April 1, 2009 to March 31, 2010)

**Page 78**

## I Review of Group Operations

### 1. Review of Operations

Paragraph 5

[After Correction]

The consolidated net sales over the fiscal year under review decreased by ¥97,717 million (10.0% year on year) to ¥883,086 million from declines in revenue in each of our businesses, except the Information & Communication Business, as a result of the global recession, and the appreciating yen. Operating income, despite being significantly impacted by revenue loss through high-yen exchange rates, increased 43.2% year on year to ¥61,160 million thanks to lower cost of sales and reduced general and administrative expenses achieved through structural business reforms. Ordinary income increased 79.4% year on year to ¥46,075 million primarily due to the improvement in operating income. The Olympus Group ended the year with a consolidated net income of ¥52,527 million (in contrast to a net loss of ¥50,561 million for the previous fiscal year). While on one hand, we recorded extraordinary income of ¥51,986 million, including gain from transfer of business of ¥47,674 million accompanying the transfer of the diagnostic systems business, we also recorded extraordinary losses of ¥7,358 million, including loss on valuation of investment securities of ¥3,043 million due to heavily fallen market values, as well as recording income taxes of ¥38,001 million.

[Before Correction]

The consolidated net sales over the fiscal year under review decreased by ¥97,717 million (10.0% year on year) to ¥883,086 million from declines in revenue in each of our businesses, except the Information & Communication Business, as a result of the global recession, and the appreciating yen. Operating income, despite being significantly impacted by revenue loss through high-yen exchange rates, increased 73.9% year on year to ¥60,149 million thanks to lower cost of sales and reduced general and administrative expenses achieved through structural business reforms. Ordinary income increased 145.3% year on year to ¥45,115 million primarily due to the improvement in operating income. The Olympus Group ended the year with a consolidated net income of ¥47,763 million (in contrast to a net loss of ¥114,810 million for the previous fiscal year). While on one hand, we recorded extraordinary income of ¥51,986 million, including gain from transfer of business of ¥47,674 million accompanying the transfer of the diagnostic systems business, we also recorded extraordinary losses of ¥10,897 million, including loss on valuation of investment securities of ¥6,080 million due to heavily fallen market values, as well as recording income taxes of ¥38,266 million.

142nd Term

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## 2. Results of the Business Activities by Business Segment

**Medical Systems Business**

Paragraph 1

[After Correction]

Consolidated net sales in the Medical Systems Business amounted to ¥350,716 million (down 8.6% year on year), while operating income amounted to ¥75,209 million (down 0.3% year on year).

[Before Correction]

Consolidated net sales in the Medical Systems Business amounted to ¥350,716 million (down 8.6% year on year), while operating income amounted to ¥74,929 million (down 0.2% year on year).

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**Others**

Paragraph 1

[After Correction]

Consolidated net sales for other businesses was ¥87,992 million (down 12.7% year on year) and an operating loss was ¥1,869 million (in contrast to an operating loss of ¥6,966 million for the previous fiscal year).

[Before Correction]

Consolidated net sales for other businesses was ¥87,992 million (down 12.7% year on year) and an operating loss was ¥2,600 million (in contrast to an operating loss of ¥14,710 million for the previous fiscal year).

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## 5. Changes in Assets and Results of Operation

[After Correction]

(Millions of yen)

| | 139th term | 140th term | 141st term | 142nd term |
|---|---|---|---|---|
| Net sales | 1,061,786 | 1,128,875 | 980,803 | 883,086 |
| Ordinary income | 78,346 | 97,312 | 25,679 | 46,075 |
| Net income (loss) | 46,962 | 54,625 | (50,561) | 52,527 |
| Net income (loss) per share (Yen) | 173.69 | 202.11 | (188.85) | 194.90 |
| Total assets | 1,002,665 | 1,217,172 | 1,038,253 | 1,104,528 |
| Net assets | 224,951 | 244,281 | 110,907 | 163,131 |
| Net assets per share (Yen) | 792.72 | 861.58 | 387.31 | 576.63 |

Notes:
1. In the 140th term, the addition of Gyrus Group PLC (current Gyrus Group Limited) in the scope of consolidation resulted in an increase in total assets from the end of the previous fiscal year.
2. See "I Review of Group Operations 1. Review of Operations" on pages 78 to 79 above for details on results for the 142nd term (current fiscal year).
3. Owing to the correction of improper accounting treatment, at the beginning of the 139th term, there was a ¥118,353 million reduction in retained earnings to account for the corresponding loss.

[Before Correction]

(Millions of yen)

| | 139th term | 140th term | 141st term | 142nd term |
|---|---|---|---|---|
| Net sales | 1,061,786 | 1,128,875 | 980,803 | 883,086 |
| Ordinary income | 76,226 | 93,085 | 18,390 | 45,115 |
| Net income (loss) | 47,799 | 57,969 | (114,810) | 47,763 |
| Net income (loss) per share (Yen) | 176.79 | 214.48 | (428.83) | 177.22 |
| Total assets | 1,091,800 | 1,358,349 | 1,106,318 | 1,152,227 |
| Net assets | 344,871 | 367,876 | 168,784 | 216,891 |
| Net assets per share (Yen) | 1,236.34 | 1,318.65 | 603.92 | 775.76 |

Notes:
1. In the 140th term, the addition of Gyrus Group PLC (current Gyrus Group Limited) in the scope of consolidation resulted in an increase in total assets from the end of the previous fiscal year.
2. See "I Review of Group Operations 1. Review of Operations" on pages 3 to 4 above for details on results for the 142nd term (current fiscal year).

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## 6. Major Parent Companies and Subsidiaries

(2) Major subsidiaries

[After Correction]

There are 172 consolidated subsidiaries, including the following 6 major subsidiaries, and 8 equity-method companies.

[Before Correction]

There are 167 consolidated subsidiaries, including the following 6 major subsidiaries, and 8 equity-method companies.

142nd Term

After Correction

# Consolidated Balance Sheet

(As of March 31, 2010)

(Millions of yen)

| Accounts | Amount | Accounts | Amount |
|---|---|---|---|
| **ASSETS:** | | **LIABILITIES:** | |
| **Current assets** | **532,145** | **Current liabilities** | **339,246** |
| Cash and time deposits | 206,783 | Notes and accounts payable | 74,074 |
| Notes and accounts receivable | 154,239 | Short-term borrowings | 93,933 |
| Merchandise and finished goods | 57,042 | Current maturities of bonds | 20,040 |
| Work in process | 18,910 | Accrued expenses | 59,816 |
| Raw materials and supplies | 14,007 | Income taxes payable | 23,892 |
| Deferred income taxes | 39,063 | Provision for product warranties | 9,708 |
| Other current assets | 44,837 | Other current liabilities | 57,783 |
| Allowance for doubtful accounts | (2,736) | | |
| | | **Non-current liabilities** | **602,151** |
| **Fixed assets** | **572,383** | Long-term bonds, less current maturities | 110,360 |
| **Property, plant and equipment** | **143,561** | Long-term borrowings, less current maturities | 437,148 |
| Buildings and structures | 67,986 | Severance and retirement allowance | 19,888 |
| Machinery and equipment | 13,539 | Severance and retirement allowance for directors and corporate auditors | 147 |
| Tools, furniture and fixtures | 36,648 | Other non-current liabilities | 34,608 |
| Land | 19,048 | **Total liabilities** | **941,397** |
| Lease assets | 3,877 | | |
| Construction in progress | 2,463 | **NET ASSETS:** | |
| | | **Shareholders' equity** | **214,081** |
| **Intangible fixed assets** | **216,030** | Common stock | 48,332 |
| Goodwill | 144,900 | Capital surplus | 55,166 |
| Others | 71,130 | Retained earnings | 114,719 |
| | | Treasury stock, at cost | (4,136) |
| **Investments and other assets** | **212,792** | | |
| Investment securities | 78,448 | **Valuation and translation adjustments** | **(58,409)** |
| Deferred income taxes | 9,768 | Net unrealized holding gains (losses) on available-for-sale securities, net of taxes | 8,020 |
| Investment fund assets | 65,880 | Net unrealized gains (losses) on hedging derivatives, net of taxes | (438) |
| Other assets | 65,481 | Foreign currency translation adjustments | (65,991) |
| Allowance for doubtful accounts | (6,785) | **Minority interests** | **7,459** |
| | | **Total net assets** | **163,131** |
| **Total assets** | **1,104,528** | **Total liabilities and net assets** | **1,104,528** |

Before Correction (Reference)

# Consolidated Balance Sheet

(As of March 31, 2010)

(Millions of yen)

| Accounts | Amount | Accounts | Amount |
|---|---|---|---|
| **ASSETS:** | | **LIABILITIES:** | |
| **Current assets** | **532,876** | **Current liabilities** | **332,442** |
| Cash and time deposits | 206,783 | Notes and accounts payable | 74,074 |
| Notes and accounts receivable | 154,239 | Short-term borrowings | 93,933 |
| Merchandise and finished goods | 57,042 | Current maturities of bonds | 20,040 |
| Work in process | 18,910 | Accrued expenses | 59,816 |
| Raw materials and supplies | 14,738 | Income taxes payable | 17,088 |
| Deferred income taxes | 39,063 | Provision for product warranties | 9,708 |
| Other current assets | 44,837 | Other current liabilities | 57,783 |
| Allowance for doubtful accounts | (2,736) | **Non-current liabilities** | **602,894** |
| | | Long-term bonds, less current maturities | 110,360 |
| **Fixed assets** | **619,351** | Long-term borrowings, less current maturities | 437,148 |
| **Property, plant and equipment** | **144,494** | Severance and retirement allowance | 19,888 |
| Buildings and structures | 68,124 | Severance and retirement allowance for directors and corporate auditors | 147 |
| Machinery and equipment | 14,300 | Other non-current liabilities | 35,351 |
| Tools, furniture and fixtures | 36,665 | **Total liabilities** | **935,336** |
| Land | 19,065 | | |
| Lease assets | 3,877 | **NET ASSETS:** | |
| Construction in progress | 2,463 | **Shareholders' equity** | **267,600** |
| | | Common stock | 48,332 |
| **Intangible fixed assets** | **265,646** | Capital surplus | 55,166 |
| Goodwill | 194,065 | Retained earnings | 168,238 |
| Others | 71,581 | Treasury stock, at cost | (4,136) |
| **Investments and other assets** | **209,211** | **Valuation and translation adjustments** | **(58,168)** |
| Investment securities | 140,271 | Net unrealized holding gains (losses) on available-for-sale securities, net of taxes | 9,101 |
| Deferred income taxes | 9,492 | Net unrealized gains (losses) on hedging derivatives, net of taxes | (438) |
| Other assets | 60,718 | Foreign currency translation adjustments | (66,831) |
| Allowance for doubtful accounts | (1,270) | **Minority interests** | **7,459** |
| | | **Total net assets** | **216,891** |
| **Total assets** | **1,152,227** | **Total liabilities and net assets** | **1,152,227** |

142nd Term

After Correction

## Consolidated Statement of Income

(April 1, 2009 to March 31, 2010)

(Millions of yen)

| Accounts | Amount |
|---|---|
| Net sales | 883,086 |
| Cost of sales | 474,801 |
| **Gross profit** | **408,285** |
| Selling, general and administrative expenses | 347,125 |
| **Operating income** | **61,160** |
| Non-operating income | 6,518 |
| Interest income | 1,123 |
| Net income of investment in affiliated companies carried on the equity method | 306 |
| Foreign currency exchange gain | 1,367 |
| Others | 3,722 |
| Non-operating expenses | 21,603 |
| Interest expenses | 12,413 |
| Others | 9,190 |
| **Ordinary income** | **46,075** |
| Extraordinary income | 51,986 |
| Gain on sales of investment securities in subsidiaries and affiliates | 2,536 |
| Gain on sales of investment securities | 717 |
| Gain on transfer of business | 47,674 |
| Others | 1,059 |
| Extraordinary losses | 7,358 |
| Impairment loss on fixed assets | 1,699 |
| Loss on sales of investment securities in subsidiaries and affiliates | 107 |
| Loss on sales of investment securities | 316 |
| Loss on valuation of investment securities | 3,043 |
| Amortization of goodwill | 1,064 |
| Loss on funds invested | 499 |
| Others | 630 |
| **Income before provision for income taxes** | **90,703** |
| Income taxes, current | 34,546 |
| Income taxes, deferred | 3,455 |
| Minority interest in income of consolidated subsidiaries | 175 |
| **Net income** | **52,527** |

Before Correction (Reference)

# Consolidated Statement of Income

(April 1, 2009 to March 31, 2010)

(Millions of yen)

| Accounts | Amount |
|---|---|
| Net sales | 883,086 |
| Cost of sales | 474,842 |
| **Gross profit** | **408,244** |
| Selling, general and administrative expenses | 348,095 |
| **Operating income** | **60,149** |
| Non-operating income | 6,317 |
| Interest income | 1,123 |
| Net income of investment in affiliated companies carried on the equity method | 306 |
| Foreign currency exchange gain | 1,367 |
| Others | 3,521 |
| Non-operating expenses | 21,351 |
| Interest expenses | 12,413 |
| Others | 8,938 |
| **Ordinary income** | **45,115** |
| Extraordinary income | 51,986 |
| Gain on sales of investment securities in subsidiaries and affiliates | 2,536 |
| Gain on sales of investment securities | 717 |
| Gain on transfer of business | 47,674 |
| Others | 1,059 |
| Extraordinary losses | 10,897 |
| Impairment loss on fixed assets | 1,353 |
| Loss on sales of investment securities in subsidiaries and affiliates | 107 |
| Loss on sales of investment securities | 393 |
| Loss on valuation of investment securities | 6,080 |
| Amortization of goodwill | 2,334 |
| Others | 630 |
| **Income before provision for income taxes** | **86,204** |
| Income taxes, current | 34,938 |
| Income taxes, deferred | 3,328 |
| Minority interest in income of consolidated subsidiaries | 175 |
| **Net income** | **47,763** |

142nd Term

After Correction

# Consolidated Statement of Changes in Net Assets

(April 1, 2009 to March 31, 2010)

(Millions of yen)

| Items | Shareholders' equity | | | | |
|---|---|---|---|---|---|
| | Common stock | Capital surplus | Retained earnings | Treasury stock, at cost | Total Shareholders' equity |
| Balance at March 31, 2009 | 48,332 | 73,049 | 52,124 | (12,874) | 160,631 |
| Changes during the year<br>Cash dividends paid | | | (4,050) | | (4,050) |
| Net income | | | 52,527 | | 52,527 |
| Transfer to retained earnings from capital surplus | | (14,325) | 14,325 | | – |
| Adjustment on projected benefit obligation of the consolidated subsidiary in the United States | | | (207) | | (207) |
| Acquisition of treasury stock | | | | (21) | (21) |
| Disposal of treasury stock | | (3,558) | | 8,759 | 5,201 |
| Net changes in items other than shareholders' equity | | | | | |
| Net changes during the year | – | (17,883) | 62,595 | 8,738 | 53,450 |
| Balance at March 31, 2010 | 48,332 | 55,166 | 114,719 | (4,136) | 214,081 |

| Items | Valuation and translation adjustments | | | | Minority interests | Total net assets |
|---|---|---|---|---|---|---|
| | Net unrealized holding gains (losses) on available-for-sale securities, net of taxes | Net unrealized gains (losses) on hedging derivatives, net of taxes | Foreign currency translation adjustments | Total valuation and translation adjustments | | |
| Balance at March 31, 2009 | (2,311) | (1,330) | (53,503) | (57,144) | 7,420 | 110,907 |
| Changes during the year<br>Cash dividends paid | | | | | | (4,050) |
| Net income | | | | | | 52,527 |
| Transfer to retained earnings from capital surplus | | | | | | – |
| Adjustment on projected benefit obligation of the consolidated subsidiary in the United States | | | | | | (207) |
| Acquisition of treasury stock | | | | | | (21) |
| Disposal of treasury stock | | | | | | 5,201 |
| Net changes in items other than shareholders' equity | 10,331 | 892 | (12,488) | (1,265) | 39 | (1,226) |
| Net changes during the year | 10,331 | 892 | (12,488) | (1,265) | 39 | 52,224 |
| Balance at March 31, 2010 | 8,020 | (438) | (65,991) | (58,409) | 7,459 | 163,131 |

Before Correction (Reference)

## Consolidated Statement of Changes in Net Assets

(April 1, 2009 to March 31, 2010)

(Millions of yen)

| Items | Shareholders' equity | | | | |
|---|---|---|---|---|---|
| | Common stock | Capital surplus | Retained earnings | Treasury stock, at cost | Total Shareholders' equity |
| Balance at March 31, 2009 | 48,332 | 73,049 | 110,407 | (12,874) | 218,914 |
| Changes during the year<br>Cash dividends paid | | | (4,050) | | (4,050) |
| Net income | | | 47,763 | | 47,763 |
| Transfer to retained earnings from capital surplus | | (14,325) | 14,325 | | – |
| Adjustment on projected benefit obligation of the consolidated subsidiary in the United States | | | (207) | | (207) |
| Acquisition of treasury stock | | | | (21) | (21) |
| Disposal of treasury stock | | (3,558) | | 8,759 | 5,201 |
| Net changes in items other than shareholders' equity | | | | | |
| Net changes during the year | – | (17,883) | 57,831 | 8,738 | 48,686 |
| Balance at March 31, 2010 | 48,332 | 55,166 | 168,238 | (4,136) | 267,600 |

| Items | Valuation and translation adjustments | | | | Minority interests | Total net assets |
|---|---|---|---|---|---|---|
| | Net unrealized holding gains (losses) on available-for-sale securities, net of taxes | Net unrealized gains (losses) on hedging derivatives, net of taxes | Foreign currency translation adjustments | Total valuation and translation adjustments | | |
| Balance at March 31, 2009 | (1,457) | (1,330) | (54,763) | (57,550) | 7,420 | 168,784 |
| Changes during the year<br>Cash dividends paid | | | | | | (4,050) |
| Net income | | | | | | 47,763 |
| Transfer to retained earnings from capital surplus | | | | | | – |
| Adjustment on projected benefit obligation of the consolidated subsidiary in the United States | | | | | | (207) |
| Acquisition of treasury stock | | | | | | (21) |
| Disposal of treasury stock | | | | | | 5,201 |
| Net changes in items other than shareholders' equity | 10,558 | 892 | (12,068) | (618) | 39 | (579) |
| Net changes during the year | 10,558 | 892 | (12,068) | (618) | 39 | 48,107 |
| Balance at March 31, 2010 | 9,101 | (438) | (66,831) | (58,168) | 7,459 | 216,891 |

142nd Term

After Correction

# Notes to Consolidated Financial Statements

Regarding correction of consolidated financial statements

The Company established a third party committee consisting of members who hold no interests with the Company (Chairman: Tatsuo Kainaka, attorney-at-law; the "Third Party Committee") on November 1, 2011 for the purpose of investigating all transactions regarding the acquisitions of Gyrus Group PLC ("Gyrus") and three domestic subsidiaries (Altis Co., Ltd., NEWS CHEF, Inc. and Humalabo Co., Ltd.), from the beginning of examination of each acquisition to the time of closing of each transaction. The Company then received an investigation report issued by the Third Party Committee on December 6, 2011, which contained details of the situation regarding the Company's postponing of recognition of losses and its settlement of such losses, and the impact of these actions. The investigation by the Third Party Committee revealed that the Company incurred large losses on securities investments, derivative transactions, etc. from the 1990's, and postponed the recognition of the losses. It also revealed that, by means such as going through multiple funds, the Company used the acquisition funds for the three domestic subsidiaries, as well as the fees paid to financial advisors and the funds to buy back preferred shares in connection with the acquisition of Gyrus, for purposes including settling hidden losses on securities investments incurred from the Company's past postponement of the recognition of losses.
The Company judged that there were significant errors in the consolidated financial statements for the five fiscal years including and following the fiscal year ended March 31, 2007. The Company then remade the relevant consolidated financial statements in order to recognize the hidden losses, which had previously been treated as outside the scope of consolidation due to the Company's past postponement of the recognition of losses, etc., as losses of the Company for the relevant past fiscal years, with corrections of the associated errors.

## Important Items That Form the Basis for Preparing the Consolidated Financial Statements

1. Scope of consolidation
   (1) Number of consolidated subsidiaries and names of principal consolidated subsidiaries
      Number of consolidated subsidiaries: 172
      Principal consolidated subsidiaries:
         Olympus Medical Systems Corp., Olympus Imaging Corp., Aizu Olympus Co., Ltd.,
         Shirakawa Olympus Co., Ltd., Aomori Olympus Co., Ltd., Olympus Opto-Technology Co., Ltd.,
         ITX Corporation, Olympus Europa Holding GmbH,
         Olympus America Inc. and Olympus Hong Kong and China Limited
      The following 5 receiver funds (Note) determined to be used to segregate hidden losses on financial assets, derivative transactions, etc., and to be substantially controlled by the Company, are included in the scope of consolidation.
      - SG Bond Plus Fund
      - Central Forest Corporation
      - Creative Dragons SPC-Sub Fund E

● Easterside Investments Limited

● Twenty-First Century Global Fixed Income Fund Limited

Note: This term refers to a number of receiver funds that served as assignees of financial assets, derivative transactions, etc. (collectively, the "Receiver Funds") as the Company incurred large losses from securities investments, derivative transactions, etc. from the 1990's and segregated the hidden losses beginning with the fiscal year ended March 31, 2000 with the intention of postponing the recognition of the losses.

Newly added consolidated subsidiaries: 9

Olympus Istanbul Optical Products Trading and Service AS, ITX Communications Corporation and other 7 companies

Olympus Istanbul Optical Products Trading and Service AS and other 4 companies are newly established subsidiaries during the fiscal year ended March 31, 2010.
ITX Communications Corporation and another company have been included into consolidation through equity participation carried out during the fiscal year.
Media Hanshin Co., Ltd. has been included into consolidation due to additional acquisition of shares during the fiscal year.
FEED CORPORATION has been switched from a non-consolidated subsidiary accounted for under the equity method to a consolidated subsidiary due to increase in materiality during the fiscal year.

Excluded companies: 31

Beckman Coulter Mishima K.K. (formerly known as Mishima Olympus Co., Ltd.), IT Telecom Inc. and other 29 companies

Beckman Coulter Mishima K.K. (formerly known as Mishima Olympus Co., Ltd.) and other 10 companies have been excluded from consolidated subsidiaries due to sale of shares during the fiscal year.
IT Telecom Inc. and other 9 companies have been excluded from consolidated subsidiaries due to merger with other consolidated subsidiaries during the fiscal year.
EP Operation Corp. and other 8 companies have been excluded from consolidated subsidiaries due to liquidation during the fiscal year.
Olympus UK Acquisitions Ltd. has been excluded from consolidated subsidiaries due to decrease in materiality.

(2) Names and other information of principal non-consolidated subsidiaries

Principal non-consolidated subsidiaries:

Radio Cafe, Inc., LA PLANTA CO., LTD. and Olympus Memory Works Corp.

The 13 non-consolidated subsidiaries are all small and not material when measured by the impact of total amounts of assets, net sales, net income, and retained earnings (based on the Company's ownership percentage) of those companies on consolidated financial documents. They have therefore been excluded from the scope of consolidation.

2. Application of the equity method

(1) Number of non-consolidated subsidiaries and affiliates accounted for under the equity method and names of principal companies, etc.

Non-consolidated subsidiaries accounted for under the equity method: 1

Principal subsidiary:

Radio Cafe, Inc.

Affiliated companies accounted for under the equity method: 7

Principal affiliated companies:

ORTEK Corporation, Adachi Co., Ltd. and Olympus Cytori Inc.

Excluded companies: 12

FEED CORPORATION, Media Hanshin Co., Ltd. and other 10 companies

FEED CORPORATION has been switched from a non-consolidated subsidiary accounted for under the equity method to a consolidated subsidiary due to increase in materiality from the fiscal year under review. Media Hanshin Co., Ltd. has been switched from an affiliated company accounted for under the equity method to a consolidated subsidiary due to additional purchase of treasury stock during the fiscal year. ITX Capital Innovation Co., Ltd. and other 8 companies have excluded from affiliated companies accounted for under the equity method due to sale of shares during the fiscal year.
Aplix Solutions, Inc. has been excluded from affiliated companies accounted for under the equity method due to liquidation during the fiscal year.

(2) LA PLANTA CO., LTD. and other 11 non-consolidated subsidiaries and 9 affiliated companies have not been accounted for under the equity method because the impact of all those companies on consolidated net income and retained earnings is not material.

3. Items concerning accounting principles

(1) Important asset valuation principles and methods

(a) Securities

| | |
|---|---|
| Held-to-maturity securities | Amortized cost method |
| Other securities | |
| Items with market value | Market value method based on fair market value on the account settlement date (the net unrealized gains and losses on these securities are reported as a separate component of net assets, and the cost of sales is calculated by the moving-average method) |
| Items without market value | Cost method based on the moving-average method |

Contributions to limited liability partnerships engaged in investment business and similar partnerships (contributions deemed as securities as per Article 2, Paragraph 2 of the Financial Instruments and Exchange Act) are reported using a method that treats the amount (net) equivalent to the equity ownership portion based on the latest available financial statements depending on the reporting date stipulated in the partnership agreement.

(b) Claims and liabilities from derivatives transactions

Market value method

(c) Inventories — Mainly reported using the First-in First-out cost method (for the value stated in the balance sheet, the book value is written down based on the decreased profitability)

(2) Depreciation and amortization method for important depreciated and amortized assets

(a) Property, plant and equipment (excluding lease assets)

Mainly by the declining balance method

Vehicles, tools and fixtures — Mainly based on useful lives as per the Corporate Tax Law

Other property, plant and equipment — Mainly based on useful lives prescribed by the Company determined in accordance with estimated functional useful years

(b) Intangible fixed assets (excluding lease assets)

Straight-line method

Mainly based on estimated useful lives

Software for internal use is reported using the usable period within the Company (3 to 5 years).

(c) Lease assets

Lease assets are calculated on the straight-line method over the lease period as the useful lives and assuming no residual value.

The accounting treatment for finance lease transactions not involving the transfer of ownership whose transaction commenced on or before March 31, 2008 follows the same method as for ordinary operating lease transactions.

(3) Accounting method for important allowances and reserves

(a) Allowance for doubtful accounts

To provide for losses due to unrecoverable claims such as accounts receivable and loans receivable, ordinary claims are accounted using the historical loan loss ratio and doubtful and other specified claims are reported in amounts expected to be unrecoverable considering the recoverability of each claim separately.

(b) Provision for product warranties

Due to the accounting of after service cost expected within the guarantee period with respect to products sold, the provision for product warranties is accounted using prescribed standards based on actually incurred past after service cost.

(c) Severance and retirement allowance

To provide for severance and retirement benefit payments to employees, the cost recognized as occurring at the end of the current fiscal year is accounted based on the severance and retirement liabilities and pension assets as of the end of the current fiscal year.

Pertaining to past service liabilities, the pro-rata amount calculated using a fixed number of years (mainly 5 years) within the average remaining service period of employees at the time of occurrence of such past service liabilities is accounted as an expense.

Pertaining to the actuarial difference, the pro-rata amount calculated using a fixed number of years (mainly 5 years) within the average remaining service period of employees at the time of occurrence of such actuarial difference is accounted as an expense starting from the following fiscal year.

(Changes to accounting policy)

From the current fiscal year, the Company adopted “Partial Amendment to Accounting Standard for Retirement Benefits (Part. 3)” (ASBJ Statement No. 19, published July 31, 2008).

The Company does not record any changes to retirement benefit obligations upon adopting the Accounting Standard.

(d) Severance and retirement allowance for directors and corporate auditors

To provide for outlays for severance and retirement benefit payments for directors and corporate auditors, the necessary payment amount at the end of the fiscal year is accounted by domestic consolidated subsidiaries based on their respective internal regulations.

(4) Other important items that form the basis for preparing consolidated financial statements

(a) Treatment method for important deferred assets

Stock issuance expense and bond issuance expense

Total expense recorded at the time of occurrence

(b) Important hedge accounting methods

The deferred hedge treatment method is used. Foreign currency-denominated monetary claims and liabilities under foreign exchange forward contracts are accounted by translation at the foreign exchange rate stipulated in the contracts. Pertaining to interest rate swaps, a special treatment is used for those whose requirements for special treatment are satisfied.

Hedging instruments and hedged items

Hedging instruments　　Foreign exchange forward contracts, currency option

| | |
|---|---|
| | contracts, currency swap contracts, interest rate swap contracts |
| Hedged items | Forecasted transactions for foreign currency-denominated monetary claims and liabilities, borrowings |

Hedging policy

Foreign exchange rate fluctuation risk and interest rate fluctuation risk are hedged based on internal regulations that stipulate authorization relating to derivatives and transaction limits.

Hedging effect evaluation method

The effect is evaluated by checking whether there exists a high correlation among the value fluctuations of hedged items, the cash flow and hedging instruments.

(c) Treatment of consumption taxes

Treated using a tax exclusive method.

(d) Application of a consolidated tax payment system

A consolidated tax payment system under designating Olympus Corporation as the parent company is adopted at the Company and some of its consolidated subsidiaries.

(e) Item concerning the amortization of goodwill

Goodwill is amortized equally mainly over a period of 5 to 20 years.

4. Items concerning the valuation of the assets and liabilities of consolidated subsidiaries

The assets and liabilities of consolidated subsidiaries are fully evaluated using the fair market value at the time when the Company acquired control of the respective subsidiaries.

5. Changes in important items that form the basis for preparing the consolidated financial statements

Changes to the method of accounting for sales and cost of sales of stocks in the small business development business

In regard to stocks of the small business development business of ITX Corporation, a consolidated subsidiary of the Company, the Company previously accounted for sales price as sales and book value and loss on valuation of stocks subject to sales as cost of sales. However, with changes to its investment policies, the Company adopted a method whereby gains and losses on sales of such stocks are recorded as extraordinary gains and losses from the current fiscal year.

The impact of this change on gross profit and operating income is immaterial.

142nd Term

**Notes to Consolidated Balance Sheet**

1. Assets pledged as collateral and obligations secured by such collateral

(1) Assets pledged as collateral

| | |
|---|---|
| Notes and accounts receivable | ¥457 million |
| Inventories | ¥274 million |
| Buildings and structures | ¥1,554 million |
| Machinery and equipment | ¥419 million |
| Investment securities | ¥38 million |
| Total | ¥2,742 million |

(2) Obligations secured by such collateral

| | |
|---|---|
| Long-term borrowings, less current maturities | ¥383 million |
| Short-term borrowings | ¥119 million |

2. Accumulated depreciation for property, plant and equipment

¥230,450 million

3. Liabilities for guarantees

| (Guaranteed party) | (Description of guarantee) | (Amount) |
|---|---|---|
| Employees | Housing fund loans | ¥225 million |
| Other | Bank loans, etc. | ¥1,081 million |
| Total | | ¥1,306 million |

4. Notes receivable discounted ¥519 million

(including discounted bills of exchange for export) ¥519 million

Notes received endorsed for transfer ¥34 million

5. Investment fund assets

Assets held by the Receiver Funds are presented in bulk as “investment fund assets.” This is because the operating assets of the Receiver Funds are, unlike usual investments by the Company, managed in an integrated manner in a series of transactional schemes. These “investment fund assets” include mainly deposits and investment securities. However, since related materials, etc. were not fully maintained, the Company corrected the consolidated financial statements by obtaining accounting information from outside persons related with the schemes.

6. Allowance for doubtful accounts

¥4,763 million of allowance for doubtful accounts is the amount expected to be unrecoverable with respect to ¥4,763 million of long-term accounts receivable-other that is commission fees related to Receiver Funds, which are mentioned in scope of consolidation, and included as an excess amount in “other assets” under investments and other assets. Although these fees were paid to the external partners of multiple Receiver Funds, the Company plans to request payment from these external partners of Receiver Funds because the fees were not agreed.

**Notes to Consolidated Statement of Income**

1. Extraordinary losses

¥499 million of “loss on funds invested” under extraordinary losses mainly consists of commission fees pertaining to management of receiver fund assets.

**Notes to Consolidated Statement of Changes in Net Assets**

1. Total number of issued shares at the end of the current fiscal year 271,283,608 shares

2. Items concerning dividends
 (1) Paid dividends

| Resolution | Class of shares | Total dividends (Millions of yen) | Dividend per share (Yen) | Record date | Effective date |
|---|---|---|---|---|---|
| Board of Directors' meeting held on November 6, 2009 | Common stock | 4,050 | 15.00 | September 30, 2009 | December 4, 2009 |
| Total | – | 4,050 | – | – | – |

 (2) Dividends whose record date falls in the current fiscal year and have an effective date in the next fiscal year
 In the agenda of the General Meeting of Shareholders to be held on June 29, 2010, the Company proposes the following regarding dividends of common stocks:
 (a) Total dividends ¥4,049 million
 (b) Dividend per share ¥15.00
 (c) Record date March 31, 2010
 (d) Effective date June 30, 2010

 (3) Other
 As dividends were already paid in accordance with the procedures based on the resolution by the Board of Directors, the amount of retained earnings was determined after subtracting the dividends.

**Notes to Financial Instruments**

1. Items concerning status of financial instruments
 With regard to fund management, the Olympus Group primarily uses short-term deposits. For financing, it uses loans from bank and other financial institutions and bond issuances.
 Notes and accounts receivable-trade, which are exposed to customer credit risks, are hedged based on internal regulations. Further, market prices of investment securities are checked on a quarterly basis.
 We use loans to fund working capital (mainly, short-term) and business investments (long-term). We hedge interest rate fluctuation risks using interest rate swaps for some long-term borrowings. Our policy for derivatives is to use them based only on actual demand, in accordance with internal regulations.
 "Investment fund assets" was used to segregate and settle large amounts of hidden losses on securities investment and derivative transactions.
 With the intention of postponing the recognition of these losses, beginning with the fiscal year ended March 31, 2000, the Company segregated the financial assets, derivative transactions, etc. on which there were hidden losses to a number of non-consolidated Receiver Funds. In order to enable the Receiver Funds to purchase the assets on which there were hidden losses at their contractual value, the Company caused the banks to make loans to the Receiver Funds with the Company's deposits, etc. pledged as collateral. The Company also established business investment funds and channeled moneys from them to the Receiver Funds

(hereinafter, the deposits, etc., used to channel moneys into the Receiver Funds and the capital contributions into the business investment funds shall be referred to as the “Designated Assets”). In this way, the Company in substance bore the losses that were segregated through the Designated Assets used to procure moneys. These Designated Assets, which were made necessary by the segregation of losses, were recovered in 2007 and after by circulating the acquisition funds for a number of subsidiaries (Altis Co., Ltd., News Chef, Inc. and HumaLabo Co., Ltd.), the fees paid to financial advisors for the acquisition of Gyrus Group PLC, and the funds for repurchase of preferred shares, back into the funds with the agreement of the payees. On the recovery of the Designated Assets, the funds were liquidated and the segregated losses were settled.

2. Items concerning fair value of financial instruments

Consolidated balance sheet amounts and fair value as of March 31, 2010 (consolidated balance sheet date for the current fiscal year), and their variances, of financial instruments are as follows. However, financial instruments that have low materiality and whose fair value is deemed to be extremely difficult to compute are not included (please refer to Note 2).

(Millions of yen)

| | Consolidated balance sheet amount | Fair value | Variance |
|---|---|---|---|
| (1) Cash and time deposits | 206,783 | 206,783 | – |
| (2) Notes and accounts receivable | 154,239 | 154,239 | – |
| (3) Investment securities | 56,192 | 56,192 | – |
| (4) Investment fund assets | 65,880 | 65,880 | – |
| Total assets | 483,094 | 483,094 | – |
| (5) Notes and accounts payable | 74,074 | 74,074 | – |
| (6) Short-term borrowings | 75,073 | 75,073 | – |
| (7) Bonds (including current maturities of bonds) | 130,400 | 130,484 | 84 |
| (8) Long-term borrowings, less current maturities (including current maturities of long-term borrowings) | 456,008 | 458,392 | 2,384 |
| Total liabilities | 735,555 | 738,023 | 2,468 |
| (9) Derivatives | (1,380) | (1,380) | – |

* Net receivables and payables arising from derivative transactions are shown in net amounts. Figures in parentheses are posted to liabilities.

Note 1: Items concerning the method of computing the fair value of financial instruments

(1) Cash and time deposits, and (2) Notes and accounts receivable

Because these accounts are settled in a short period, their fair value is nearly equal to their book value. Therefore, book value is taken to be fair value.

(3) Investment securities

The fair value of stocks is the price on the relevant stock exchange, while that of bonds and investment trusts is the price on the relevant stock exchange or price presented by financial institutions with which the Company does business.

(4) Investment fund assets

Investment fund assets consists mainly of cash and time deposits, deposits and bonds. Regarding the fair value of these assets, for cash and time deposits and deposits it is taken to be book value. This is because the fair value of such assets is nearly equal to book value as they are settled in a short period. For bonds, fair value is the price presented by financial institutions with which the Company does business.

(5) Notes and accounts payable, and (6) Short-term borrowings

Because these accounts are settled in a short period, their fair values are nearly equal to their book values. Therefore, book value is taken to be fair value.

(7) Bonds

The fair value of bonds issued by the Company is its present value at which the sum of principals is calculated at the rate obtained in consideration of the remaining periods of bonds and credit risks.

(8) Long-term borrowings, less current maturities

Fair value is the value at which the sum of principals is calculated at the rate obtained assuming that a similar loan is newly provided. Long-term borrowings with a variable interest rate are subject to special treatment of interest rate swaps (refer to Item (9)). The fair value of such a loan is the value at which the sum of principals, which is treated in combination with the said interest rate swap, is calculated at a reasonable rate obtained under the assumption that a similar loan is newly provided.

(9) Derivatives

The fair value of a derivative is the price presented by financial institutions with which the Company does business and entered into an agreement.

Derivatives that are subject to special treatment of interest rate swaps and are translated at a foreign exchange rate to foreign currency-denominated accounts receivable are treated together with hedged items, and the fair value of such derivatives is therefore included in the fair value of the hedged items.

Note 2: Financial instruments whose fair values are deemed to be extremely difficult to compute

(Millions of yen)

| Classification | Consolidated balance sheet amount |
|---|---|
| (1) Unlisted shares | 19,281 |
| (2) Unlisted foreign bonds | 1,303 |
| (3) Other | 1,671 |
| Total | 22,255 |

These items do not have market prices and a considerable cost is likely to be incurred to estimate future cash flow. They are not therefore included in “(3) Investment securities” because it is deemed to be extremely difficult to compute their fair value.

(Additional information)

From the current fiscal year, the Company adopted “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, published March 10, 2008) and “Guidance on Disclosures about Fair Values of Financial Instruments” (ASBJ Guidance No. 19, published March 10, 2008).

**Notes to Per-Share Information**

1. Net assets per share ¥576.63
2. Net loss per share ¥194.90

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**Notes to Significant Subsequent Events**

(Establishment of Significant Subsidiary)

The Company resolved, at a meeting of its Board of Directors held on May 11, 2010 to establish a subsidiary.

1. Purpose of establishment

The new company was established for the purposes of sharing management resources related to new business creation within the Olympus Group to strengthen the total might of the Group, and of reforming the management system to one that is more efficient so as to accelerate the discovery and development of new businesses. The new company was established in May 2010 and operations are scheduled to start upon the injection of a ¥20-billion-scale of capital investment in July 2010 after the transfer of management resources related to the various new business creation activities of the Company and the Company's consolidated subsidiary ITX Corporation.

2. Overview of subsidiary

| | | |
|---|---|---|
| (1) Name | Olympus Business Creation Corp. | |
| (2) Business activities | Discovery and development of new business, and the business management of fledgling subsidiaries | |
| (3) Capital | At time of establishment | ¥5 million (tentative) |
| | After capital injection | ¥11 billion (tentative) |

3. Date of establishment

May 2010 (tentative)

4. Equity ratio

The Company 80% (ITX Corporation is planned to invest 20%)

**Notes to Other Matters**

1. Future conditions

Following the Company's announcement on November 8, 2011 concerning its postponing of recognition of losses on securities investments, etc., investigations by domestic and overseas investigative authorities, supervisory bodies and other public bodies (including those in the U.K. and U.S.) have begun. The consolidated financial statements may be amended if any further important information comes to light in such investigations in the future. Furthermore, as a result of inappropriate financial reporting by the Company, parties such as holders of its American Depositary Receipts (ADRs) have filed a lawsuit against the Company, and there is a risk that various shareholders and shareholder groups may claim damages or file lawsuits against the Company for a similar reason.

2. Investment fund assets

As the Company incurred large losses from securities investments, derivative transactions, etc. from the 1990's, with the intention of postponing the recognition of the losses, the Company segregated the financial assets, derivative transactions, etc. on which there were hidden losses to a number of non-consolidated Receiver Funds beginning with the fiscal year ended March 31, 2000. Assets held by the Receiver Funds are presented in bulk as “investment fund assets” in the consolidated balance sheet. This is because the operating assets of the Receiver Funds are, unlike usual investments by the Company, managed in an integrated manner in a series of transactional schemes to segregate and settle the losses. Some board members were aware of the circumstances surrounding the past transactions to segregate and settle the hidden losses. However, as a result of the matters pointed out in the Investigation Report by the Third Party Committee and the Company’s internal investigation, it has come to light that the legal form and the asset management body of each Receiver Fund, and information on the details of operating assets, appraised value, etc. of each Receiver Fund during the period from the loss segregation to the liquidation of each Receiver Fund, were not fully maintained at the Company. Therefore, the Company corrected the consolidated financial statements by obtaining accounting information from outside persons related with the loss segregation and settlement scheme.

3. Investment in Gyrus Group Limited

With regard to the stock options that were granted in February 2008 to financial advisors for an issue price of US$177 million, the financial advisors offered for the Company to repurchase the options, and the Company implemented the repurchase for US$620 million in March 2010. ¥41,218 million, which is the amount translated from the difference between US$620 million and US$177 million, was recognized as goodwill as consideration related to the acquisition of Gyrus Group Limited. The fees to the financial advisors were, in reality, paid to the Receiver Funds that were used to segregate hidden losses on financial assets, derivative transactions, etc. through the financial advisors, and were appropriated to settle the hidden losses. Consequently, the Company judged that ¥41,218 million of goodwill that was presented in the consolidated financial statements has no value as goodwill, and reversed the goodwill.

From the perspective of circulation of funds, ¥57,921 million, which is equivalent to US$620 million, was paid in March 2010, and was appropriated to settle hidden losses by circulating the funds, through financial advisors, to the Receiver Funds that were used to segregate hidden losses on financial assets, derivative transactions, etc. Therefore, ¥63,222 million, a total of this amount and ¥5,301 million of consideration for the repurchase of warrants paid in the previous fiscal year, was appropriated to settle hidden losses. Since these funds are circulated to the Receiver Funds used to segregate hidden losses on financial assets, derivative transactions, etc. as of March 31, 2010, the amount is included in investment fund assets in the consolidated financial statements.

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4. Impairment losses

Impairment losses are accounted for the following asset groups in the current fiscal year.

| Application | Type | Location | Impairment loss |
|---|---|---|---|
| Other business assets | Goodwill | Tokyo and other prefectures | ¥95 million |
| | Buildings and structures | | ¥7 million |
| | Machinery and equipment | | ¥346 million |
| | Tools, furniture and fixtures, etc. | | ¥5 million |
| | Lease assets | | ¥105 million |
| | Software, etc. | | ¥108 million |
| Information & communication business assets | Buildings and structures | Gifu and other prefectures | ¥63 million |
| | Tools, furniture and fixtures, etc. | | ¥10 million |
| | Long-term prepaid expenses | | ¥2 million |
| Company-wide assets | Buildings and structures | Tokyo | ¥44 million |
| | Lease assets | | ¥22 million |
| | Software | | ¥74 million |
| Idle assets | Buildings and structures | New York, U.S.A. | ¥675 million |
| | Buildings and structures | Nagano prefecture | ¥143 million |
| Total | | | ¥1,699 million |

Business assets are grouped by segment by type of business, and idle assets are grouped individually. Pertaining to business assets, because recoverability is not recognized over the estimated future cash flow period due to changes in the business environment, their book value is reduced to the recoverable amount. The recoverable amount is measured according to the value in use. When the value in use is negative based on future cash flow, the recoverable value is considered to be zero (0) for the purposes of calculations.

For idle assets, because market value is substantially lower than book value, book value is reduced to recoverable value. The recoverable value of these asset groups is measured using fair value less cost to sell and is evaluated using a method that deducts estimated sales expenses from estimated sales price.

5. Amortization of goodwill

In accordance with Paragraph 32 of the "Practical Guidelines on Accounting Standards for Capital Consolidation Procedures in Preparing Consolidated Financial Statements" (JICPA Accounting Standard Committee Statement No. 7, March 29, 2007), goodwill was amortized in a lump-sum following impairment of stocks of consolidated subsidiaries.

Before Correction (Reference)

# Notes to Consolidated Financial Statements

## Important Items That Form the Basis for Preparing the Consolidated Financial Statements

1. Scope of consolidation

(1) Number of consolidated subsidiaries and names of principal consolidated subsidiaries

Number of consolidated subsidiaries: 167

Principal consolidated subsidiaries:

Olympus Medical Systems Corp., Olympus Imaging Corp., Aizu Olympus Co., Ltd., Shirakawa Olympus Co., Ltd., Aomori Olympus Co., Ltd., Olympus Opto-Technology Co., Ltd., ITX Corporation, Olympus Europa Holding GmbH, Olympus America Inc. and Olympus Hong Kong and China Limited

Newly added consolidated subsidiaries: 9

Olympus Istanbul Optical Products Trading and Service AS, ITX Communications Corporation and other 7 companies

Olympus Istanbul Optical Products Trading and Service AS and other 4 companies are newly established subsidiaries during the fiscal year ended March 31, 2010.
ITX Communications Corporation and another company have been included into consolidation through equity participation carried out during the fiscal year.
Media Hanshin Co., Ltd. has been included into consolidation due to additional acquisition of shares during the fiscal year.
FEED CORPORATION has been switched from a non-consolidated subsidiary accounted for under the equity method to a consolidated subsidiary due to increase in materiality during the fiscal year.

Excluded companies: 31

Beckman Coulter Mishima K.K. (formerly known as Mishima Olympus Co., Ltd.), IT Telecom Inc. and other 29 companies

Beckman Coulter Mishima K.K. (formerly known as Mishima Olympus Co., Ltd.) and other 10 companies have been excluded from consolidated subsidiaries due to sale of shares during the fiscal year.
IT Telecom Inc. and other 9 companies have been excluded from consolidated subsidiaries due to merger with other consolidated subsidiaries during the fiscal year.
EP Operation Corp. and other 8 companies have been excluded from consolidated subsidiaries due to liquidation during the fiscal year.
Olympus UK Acquisitions Ltd. has been excluded from consolidated subsidiaries due to decrease in materiality.

(2) Names and other information of principal non-consolidated subsidiaries

Principal non-consolidated subsidiaries:

Radio Cafe, Inc., LA PLANTA CO., LTD. and Olympus Memory Works Corp.

The 13 non-consolidated subsidiaries are all small and not material when measured by the impact of total amounts of assets, net sales, net income, and retained earnings (based on the Company's ownership percentage) of those companies on consolidated financial documents. They have therefore been excluded from the scope of consolidation.

2. Application of the equity method

(1) Number of non-consolidated subsidiaries and affiliates accounted for under the equity method and names of principal companies, etc.

Non-consolidated subsidiaries accounted for under the equity method: 1

Principal subsidiary:

Radio Cafe, Inc.

Affiliated companies accounted for under the equity method: 7

Principal affiliated companies:

ORTEK Corporation, Adachi Co., Ltd. and Olympus Cytori Inc.

Excluded companies: 12

FEED CORPORATION, Media Hanshin Co., Ltd. and other 10 companies

FEED CORPORATION has been switched from a non-consolidated subsidiary accounted for under the equity method to a consolidated subsidiary due to increase in materiality from the fiscal year under review.
Media Hanshin Co., Ltd. has been switched from an affiliated company accounted for under the equity method to a consolidated subsidiary due to additional purchase of treasury stock during the fiscal year.
ITX Capital Innovation Co., Ltd. and other 8 companies have excluded from affiliated companies accounted for under the equity method due to sale of shares during the fiscal year.
Aplix Solutions, Inc. has been excluded from affiliated companies accounted for under the equity method due to liquidation during the fiscal year.

(2) LA PLANTA CO., LTD. and other 11 non-consolidated subsidiaries and 9 affiliated companies have not been accounted for under the equity method because the impact of all those companies on consolidated net income and retained earnings is not material.

3. Items concerning accounting principles

(1) Important asset valuation principles and methods

(a) Securities

| | |
|---|---|
| Held-to-maturity securities | Amortized cost method |
| Other securities | |
| Items with market value | Market value method based on fair market value on the account settlement date (the net unrealized gains and losses on these securities are reported as a separate component of net assets, and the cost of sales is calculated by the moving-average method) |
| Items without market value | Cost method based on the moving-average method<br>Contributions to limited liability partnerships engaged in investment business and similar partnerships (contributions deemed as securities as per Article 2, Paragraph 2 of the Financial Instruments and Exchange Act) are reported using a method that treats the amount (net) equivalent to the equity ownership portion based on the latest available financial statements depending on the reporting date stipulated in the partnership agreement. |

(b) Claims and liabilities from derivatives transactions

Market value method

(c) Inventories — Mainly reported using the First-in First-out cost method (for the value stated in the balance sheet, the book value is written down based on the decreased profitability)

(2) Depreciation and amortization method for important depreciated and amortized assets

(a) Property, plant and equipment (excluding lease assets)

Mainly by the declining balance method

| | |
|---|---|
| Vehicles, tools and fixtures | Mainly based on useful lives as per the Corporate Tax Law |
| Other property, plant and equipment | Mainly based on useful lives prescribed by the Company determined in accordance with estimated functional useful years |

(b) Intangible fixed assets (excluding lease assets)

Straight-line method

Mainly based on estimated useful lives

Software for internal use is reported using the usable period within the Company (3 to 5 years).

(c) Lease assets

Lease assets are calculated on the straight-line method over the lease period as the useful lives and assuming no residual value.

The accounting treatment for finance lease transactions not involving the transfer of ownership whose transaction commenced on or before March 31, 2008 follows the same method as for ordinary operating lease transactions.

(3) Accounting method for important allowances and reserves

(a) Allowance for doubtful accounts

To provide for losses due to unrecoverable claims such as accounts receivable and loans receivable, ordinary claims are accounted using the historical loan loss ratio and doubtful and other specified claims are reported in amounts expected to be unrecoverable considering the recoverability of each claim separately.

(b) Provision for product warranties

Due to the accounting of after service cost expected within the guarantee period with respect to products sold, the provision for product warranties is accounted using prescribed standards based on actually incurred past after service cost.

(c) Severance and retirement allowance

To provide for severance and retirement benefit payments to employees, the cost recognized as occurring at the end of the current fiscal year is accounted based on the severance and retirement liabilities and pension assets as of the end of the current fiscal year.

Pertaining to past service liabilities, the pro-rata amount calculated using a fixed number of years (mainly 5 years) within the average remaining service period of employees at the time of occurrence of such past service liabilities is accounted as an expense.

Pertaining to the actuarial difference, the pro-rata amount calculated using a fixed number of years (mainly 5 years) within the average remaining service period of employees at the time of occurrence of such actuarial difference is accounted as an expense starting from the following fiscal year.

(Changes to accounting policy)

From the current fiscal year, the Company adopted “Partial Amendment to Accounting Standard for Retirement Benefits (Part. 3)” (ASBJ Statement No. 19, published July 31, 2008).

The Company does not record any changes to retirement benefit obligations upon adopting the Accounting Standard.

(d) Severance and retirement allowance for directors and corporate auditors

To provide for outlays for severance and retirement benefit payments for directors and corporate auditors, the necessary payment amount at the end of the fiscal year is accounted by domestic consolidated subsidiaries based on their respective internal regulations.

(4) Other important items that form the basis for preparing consolidated financial statements

(a) Treatment method for important deferred assets

Stock issuance expense and bond issuance expense

Total expense recorded at the time of occurrence

(b) Important hedge accounting methods

The deferred hedge treatment method is used. Foreign currency-denominated monetary claims and liabilities under foreign exchange forward contracts are accounted by translation at the foreign exchange rate stipulated in the contracts. Pertaining to interest rate swaps, a special treatment is used for those whose requirements for special treatment are satisfied.

Hedging instruments and hedged items

| | |
|---|---|
| Hedging instruments | Foreign exchange forward contracts, currency option contracts, currency swap contracts, interest rate swap contracts |
| Hedged items | Forecasted transactions for foreign currency-denominated monetary claims and liabilities, borrowings |

Hedging policy

Foreign exchange rate fluctuation risk and interest rate fluctuation risk are hedged based on internal regulations that stipulate authorization relating to derivatives and transaction limits.

Hedging effect evaluation method

The effect is evaluated by checking whether there exists a high correlation among the value fluctuations of hedged items, the cash flow and hedging instruments.

(c) Treatment of consumption taxes

Treated using a tax exclusive method.

(d) Application of a consolidated tax payment system

A consolidated tax payment system under designating Olympus Corporation as the parent company is adopted at the Company and some of its consolidated subsidiaries.

(e) Item concerning the amortization of goodwill

Goodwill is amortized equally mainly over a period of 5 to 20 years.

4. Items concerning the valuation of the assets and liabilities of consolidated subsidiaries

The assets and liabilities of consolidated subsidiaries are fully evaluated using the fair market value at the time when the Company acquired control of the respective subsidiaries.

5. Changes in important items that form the basis for preparing the consolidated financial statements

Changes to the method of accounting for sales and cost of sales of stocks in the small business development business

In regard to stocks of the small business development business of ITX Corporation, a consolidated subsidiary of the Company, the Company previously accounted for sales price as sales and book value and loss on valuation of stocks subject to sales as cost of sales. However, with changes to its investment policies, the Company adopted a method whereby gains and losses on sales of such stocks are recorded as extraordinary gains and losses from the current fiscal year.

The impact of this change on gross profit and operating income is immaterial.

142nd Term

**Notes to Consolidated Balance Sheet**

1. Assets pledged as collateral and obligations secured by such collateral
   (1) Assets pledged as collateral

| | |
|---|---|
| Notes and accounts receivable | ¥457 million |
| Inventories | ¥274 million |
| Buildings and structures | ¥1,554 million |
| Machinery and equipment | ¥419 million |
| Investment securities | ¥38 million |
| Total | ¥2,742 million |

   (2) Obligations secured by such collateral

| | |
|---|---|
| Long-term borrowings, less current maturities | ¥383 million |
| Short-term borrowings | ¥119 million |

2. Accumulated depreciation for property, plant and equipment
   ¥230,846 million

3. Liabilities for guarantees

| (Guaranteed party) | (Description of guarantee) | (Amount) |
|---|---|---|
| Employees | Housing fund loans | ¥225 million |
| Other | Bank loans, etc. | ¥1,081 million |
| Total | | ¥1,306 million |

4. Notes receivable discounted ¥519 million
   (including discounted bills of exchange for export) ¥519 million
   Notes received endorsed for transfer ¥34 million

**Notes to Consolidated Statement of Changes in Net Assets**

1. Total number of issued shares at the end of the current fiscal year 271,283,608 shares

2. Items concerning dividends
   (1) Paid dividends

| Resolution | Class of shares | Total dividends (Millions of yen) | Dividend per share (Yen) | Record date | Effective date |
|---|---|---|---|---|---|
| Board of Directors' meeting held on November 6, 2009 | Common stock | 4,050 | 15.00 | September 30, 2009 | December 4, 2009 |
| Total | – | 4,050 | – | – | – |

   (2) Dividends whose record date falls in the current fiscal year and have an effective date in the next fiscal year
   In the agenda of the General Meeting of Shareholders to be held on June 29, 2010, the Company proposes the following regarding dividends of common stocks:
   (a) Total dividends ¥4,049 million
   (b) Dividend per share ¥15.00
   (c) Record date March 31, 2010

(d) Effective date June 30, 2010

**Notes to Financial Instruments**

1. Items concerning status of financial instruments

With regard to fund management, the Olympus Group primarily uses short-term deposits. For financing, it uses loans from bank and other financial institutions and bond issuances.

Notes and accounts receivable-trade, which are exposed to customer credit risks, are hedged based on internal regulations. Further, market prices of investment securities are checked on a quarterly basis.

We use loans to fund working capital (mainly, short-term) and business investments (long-term). We hedge interest rate fluctuation risks using interest rate swaps for some long-term borrowings. Our policy for derivatives is to use them based only on actual demand, in accordance with internal regulations.

2. Items concerning fair value of financial instruments

Consolidated balance sheet amounts and fair value as of March 31, 2010 (consolidated balance sheet date for the current fiscal year), and their variances, of financial instruments are as follows. However, financial instruments that have low materiality and whose fair value is deemed to be extremely difficult to compute are not included (please refer to Note 2).

(Millions of yen)

| | Consolidated balance sheet amount | Fair value | Variance |
|---|---|---|---|
| (1) Cash and time deposits | 206,783 | 206,783 | – |
| (2) Notes and accounts receivable | 154,239 | 154,239 | – |
| (3) Investment securities | 118,016 | 118,016 | – |
| Total assets | 479,038 | 479,038 | – |
| (4) Notes and accounts payable | 74,074 | 74,074 | – |
| (5) Short-term borrowings | 75,460 | 75,460 | – |
| (6) Bonds (including current maturities of bonds) | 130,400 | 130,484 | 84 |
| (7) Long-term borrowings, less current maturities (including current maturities of long-term borrowings) | 456,008 | 458,392 | 2,384 |
| Total liabilities | 735,942 | 738,410 | 2,468 |
| (8) Derivatives | (1,380) | (1,380) | – |

* Net receivables and payables arising from derivative transactions are shown in net amounts. Figures in parentheses are posted to liabilities.

Note 1: Items concerning the method of computing the fair value of financial instruments

(1) Cash and time deposits, and (2) Notes and accounts receivable
Because these accounts are settled in a short period, their fair value is nearly equal to their book value. Therefore, book value is taken to be fair value.

(3) Investment securities
The fair value of stocks is the price on the relevant stock exchange, while that of bonds and investment trusts is the price on the relevant stock exchange or price presented by financial institutions with which the Company does business.

(4) Notes and accounts payable, and (5) Short-term borrowings
Because these accounts are settled in a short period, their fair values are nearly equal to their book

values. Therefore, book value is taken to be fair value.

(6) Bonds

The fair value of bonds issued by the Company is its present value at which the sum of principals is calculated at the rate obtained in consideration of the remaining periods of bonds and credit risks.

(7) Long-term borrowings, less current maturities

Fair value is the value at which the sum of principals is calculated at the rate obtained assuming that a similar loan is newly provided. Long-term borrowings with a variable interest rate are subject to special treatment of interest rate swaps (refer to Item (8)). The fair value of such a loan is the value at which the sum of principals, which is treated in combination with the said interest rate swap, is calculated at a reasonable rate obtained under the assumption that a similar loan is newly provided.

(8) Derivatives

The fair value of a derivative is the price presented by financial institutions with which the Company does business and entered into an agreement.

Derivatives that are subject to special treatment of interest rate swaps and are translated at a foreign exchange rate to foreign currency-denominated accounts receivable are treated together with hedged items, and the fair value of such derivatives is therefore included in the fair value of the hedged items.

Note 2: Financial instruments whose fair values are deemed to be extremely difficult to compute

(Millions of yen)

| Classification | Consolidated balance sheet amount |
|---|---|
| (1) Unlisted shares | 19,281 |
| (2) Unlisted foreign bonds | 1,303 |
| (3) Other | 1,671 |
| Total | 22,255 |

These items do not have market prices and a considerable cost is likely to be incurred to estimate future cash flow. They are not therefore included in “(3) Investment securities” because it is deemed to be extremely difficult to compute their fair value.

(Additional information)

From the current fiscal year, the Company adopted “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, published March 10, 2008) and “Guidance on Disclosures about Fair Values of Financial Instruments” (ASBJ Guidance No. 19, published March 10, 2008).

**Notes to Per-Share Information**

1. Net assets per share ¥775.76
2. Net loss per share ¥177.22

## Notes to Significant Subsequent Events

(Establishment of Significant Subsidiary)

The Company resolved, at a meeting of its Board of Directors held on May 11, 2010 to establish a subsidiary.

1. Purpose of establishment

The new company was established for the purposes of sharing management resources related to new business creation within the Olympus Group to strengthen the total might of the Group, and of reforming the management system to one that is more efficient so as to accelerate the discovery and development of new businesses. The new company was established in May 2010 and operations are scheduled to start upon the injection of a ¥20-billion-scale of capital investment in July 2010 after the transfer of management resources related to the various new business creation activities of the Company and the Company's consolidated subsidiary ITX Corporation.

2. Overview of subsidiary

| | | |
|---|---|---|
| (1) Name | Olympus Business Creation Corp. | |
| (2) Business activities | Discovery and development of new business, and the business management of fledgling subsidiaries | |
| (3) Capital | At time of establishment | ¥5 million (tentative) |
| | After capital injection | ¥11 billion (tentative) |

3. Date of establishment

May 2010 (tentative)

4. Equity ratio

The Company 80% (ITX Corporation is planned to invest 20%)

142nd Term

**Notes to Other Matters**

1. Impairment losses

Impairment losses are accounted for the following asset groups in the current fiscal year.

| Application | Type | Location | Impairment loss |
|---|---|---|---|
| Other business assets | Goodwill | Tokyo and other prefectures | ¥95 million |
| | Buildings and structures | | ¥7 million |
| | Tools, furniture and fixtures, etc. | | ¥5 million |
| | Lease assets | | ¥105 million |
| | Software, etc. | | ¥108 million |
| Information & communication business assets | Buildings and structures | Gifu and other prefectures | ¥63 million |
| | Tools, furniture and fixtures, etc. | | ¥10 million |
| | Long-term prepaid expenses | | ¥2 million |
| Company-wide assets | Buildings and structures | Tokyo | ¥44 million |
| | Lease assets | | ¥22 million |
| | Software | | ¥74 million |
| Idle assets | Buildings and structures | New York, U.S.A. | ¥675 million |
| | Buildings and structures | Nagano prefecture | ¥143 million |
| Total | | | ¥1,353 million |

Business assets are grouped by segment by type of business, and idle assets are grouped individually. Pertaining to business assets, because recoverability is not recognized over the estimated future cash flow period due to changes in the business environment, their book value is reduced to the recoverable amount. The recoverable amount is measured according to the value in use. When the value in use is negative based on future cash flow, the recoverable value is considered to be zero (0) for the purposes of calculations.

For idle assets, because market value is substantially lower than book value, book value is reduced to recoverable value. The recoverable value of these asset groups is measured using fair value less cost to sell and is evaluated using a method that deducts estimated sales expenses from estimated sales price.

2. Amortization of goodwill

In accordance with Paragraph 32 of the “Practical Guidelines on Accounting Standards for Capital Consolidation Procedures in Preparing Consolidated Financial Statements” (JICPA Accounting Standard Committee Statement No. 7, March 29, 2007), goodwill was amortized in a lump-sum following impairment of stocks of consolidated subsidiaries.

After Correction

# Non-Consolidated Balance Sheet

(As of March 31, 2010)

(Millions of yen)

| Accounts | Amount | Accounts | Amount |
|---|---|---|---|
| **ASSETS:** | | **LIABILITIES:** | |
| **Current assets** | **127,907** | **Current liabilities** | **116,177** |
| Cash and time deposits | 62,910 | Notes payable | 174 |
| Notes receivable | 501 | Accounts payable | 8,123 |
| Accounts receivable | 20,611 | Short-term borrowings | 1,305 |
| Finished goods | 2,515 | Current maturities of bonds | 20,000 |
| Work in process | 6,054 | Lease liabilities | 188 |
| Materials | 421 | Other payable | 9,180 |
| Short-term loans receivable | 10,519 | Accrued expenses | 12,223 |
| Other receivables | 11,247 | Income taxes payable | 8,289 |
| Deferred income taxes | 10,192 | Deposits received | 56,219 |
| Other current assets | 4,628 | Provision for product warranties | 133 |
| Allowance for doubtful accounts | (1,691) | Other current liabilities | 344 |
| **Fixed assets** | **518,699** | **Non-current liabilities** | **454,849** |
| **Property, plant and equipment** | **38,400** | Long-term bonds, less current maturities | 110,000 |
| Buildings | 21,320 | Long-term borrowings, less current maturities | 340,000 |
| Structures | 636 | Lease liabilities | 594 |
| Machinery and equipment | 2,293 | Deferred tax liabilities | 3,560 |
| Vehicles | 4 | Long-term deposits received, less current maturities | 695 |
| Tools, furniture and fixtures | 4,374 | | |
| Land | 8,960 | **Total liabilities** | **571,027** |
| Lease assets | 691 | **NET ASSETS:** | |
| Construction in progress | 122 | **Shareholders' equity** | **66,433** |
| **Intangible fixed assets** | **3,197** | **Common stock** | **48,332** |
| Goodwill | 213 | **Capital surplus** | **55,166** |
| Patent right | 1,693 | Legal capital surplus | 23,027 |
| Software | 380 | Other capital surplus | 32,139 |
| Software in progress | 768 | **Retained earnings** | **(32,929)** |
| Lease assets | 90 | Legal reserve | 6,626 |
| Right of using facilities, etc. | 53 | Other retained earnings | (39,555) |
| **Investments and other assets** | **477,102** | Reserve for special depreciation | 91 |
| Investment securities | 57,350 | Reserve for advanced depreciation | 2,208 |
| Investment securities in subsidiaries and affiliates | 327,039 | Retained earnings carried forward | (41,854) |
| Investments in capital of subsidiaries and affiliates | 15,036 | **Treasury stock, at cost** | **(4,136)** |
| Long-term loans receivable | 9,582 | | |
| Prepaid pension cost | 7,571 | **Valuation and translation adjustments** | **9,146** |
| Investments in affiliates | 65,880 | Net unrealized holding gains (losses) on available-for-sale securities, net of taxes | 9,151 |
| Long-term accounts receivable-other | 4,763 | Net unrealized gains (losses) on hedging derivatives, net of taxes | (5) |
| Other assets | 3,729 | | |
| Allowance for doubtful accounts | (13,848) | **Total net assets** | **75,579** |
| **Total assets** | **646,605** | **Total liabilities and net assets** | **646,605** |

142nd Term

Before Correction (Reference)

## Non-Consolidated Balance Sheet

(As of March 31, 2010)

(Millions of yen)

| Accounts | Amount | Accounts | Amount |
|---|---|---|---|
| **ASSETS:** | | **LIABILITIES:** | |
| **Current assets** | **129,385** | **Current liabilities** | **109,374** |
| Cash and time deposits | 62,910 | Notes payable | 174 |
| Notes receivable | 501 | Accounts payable | 8,123 |
| Accounts receivable | 20,611 | Short-term borrowings | 1,305 |
| Finished goods | 2,515 | Current maturities of bonds | 20,000 |
| Work in process | 6,054 | Lease liabilities | 188 |
| Materials | 421 | Other payable | 9,180 |
| Short-term loans receivable | 10,519 | Accrued expenses | 12,223 |
| Other receivables | 11,247 | Income taxes payable | 1,485 |
| Deferred income taxes | 10,192 | Deposits received | 56,219 |
| Other current assets | 4,628 | Provision for product warranties | 133 |
| Allowance for doubtful accounts | (213) | Other current liabilities | 344 |
| **Fixed assets** | **568,100** | **Non-current liabilities** | **455,867** |
| **Property, plant and equipment** | **38,400** | Long-term bonds, less current maturities | 110,000 |
| Buildings | 21,320 | Long-term borrowings, less current maturities | 340,000 |
| Structures | 636 | Lease liabilities | 594 |
| Machinery and equipment | 2,293 | Deferred tax liabilities | 4,578 |
| Vehicles | 4 | Long-term deposits received, less current maturities | 695 |
| Tools, furniture and fixtures | 4,374 | | |
| Land | 8,960 | **Total liabilities** | **565,241** |
| Lease assets | 691 | **NET ASSETS:** | |
| Construction in progress | 122 | **Shareholders' equity** | **122,017** |
| **Intangible fixed assets** | **3,197** | **Common stock** | **48,332** |
| Goodwill | 213 | **Capital surplus** | **55,166** |
| Patent right | 1,693 | Legal capital surplus | 23,027 |
| Software | 380 | Other capital surplus | 32,139 |
| Software in progress | 768 | **Retained earnings** | **22,655** |
| Lease assets | 90 | Legal reserve | 6,626 |
| Right of using facilities, etc. | 53 | Other retained earnings | 16,029 |
| **Investments and other assets** | **526,503** | Reserve for special depreciation | 91 |
| Investment securities | 119,173 | Reserve for advanced depreciation | 2,208 |
| Investment securities in subsidiaries and affiliates | 378,084 | Retained earnings carried forward | 13,730 |
| Investments in capital of subsidiaries and affiliates | 15,036 | **Treasury stock, at cost** | **(4,136)** |
| Long-term loans receivable | 9,582 | **Valuation and translation adjustments** | **10,227** |
| Prepaid pension cost | 7,571 | Net unrealized holding gains (losses) on available-for-sale securities, net of taxes | 10,232 |
| Other assets | 3,729 | Net unrealized gains (losses) on hedging derivatives, net of taxes | (5) |
| Allowance for doubtful accounts | (6,672) | **Total net assets** | **132,244** |
| **Total assets** | **697,485** | **Total liabilities and net assets** | **697,485** |

After Correction

# Non-Consolidated Statement of Income

(April 1, 2009 to March 31, 2010)

(Millions of yen)

| Accounts | Amount |
|---|---|
| Net sales | 86,977 |
| Cost of sales | 45,597 |
| **Gross profit** | **41,380** |
| Selling, general and administrative expenses | 49,053 |
| **Operating loss** | **7,673** |
| Non-operating income | 48,967 |
| Interest income | 464 |
| Dividends income | 47,798 |
| Others | 705 |
| Non-operating expenses | 14,448 |
| Interest expenses | 6,108 |
| Interest on bonds | 2,148 |
| Foreign currency exchange loss | 182 |
| Provision of allowance for doubtful accounts | 3,639 |
| Others | 2,372 |
| **Ordinary income** | **26,846** |
| Extraordinary income | 12,022 |
| Gain on sales of investment securities | 7 |
| Reversal of allowance for doubtful accounts | 32 |
| Reversal of allowance for investment loss | 490 |
| Gain on transfer of business | 11,493 |
| Extraordinary losses | 6,304 |
| Loss on sales of investment securities | 94 |
| Loss on valuation of investment securities | 2,286 |
| Loss on valuation of investment securities in subsidiaries and affiliates | 2,323 |
| Impairment loss on fixed assets | 472 |
| Loss on valuation of investments in affiliates | 499 |
| Others | 630 |
| **Income before provision for income taxes** | **32,563** |
| Income taxes, current | (2,323) |
| Income taxes for prior periods | 1,218 |
| Income taxes, deferred | 4,535 |
| **Net income** | **29,133** |

142nd Term

Before Correction (Reference)

# Non-Consolidated Statement of Income

(April 1, 2009 to March 31, 2010)

(Millions of yen)

| Accounts | Amount |
|---|---|
| Net sales | 86,977 |
| Cost of sales | 45,597 |
| **Gross profit** | **41,380** |
| Selling, general and administrative expenses | 49,053 |
| **Operating loss** | **7,673** |
| Non-operating income | 48,967 |
| Interest income | 464 |
| Dividends income | 47,798 |
| Others | 705 |
| Non-operating expenses | 14,098 |
| Interest expenses | 6,108 |
| Interest on bonds | 2,148 |
| Foreign currency exchange loss | 182 |
| Provision of allowance for doubtful accounts | 3,288 |
| Others | 2,372 |
| **Ordinary income** | **27,196** |
| Extraordinary income | 12,022 |
| Gain on sales of investment securities | 7 |
| Reversal of allowance for doubtful accounts | 32 |
| Reversal of allowance for investment loss | 490 |
| Gain on transfer of business | 11,493 |
| Extraordinary losses | 9,209 |
| Loss on sales of investment securities | 94 |
| Loss on valuation of investment securities | 2,286 |
| Loss on valuation of investment securities in subsidiaries and affiliates | 5,727 |
| Impairment loss on fixed assets | 472 |
| Others | 630 |
| **Income before provision for income taxes** | **30,009** |
| Income taxes, current | (2,323) |
| Income taxes for prior periods | 1,218 |
| Income taxes, deferred | 4,409 |
| **Net income** | **26,705** |

After Correction

# Non-Consolidated Statement of Changes in Net Assets

(April 1, 2009 to March 31, 2010)

(Millions of yen)

| Items | Shareholders' equity | | | |
|---|---|---|---|---|
| | Common stock | Capital surplus | | |
| | | Legal capital surplus | Other capital surplus | Total capital surplus |
| Balance at March 31, 2009 | 48,332 | 73,027 | 22 | 73,049 |
| Changes during the year | | | | |
| Cash dividends paid | | | | |
| Transfer to capital surplus from legal capital surplus | | (50,000) | 50,000 | – |
| Transfer to retained earnings from capital surplus | | | (14,325) | (14,325) |
| Net income | | | | |
| Acquisition of treasury stock | | | | |
| Disposal of treasury stock | | | (3,558) | (3,558) |
| Net changes in items other than shareholders' equity | | | | |
| Net changes during the year | – | (50,000) | 32,117 | (17,883) |
| Balance at March 31, 2010 | 48,332 | 23,027 | 32,139 | 55,166 |

| Items | Shareholders' equity | | | | |
|---|---|---|---|---|---|
| | Retained earnings | | | Treasury stock, at cost | Total shareholders' equity |
| | Legal reserve | Other retained earnings (Note) | Total retained earnings | | |
| Balance at March 31, 2009 | 6,626 | (78,964) | (72,338) | (12,874) | 36,169 |
| Changes during the year | | | | | |
| Cash dividends paid | | (4,050) | (4,050) | | (4,050) |
| Transfer to capital surplus from legal capital surplus | | | | | – |
| Transfer to retained earnings from capital surplus | | 14,325 | 14,325 | | – |
| Net income | | 29,133 | 29,133 | | 29,133 |
| Acquisition of treasury stock | | | | (21) | (21) |
| Disposal of treasury stock | | | | 8,759 | 5,201 |
| Net changes in items other than shareholders' equity | | | | | |
| Net changes during the year | – | 39,409 | 39,409 | 8,738 | 30,263 |
| Balance at March 31, 2010 | 6,626 | (39,555) | (32,929) | (4,136) | 66,433 |

142nd Term

(Millions of yen)

| Items | Valuation and translation adjustments | | | Total net assets |
|---|---|---|---|---|
| | Net unrealized holding gains (losses) on available-for-sale securities, net of taxes | Net unrealized gains (losses) on hedging derivatives, net of taxes | Total valuation and translation adjustments | |
| Balance at March 31, 2009 | (878) | (160) | (1,037) | 35,132 |
| Changes during the year | | | | |
| Cash dividends paid | | | | (4,050) |
| Transfer to capital surplus from legal capital surplus | | | | – |
| Transfer to retained earnings from capital surplus | | | | – |
| Net income | | | | 29,133 |
| Acquisition of treasury stock | | | | (21) |
| Disposal of treasury stock | | | | 5,201 |
| Net changes in items other than shareholders' equity | 10,028 | 155 | 10,183 | 10,183 |
| Net changes during the year | 10,028 | 155 | 10,183 | 40,446 |
| Balance at March 31, 2010 | 9,151 | (5) | 9,146 | 75,579 |

Note: Breakdown of other retained earnings

| Items | Reserve for product development | Reserve for special depreciation | Reserve for advanced depreciation | General reserve | Retained earnings carried forward | Total |
|---|---|---|---|---|---|---|
| Balance at March 31, 2009 | 4,000 | 238 | 2,567 | 59,069 | (144,838) | (78,964) |
| Changes during the year | | | | | | |
| Cash dividends paid | | | | | (4,050) | (4,050) |
| Transfer to retained earnings from capital surplus | | | | | 14,325 | 14,325 |
| Reversal of reserve for product development | (4,000) | | | | 4,000 | – |
| Reversal of reserve for special depreciation | | (147) | | | 147 | – |
| Reversal of reserve for advanced depreciation | | | (359) | | 359 | – |
| Reversal of general reserve | | | | (59,069) | 59,069 | – |
| Net income | | | | | 29,133 | 29,133 |
| Net changes during the year | (4,000) | (147) | (359) | (59,069) | 102,984 | 39,409 |
| Balance at March 31, 2010 | – | 91 | 2,208 | – | (41,854) | (39,555) |

As dividends were already paid in accordance with the procedures based on the resolution by the Board of Directors, the amount of retained earnings carried forward was determined after subtracting the dividends.

Before Correction (Reference)

## Non-Consolidated Statement of Changes in Net Assets

(April 1, 2009 to March 31, 2010)

(Millions of yen)

| Items | Shareholders' equity | | | |
|---|---|---|---|---|
| | Common stock | Capital surplus | | |
| | | Legal capital surplus | Other capital surplus | Total capital surplus |
| Balance at March 31, 2009 | 48,332 | 73,027 | 22 | 73,049 |
| Changes during the year | | | | |
| Cash dividends paid | | | | |
| Transfer to capital surplus from legal capital surplus | | (50,000) | 50,000 | – |
| Transfer to retained earnings from capital surplus | | | (14,325) | (14,325) |
| Net income | | | | |
| Acquisition of treasury stock | | | | |
| Disposal of treasury stock | | | (3,558) | (3,558) |
| Net changes in items other than shareholders' equity | | | | |
| Net changes during the year | – | (50,000) | 32,117 | (17,883) |
| Balance at March 31, 2010 | 48,332 | 23,027 | 32,139 | 55,166 |

| Items | Shareholders' equity | | | | |
|---|---|---|---|---|---|
| | Retained earnings | | | Treasury stock, at cost | Total shareholders' equity |
| | Legal reserve | Other retained earnings (Note) | Total retained earnings | | |
| Balance at March 31, 2009 | 6,626 | (20,951) | (14,325) | (12,874) | 94,182 |
| Changes during the year | | | | | |
| Cash dividends paid | | (4,050) | (4,050) | | (4,050) |
| Transfer to capital surplus from legal capital surplus | | | | | – |
| Transfer to retained earnings from capital surplus | | 14,325 | 14,325 | | – |
| Net income | | 26,705 | 26,705 | | 26,705 |
| Acquisition of treasury stock | | | | (21) | (21) |
| Disposal of treasury stock | | | | 8,759 | 5,201 |
| Net changes in items other than shareholders' equity | | | | | |
| Net changes during the year | – | 36,980 | 36,980 | 8,738 | 27,835 |
| Balance at March 31, 2010 | 6,626 | 16,029 | 22,655 | (4,136) | 122,017 |

142nd Term

(Millions of yen)

| Items | Valuation and translation adjustments | | | Total net assets |
|---|---|---|---|---|
| | Net unrealized holding gains (losses) on available-for-sale securities, net of taxes | Net unrealized gains (losses) on hedging derivatives, net of taxes | Total valuation and translation adjustments | |
| Balance at March 31, 2009 | (23) | (160) | (183) | 93,999 |
| Changes during the year<br>Cash dividends paid | | | | (4,050) |
| Transfer to capital surplus from legal capital surplus | | | | – |
| Transfer to retained earnings from capital surplus | | | | – |
| Net income | | | | 26,705 |
| Acquisition of treasury stock | | | | (21) |
| Disposal of treasury stock | | | | 5,201 |
| Net changes in items other than shareholders' equity | 10,255 | 155 | 10,410 | 10,410 |
| Net changes during the year | 10,255 | 155 | 10,410 | 38,245 |
| Balance at March 31, 2010 | 10,232 | (5) | 10,227 | 132,244 |

Note: Breakdown of other retained earnings

| Items | Reserve for product development | Reserve for special depreciation | Reserve for advanced depreciation | General reserve | Retained earnings carried forward | Total |
|---|---|---|---|---|---|---|
| Balance at March 31, 2009 | 4,000 | 238 | 2,567 | 59,069 | (86,825) | (20,951) |
| Changes during the year<br>Cash dividends paid | | | | | (4,050) | (4,050) |
| Transfer to retained earnings from capital surplus | | | | | 14,325 | 14,325 |
| Reversal of reserve for product development | (4,000) | | | | 4,000 | – |
| Reversal of reserve for special depreciation | | (147) | | | 147 | – |
| Reversal of reserve for advanced depreciation | | | (359) | | 359 | – |
| Reversal of general reserve | | | | (59,069) | 59,069 | – |
| Net income | | | | | 26,705 | 26,705 |
| Net changes during the year | (4,000) | (147) | (359) | (59,069) | 100,555 | 36,980 |
| Balance at March 31, 2010 | – | 91 | 2,208 | – | 13,730 | 16,029 |

After Correction

# Notes to Non-Consolidated Financial Statements

Regarding correction of non-consolidated financial statements and their supplementary schedules

The Company established a third party committee consisting of members who hold no interests with the Company (Chairman: Tatsuo Kainaka, attorney-at-law; the "Third Party Committee") on November 1, 2011 for the purpose of investigating all transactions regarding the acquisitions of Gyrus Group PLC ("Gyrus") and three domestic subsidiaries (Altis Co., Ltd., NEWS CHEF, Inc. and Humalabo Co., Ltd.), from the beginning of examination of each acquisition to the time of closing of each transaction. The Company then received an investigation report issued by the Third Party Committee on December 6, 2011, which contained details of the situation regarding the Company's postponing of recognition of losses and its settlement of such losses, and the impact of these actions. The investigation by the Third Party Committee revealed that the Company incurred large losses on securities investments, derivative transactions, etc. from the 1990's, and postponed the recognition of the losses. It also revealed that, by means such as going through multiple funds, the Company used the acquisition funds for the three domestic subsidiaries, as well as the fees paid to financial advisors and the funds to buy back preferred shares in connection with the acquisition of Gyrus, for purposes including settling hidden losses on securities investments incurred from the Company's past postponement of the recognition of losses.
The Company judged that there were significant errors in non-consolidated the financial statements and their supplementary schedules for the five fiscal years including and following the fiscal year ended March 31, 2007. The Company then remade the relevant non-consolidated financial statements and their supplementary schedules in order to recognize the hidden losses of funds, which had previously been treated as being off the balance sheet due to the Company's past postponement of the recognition of losses, etc., as losses of the Company for the relevant past fiscal years, with corrections of the associated errors.

**Notes Concerning Items Related to Important Accounting Policies**

1. Asset valuation principles and methods
   (1) Securities
      (a) Held-to-maturity securities — Amortized cost method
      (b) Investment securities in subsidiaries and affiliates — Cost method based on the moving-average method
      (c) Other securities
         Items with market value — Market value method based on fair market value on the account settlement date (the net unrealized gains and losses on these securities are reported as a separate component of net assets, and the cost of sales is calculated by the moving-average method)
         Items without market value — Cost method based on the moving-average method
         Contributions to limited liability partnerships engaged in investment business and similar partnerships (contributions

deemed as securities as per Article 2, Paragraph 2 of the Financial Instruments and Exchange Act) are reported using a method that treats the amount (net) equivalent to the equity ownership portion based on the latest available financial statements depending on the reporting date stipulated in the partnership agreement.

(2) Claims and liabilities from derivatives transactions

Market value method

(3) Inventories

Reported using the First-in First-out cost method (for the value stated in the balance sheet, the book value is written down based on the decreased profitability)

2. Depreciation and amortization method for fixed assets

(1) Property, plant and equipment (excluding lease assets)

Declining balance method

(a) Vehicles, tools and fixtures — Based on useful lives as per the Corporate Tax Law

(b) Other property, plant and equipment — Based on useful lives prescribed by the Company determined in accordance with estimated functional useful years

(2) Intangible fixed assets (excluding lease assets)

Straight-line method

Based on useful lives as per the Corporate Tax Law

Software for internal use is reported using the usable period within the Company (3 years).

(3) Lease assets

Finance lease assets not involving the transfer of ownership

Calculated on the straight-line method over the lease period as the useful lives and assuming no residual value.

Also, the accounting treatment for finance lease transactions deemed not involving the transfer of ownership of the leased property to the lessee and commenced before the first fiscal year in which the “Accounting Standard for Lease Transactions” (ASBJ Statement No. 13) is applied follows the same method as for operating lease transactions.

3. Accounting principles for allowances and reserves

(1) Allowance for doubtful accounts

To provide for losses due to unrecoverable claims such as accounts receivable and loans receivable, ordinary claims are accounted using the historical loan loss ratio and doubtful and other specified claims are reported in amounts expected to be unrecoverable considering the recoverability of each claim separately.

(2) Provision for product warranties

Due to the accounting of after service cost expected within the Company's guarantee period with respect to products sold, the provision for product warranties is accounted using the prescribed Company's standards based on actually incurred past after service cost.

(3) Severance and retirement allowance

To provide for severance and retirement benefit payments to employees, the cost recognized as occurring at the end of the current fiscal year is accounted based on the severance and retirement liabilities and pension assets as of the end of the current fiscal year.

Pertaining to past service liabilities, the pro-rata amount calculated using a fixed number of years (5 years) within the average remaining service period of employees at the time of occurrence of such past service liabilities is accounted as an expense.

Pertaining to the actuarial difference, the pro-rata amount calculated using a fixed number of years (5 years) within the average remaining service period of employees at the time of occurrence of such actuarial difference is accounted as an expense starting from the following fiscal year.

(Changes to accounting policy)

From the current fiscal year, the Company adopted "Partial Amendment to Accounting Standard for Retirement Benefits (Part 3)" (ASBJ Statement No. 19, published July 31, 2008).

The Company does not record any changes to retirement benefit obligations upon adopting the Accounting Standard.

(4) Allowance for investment loss

To provide for losses on investments in subsidiaries and affiliates, the amount necessary is accounted taking into consideration the amount of decrease in the real value of the company concerned and the estimated future recovery, etc.

4. Other important items that form the basis for preparing non-consolidated financial statements

(1) Hedge accounting methods

(a) Hedge accounting methods

The deferred hedge treatment method is used. Foreign currency-denominated accounts receivable and foreign currency-denominated loans receivable under foreign exchange forward contracts are accounted for upon translation at the foreign exchange rate stipulated in the contracts. Pertaining to interest rate swaps, requirements for special treatment are satisfied, therefore a special treatment is used.

(b) Hedging instruments and hedged items

- Hedging instruments — Foreign exchange forward contracts, interest rate swap contracts
- Hedged items — Forecasted transactions for foreign currency-denominated accounts receivable, Foreign currency-denominated loans receivable, borrowings

(c) Hedging policy

Foreign exchange rate fluctuation risk and interest rate fluctuation risk are hedged based on internal regulations that stipulate authorization relating to derivatives and transaction limits.

(d) Hedging effect evaluation method

The effect is evaluated by checking whether there exists a high correlation among the value fluctuations of hedged items, the cash flow and hedging instruments.

(2) Treatment of consumption taxes

Treated using a tax exclusive method.

(3) Application of a consolidated tax payment system

A consolidated tax payment system is adopted.

**Notes to Non-Consolidated Balance Sheet**

| | |
|---|---|
| 1. Accumulated depreciation for property, plant and equipment | ¥58,973 million |
| 2. Liabilities for guarantees | ¥56,072 million |

The above amount includes ¥55,477 million in contracted guarantees to subsidiaries and affiliates.

| | |
|---|---|
| 3. Short-term monetary claims to subsidiaries and affiliates | ¥33,125 million |
| 4. Long-term monetary claims to subsidiaries and affiliates | ¥9,420 million |
| 5. Short-term monetary liabilities to subsidiaries and affiliates | ¥65,825 million |
| 6. Discounted bills of exchange for export | ¥4,571 million |

7. Investments in affiliates

Investments in Receiver Funds (Note) are regarded as equity investments in substance and are thus presented in bulk as "investments in affiliates."

¥65,880 million of investments in affiliates is the amount invested in Receiver Funds in substance.

Note: This term refers to a number of receiver funds that served as assignees of financial assets, derivative transactions, etc. (collectively, the "Receiver Funds") as the Company incurred large losses from securities investments, derivative transactions, etc. from the 1990's and segregated the hidden losses beginning with the fiscal year ended March 31, 2000 with the intention of postponing the recognition of the losses.

8. Allowance for doubtful accounts

¥4,763 million of allowance for doubtful accounts is the amount expected to be unrecoverable with respect to ¥4,763 million that is commission fees related to Receiver Funds and included as an excess amount in "long-term accounts receivable-other" under investments and other assets. Although these fees were paid to the external partners of multiple Receiver Funds, the Company plans to request payment from these external partners of Receiver Funds because the fees were not agreed.

**Notes to Non-Consolidated Statement of Income**

1. Total transactions with subsidiaries and affiliates

   Amounts resulting from business transactions

| | |
|---|---|
| Net sales | ¥55,366 million |
| Net purchases | ¥29,942 million |
| Amount resulting from non-business transactions | ¥48,489 million |

2. Extraordinary losses

   ¥499 million of "loss on valuation of investments in affiliates" under extraordinary losses is the amount by which receiver fund assets decreased due to commission fees paid.

**Notes to Non-Consolidated Statement of Changes in Net Assets**

| | |
|---|---|
| 1. Number of issued shares at end of current fiscal year | 271,283,608 shares |
| 2. Number of treasury shares at end of current fiscal year | 1,315,105 shares |
| 3. Total cash dividends during the current fiscal year | ¥4,050 million |
| 4. Total cash dividends whose recorded date falls in the current fiscal year and that have an effective date in the next fiscal year | ¥4,050 million |

142nd Term

**Notes to Tax Effect Accounting**

**Breakdown of deferred tax assets and liabilities by main cause**

| | |
|---|---|
| ***Deferred tax assets*** | |
| Stocks of subsidiaries and affiliates | ¥29,974 million |
| Investment securities | ¥8,629 million |
| Intangible fixed assets | ¥5,001 million |
| Prepaid expenses | ¥3,821 million |
| Depreciation | ¥2,786 million |
| Inventories | ¥2,785 million |
| Provision of allowance for doubtful accounts | ¥3,398 million |
| Accrued bonuses | ¥1,266 million |
| Denial of loss due to unrecoverable claims | ¥2,923 million |
| Denial of loss on funds invested | ¥51,632 million |
| Other | ¥4,105 million |
| Subtotal of deferred tax assets | ¥116,320 million |
| Valuation allowance | ¥(101,505) million |
| Total deferred tax assets | ¥14,815 million |
| ***Deferred tax liabilities*** | |
| Valuation difference on available-for-sale securities | ¥(3,579) million |
| Prepaid pension expenses | ¥(3,081) million |
| Reserve for advanced depreciation | ¥(1,436) million |
| Other | ¥(87) million |
| Total deferred tax liabilities | ¥(8,183) million |
| Net deferred tax assets | ¥6,632 million |

The above includes items resulting from a correction made to treatment pertaining to the segregation and settlement of losses on financial assets. However, as the treatment of income taxes is yet to be determined at this time, it is unclear whether they will be treated as temporary differences. Please note that the whole amount of such temporary differences is recorded in valuation allowance.

**Notes to Leased Fixed Assets**

In addition to the fixed assets accounted in the Non-Consolidated Balance Sheet, a portion of the microscope manufacturing equipment and computers are used under leasing agreements.

**Notes to Transactions with Related Parties**

Subsidiaries and affiliates etc.

| Type | Name | Voting rights ownership ratio (%) | Relation | Details of transaction | Amount (Millions of yen) | Item | End-of-period balance (Millions of yen) |
|---|---|---|---|---|---|---|---|
| Subsidiary (Fund) | SG Bond Plus Fund | Direct ownership 100.0 (Note 1) | Receiver fund | Contribution of moneys (Note 2) | 31,052 | – | – |

Notes: 1. The voting rights ownership ratio shows the ratio of capital contribution in funds.
2. The Company invested ¥31,052 million in Olympus Finance UK Ltd. under the pretext that such moneys were acquisition funds for preferred shares of Gyrus Group Limited. These moneys were actually contributed to SG Bond Plus Fund (a Receiver Fund), which was used to settle hidden losses, through intermediaries including AXAM Investments Ltd. and Easterside Investments Ltd.

**Notes to Per-Share Information**

1. Net assets per share ¥279.95
2. Net income per share ¥108.10

**Notes to Significant Subsequent Events**

(Establishment of Significant Subsidiary)
The Company resolved, at a meeting of the Board of Directors held on May 11, 2010 to establish a subsidiary. Major details regarding the establishment are shown in the notes to significant subsequent events in consolidated financial statements.

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**Notes to Other Matters**

1. Future conditions

Following the Company's announcement on November 8, 2011 concerning its postponing of recognition of losses on securities investments, etc., investigations by domestic and overseas investigative authorities, supervisory bodies and other public bodies (including those in the U.K. and U.S.) have begun. The non-consolidated financial statements and their supplementary schedules may be amended if any further important information comes to light in such investigations in the future. Furthermore, as a result of inappropriate financial reporting by the Company, parties such as holders of its American Depositary Receipts (ADRs) have filed a lawsuit against the Company, and there is a risk that various shareholders and shareholder groups may claim damages or file lawsuits against the Company for a similar reason.

2. Investments in affiliates

As the Company incurred large losses from securities investments, derivative transactions, etc. from the 1990's, with the intention of postponing the recognition of the losses, the Company segregated the financial assets, derivative transactions, etc. on which there were hidden losses to a number of non-consolidated Receiver Funds beginning with the fiscal year ended March 31, 2000. Investments in the Receiver Funds are presented in bulk as "investments in affiliates" in the non-consolidated balance sheet. This is because the operating assets of the Receiver Funds are, unlike usual investments by the Company, managed in an integrated manner in a series of transactional schemes to segregate and settle the losses. Some board members were aware of the circumstances surrounding the past transactions to segregate and settle the hidden losses. However, as a result of the matters pointed out in the Investigation Report by the Third Party Committee and the Company's internal investigation, it has come to light that the legal form and the asset management body of each Receiver Fund, and information on the details of operating assets, appraised value, etc. of each Receiver Fund during the period from the loss segregation to the liquidation of each Receiver Fund, were not fully maintained at the Company. Therefore, the Company corrected the non-consolidated financial statements and their supplementary schedules by obtaining accounting information from outside persons related with the loss segregation and settlement scheme.

3. Impairment losses

Impairment losses are accounted for the following asset groups at the end of the current fiscal year.

| Application | Type | Location | Impairment loss |
|---|---|---|---|
| Idle assets | Buildings, etc. | Osaka prefecture | ¥472 million |

Before Correction (Reference)

# Notes to Non-Consolidated Financial Statements

**Notes Concerning Items Related to Important Accounting Policies**

1. Asset valuation principles and methods

 (1) Securities

  (a) Held-to-maturity securities — Amortized cost method

  (b) Investment securities in subsidiaries and affiliates — Cost method based on the moving-average method

  (c) Other securities

   Items with market value — Market value method based on fair market value on the account settlement date (the net unrealized gains and losses on these securities are reported as a separate component of net assets, and the cost of sales is calculated by the moving-average method)

   Items without market value — Cost method based on the moving-average method. Contributions to limited liability partnerships engaged in investment business and similar partnerships (contributions deemed as securities as per Article 2, Paragraph 2 of the Financial Instruments and Exchange Act) are reported using a method that treats the amount (net) equivalent to the equity ownership portion based on the latest available financial statements depending on the reporting date stipulated in the partnership agreement.

 (2) Claims and liabilities from derivatives transactions — Market value method

 (3) Inventories — Reported using the First-in First-out cost method (for the value stated in the balance sheet, the book value is written down based on the decreased profitability)

2. Depreciation and amortization method for fixed assets

 (1) Property, plant and equipment (excluding lease assets) — Declining balance method

  (a) Vehicles, tools and fixtures — Based on useful lives as per the Corporate Tax Law

  (b) Other property, plant and equipment — Based on useful lives prescribed by the Company determined in accordance with estimated functional useful years

(2) Intangible fixed assets (excluding lease assets)

Straight-line method

Based on useful lives as per the Corporate Tax Law

Software for internal use is reported using the usable period within the Company (3 years).

(3) Lease assets

Finance lease assets not involving the transfer of ownership

Calculated on the straight-line method over the lease period as the useful lives and assuming no residual value.

Also, the accounting treatment for finance lease transactions deemed not involving the transfer of ownership of the leased property to the lessee and commenced before the first fiscal year in which the “Accounting Standard for Lease Transactions” (ASBJ Statement No. 13) is applied follows the same method as for operating lease transactions.

3. Accounting principles for allowances and reserves

(1) Allowance for doubtful accounts

To provide for losses due to unrecoverable claims such as accounts receivable and loans receivable, ordinary claims are accounted using the historical loan loss ratio and doubtful and other specified claims are reported in amounts expected to be unrecoverable considering the recoverability of each claim separately.

(2) Provision for product warranties

Due to the accounting of after service cost expected within the Company’s guarantee period with respect to products sold, the provision for product warranties is accounted using the prescribed Company’s standards based on actually incurred past after service cost.

(3) Severance and retirement allowance

To provide for severance and retirement benefit payments to employees, the cost recognized as occurring at the end of the current fiscal year is accounted based on the severance and retirement liabilities and pension assets as of the end of the current fiscal year.

Pertaining to past service liabilities, the pro-rata amount calculated using a fixed number of years (5 years) within the average remaining service period of employees at the time of occurrence of such past service liabilities is accounted as an expense.

Pertaining to the actuarial difference, the pro-rata amount calculated using a fixed number of years (5 years) within the average remaining service period of employees at the time of occurrence of such actuarial difference is accounted as an expense starting from the following fiscal year.

(Changes to accounting policy)

From the current fiscal year, the Company adopted "Partial Amendment to Accounting Standard for Retirement Benefits (Part 3)" (ASBJ Statement No. 19, published July 31, 2008).

The Company does not record any changes to retirement benefit obligations upon adopting the Accounting Standard.

(4) Allowance for investment loss

To provide for losses on investments in subsidiaries and affiliates, the amount necessary is accounted taking into consideration the amount of decrease in the real value of the company concerned and the estimated future recovery, etc.

4. Other important items that form the basis for preparing non-consolidated financial statements

(1) Hedge accounting methods

(a) Hedge accounting methods

The deferred hedge treatment method is used. Foreign currency-denominated accounts receivable and foreign currency-denominated loans receivable under foreign exchange forward contracts are accounted for upon translation at the foreign exchange rate stipulated in the contracts. Pertaining to interest rate swaps, requirements for special treatment are satisfied, therefore a special treatment is used.

(b) Hedging instruments and hedged items

| | |
|---|---|
| · Hedging instruments | Foreign exchange forward contracts, interest rate swap contracts |
| · Hedged items | Forecasted transactions for foreign currency-denominated accounts receivable, Foreign currency-denominated loans receivable, borrowings |

(c) Hedging policy

Foreign exchange rate fluctuation risk and interest rate fluctuation risk are hedged based on internal regulations that stipulate authorization relating to derivatives and transaction limits.

(d) Hedging effect evaluation method

The effect is evaluated by checking whether there exists a high correlation among the value fluctuations of hedged items, the cash flow and hedging instruments.

(2) Treatment of consumption taxes

Treated using a tax exclusive method.

(3) Application of a consolidated tax payment system

A consolidated tax payment system is adopted.

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**Notes to Non-Consolidated Balance Sheet**

| | |
|---|---|
| 1. Accumulated depreciation for property, plant and equipment | ¥58,973 million |
| 2. Liabilities for guarantees | ¥56,072 million |
| The above amount includes ¥55,477 million in contracted guarantees to subsidiaries and affiliates. | |
| 3. Short-term monetary claims to subsidiaries and affiliates | ¥33,125 million |
| 4. Long-term monetary claims to subsidiaries and affiliates | ¥9,420 million |
| 5. Short-term monetary liabilities to subsidiaries and affiliates | ¥65,825 million |
| 6. Discounted bills of exchange for export | ¥4,571 million |

**Notes to Non-Consolidated Statement of Income**

| | |
|---|---|
| Total transactions with subsidiaries and affiliates | |
| Amounts resulting from business transactions | |
| Net sales | ¥55,366 million |
| Net purchases | ¥29,942 million |
| Amount resulting from non-business transactions | ¥48,489 million |

**Notes to Non-Consolidated Statement of Changes in Net Assets**

| | |
|---|---|
| 1. Number of issued shares at end of current fiscal year | 271,283,608 shares |
| 2. Number of treasury shares at end of current fiscal year | 1,315,105 shares |
| 3. Total cash dividends during the current fiscal year | ¥4,050 million |
| 4. Total cash dividends whose recorded date falls in the current fiscal year and that have an effective date in the next fiscal year | ¥4,050 million |

## Notes to Tax Effect Accounting

### Breakdown of deferred tax assets and liabilities by main cause

| | |
|---|---|
| ***Deferred tax assets*** | |
| Stocks of subsidiaries and affiliates | ¥58,709 million |
| Investment securities | ¥7,897 million |
| Intangible fixed assets | ¥5,001 million |
| Prepaid expenses | ¥3,821 million |
| Depreciation | ¥2,787 million |
| Inventories | ¥2,785 million |
| Provision of allowance for doubtful accounts | ¥2,796 million |
| Accrued bonuses | ¥1,266 million |
| Other | ¥4,435 million |
| Subtotal of deferred tax assets | ¥89,497 million |
| Valuation allowance | ¥(74,961) million |
| Total deferred tax assets | ¥14,536 million |
| ***Deferred tax liabilities*** | |
| Valuation difference on available-for-sale securities | ¥(4,321) million |
| Prepaid pension expenses | ¥(3,081) million |
| Reserve for advanced depreciation | ¥(1,350) million |
| Other | ¥(170) million |
| Total deferred tax liabilities | ¥(8,922) million |
| Net deferred tax assets | ¥5,614 million |

## Notes to Leased Fixed Assets

In addition to the fixed assets accounted in the Non-Consolidated Balance Sheet, a portion of the microscope manufacturing equipment and computers are used under leasing agreements.

## Notes to Per-Share Information

1. Net assets per share ¥489.85
2. Net income per share ¥99.09

## Notes to Significant Subsequent Events

(Establishment of Significant Subsidiary)
The Company resolved, at a meeting of the Board of Directors held on May 11, 2010 to establish a subsidiary. Major details regarding the establishment are shown in the notes to significant subsequent events in consolidated financial statements.

## Notes to Other Matters

Impairment losses are accounted for the following asset groups at the end of the current fiscal year.

| Application | Type | Location | Impairment loss |
|---|---|---|---|
| Idle assets | Buildings, etc. | Osaka prefecture | ¥472 million |

(English Translation of the Accounting Auditor's Report Originally Issued in the Japanese Language)

The Accounting Auditor's Audit Report of Consolidated Financial Statements

**Independent Auditor's Audit Report**

February 28, 2012

To the Board of Directors of OLYMPUS CORPORATION

Ernst & Young ShinNihon LLC
Kenzo Oka [Seal]
Certified Public Accountant
Designated and Engagement Partner
Hirofumi Harashina [Seal]
Certified Public Accountant
Designated and Engagement Partner
Hiroyuki Yoshino [Seal]
Certified Public Accountant
Designated and Engagement Partner

We have audited the corrected Consolidated Balance Sheet, Consolidated Statement of Income, Consolidated Statement of Changes in Net Assets, and Notes to Consolidated Financial Statements of OLYMPUS CORPORATION for the fiscal year beginning on April 1, 2009 and ending on March 31, 2010, in accordance with Article 444(4) of the Company Law. Responsibility for preparation of these consolidated financial statements lies with the Company's management. Our responsibility is to express an opinion on these consolidated financial statements from an independent perspective.

We conducted our audit in accordance with generally accepted auditing standards in Japan. The auditing standards require us to obtain reasonable assurance as to whether or not there are any material misstatements in consolidated financial statements. The auditing is conducted on a test basis, and includes overall examinations of the disclosures of consolidated financial statements, and the evaluation of accounting principles and methods used and estimates made by the management. We believe that we have obtained reasonable bases to express our opinion as a result of our audit.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and the results of operations of OLYMPUS CORPORATION and its consolidated subsidiaries for the period, for which the consolidated financial statements were prepared, in conformity with accounting principles generally accepted in Japan.

Additional Information

1. As indicated by "Regarding correction of consolidated financial statements" at the beginning of the notes to consolidated financial statements, the Company has corrected its consolidated financial statements. We conducted our audit on the corrected consolidated financial statements.
2. As indicated by the notes to other matters in the notes to consolidated financial statements, following the Company's announcement on November 8, 2011 concerning its postponing of recognition of losses on securities investments, etc., investigations by domestic and overseas investigative authorities, supervisory bodies and other public bodies (including those in the U.K. and U.S.) have begun. The consolidated financial statements may be amended if any further important information comes to light in such investigations. Furthermore, as a result of inappropriate financial reporting by the Company, holders of its American Depositary Receipts (ADRs) have filed a lawsuit against the Company, and there is a risk that various shareholders and shareholder groups may claim damages or file lawsuits against the Company for a similar reason.

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Law of Japan.

(English Translation of the Accounting Auditor's Report Originally Issued in the Japanese Language)

The Accounting Auditor's Audit Report of Non-Consolidated Financial Statements

**Independent Auditor's Audit Report**

February 28, 2012

To the Board of Directors of OLYMPUS CORPORATION

Ernst & Young ShinNihon LLC

Kenzo Oka [Seal]
Certified Public Accountant
Designated and Engagement Partner

Hirofumi Harashina [Seal]
Certified Public Accountant
Designated and Engagement Partner

Hiroyuki Yoshino [Seal]
Certified Public Accountant
Designated and Engagement Partner

We have audited the corrected Non-Consolidated Balance Sheet, Non-Consolidated Statement of Income, Non-Consolidated Statement of Changes in Net Assets, and Notes to Non-Consolidated Financial Statements, and their supplementary schedules, of OLYMPUS CORPORATION for the 142nd fiscal year beginning on April 1, 2009 and ending on March 31, 2010, in accordance with Article 436(2)(i) of the Company Law. Responsibility for preparation of these financial statements and their supplementary schedules lies with the Company's management. Our responsibility is to express an opinion on these financial statements and their supplementary schedules from an independent perspective.

We conducted our audit in accordance with generally accepted auditing standards in Japan. The auditing standards require us to obtain reasonable assurance as to whether or not there are any material misstatements in financial statements and their supplementary schedules. The auditing is conducted on a test basis, and includes overall examinations of the disclosures of financial statements and their supplementary schedules, and the evaluation of accounting principles and methods used and estimates made by the management. We believe that we have obtained reasonable bases to express our opinion as a result of our audit.

In our opinion, the financial statements and their supplementary schedules referred to above present fairly, in all material respects, the financial position and the results of operations of OLYMPUS CORPORATION for the period, for which the financial statements and their supplementary schedules were prepared, in conformity with accounting principles generally accepted in Japan.

Additional Information

1. As indicated by "Regarding correction of non-consolidated financial statements and their supplementary schedules" at the beginning of the notes to financial statements, the Company has corrected its financial statements and their supplementary schedules. We conducted our audit on the corrected financial statements and their supplementary schedules.
2. As indicated by the notes to other matters in the notes to financial statements, following the Company's announcement on November 8, 2011 concerning its postponing of recognition of losses on securities investments, etc., investigations by domestic and overseas investigative authorities, supervisory bodies and other public bodies (including those in the U.K. and U.S.) have begun. The financial statements and their supplementary schedules may be amended if any further important information comes to light in such investigations. Furthermore, as a result of inappropriate financial reporting by the Company, holders of its American Depositary Receipts (ADRs) have filed a lawsuit against the Company, and there is a risk that various shareholders and shareholder groups may claim damages or file lawsuits against the Company for a similar reason.

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Law of Japan.

142nd Term

(English Translation of the Board of Corporate Auditors' Report Originally Issued in the Japanese Language)

The Board of Corporate Auditors' Audit Report

**Audit Report**

Based on the audit report prepared by each Corporate Auditor with regard to the performance of duties by the Directors of OLYMPUS CORPORATION (the "Company") for the 142nd fiscal year (from April 1, 2009 to March 31, 2010), the Board of Corporate Auditors of the Company prepares this audit report after deliberation and reports as follows:

In response to the results of investigation of an investigation committee consisting of members who hold no interests with the Company, which was established on November 1, 2011 (Chairman: Tatsuo Kainaka, attorney-at-law; hereinafter the "Third Party Committee"), as well as the results of an internal company investigation, the Company corrected its business report, financial statements (balance sheet, statement of income, statement of changes in net assets, and notes to financial statements), and their supplementary schedules, as well as its consolidated financial statements (consolidated balance sheet, consolidated statement of income, consolidated statement of changes in net assets, and notes to consolidated financial statements), for the 142nd fiscal year.

1. Auditing methods used by Corporate Auditors and the Board of Corporate Auditors, and details of audit

The Board of Corporate Auditors specified audit policies, assigned duties to each Corporate Auditor and received reports from each Corporate Auditor on the status of implementation and results of audit as well as received reports from Directors, etc. and accounting auditors on the status of the execution of their duties and asked them for explanations as necessary.

Each Corporate Auditor, according to the auditing standards set up by the Board of Corporate Auditors, the audit policies and the duties assigned to each Corporate Auditor, has maintained good communications with Directors, the Internal Audit Department and other employees and strived to collect information and improve the audit environment as well as attended meetings of the Board of Directors and other meetings as deemed important, received from Directors and employees reports on the execution of their duties, asked for explanations as necessary, perused the documents whereby the important decisions were made, and examined business and financial position at the head office and principal operating offices. In addition, we have verified the content of the resolution made by the Board of Directors concerning the development of a system for ensuring that the performance of duties by Directors complies with laws and regulations and the Company's Articles of Incorporation, and other systems to ensure the properness of operations of a stock company, and the status of the systems developed based on such resolution (internal control system).

With regard to the basic policy on the control of the Company and initiatives based on the policy, which are described in the corrected business report, we have reviewed the details in consideration of the status of deliberations at the Board of Directors, etc. Also, we have maintained good communications and exchanged information with directors, corporate auditors and others of the subsidiaries of the Company and asked the subsidiaries for reports on their business conditions as per need.

Based on the methods mentioned above, we have reviewed the business report for the said fiscal year and their supplementary schedules.

We have also verified whether the accounting auditors maintained independence and properly implemented its audit, received from the accounting auditors reports on the execution of their duties, and asked them for explanations as necessary. The accounting auditors reported to us that the systems for ensuring proper execution of duties have been developed in accordance with the "Quality Control Standards concerning Audit" and other applicable regulations, and we asked them for explanations as necessary.

Based on the methods mentioned above, we have reviewed the corrected financial statements (balance sheet, statement of income, statement of changes in net assets, and notes to financial statements), and their supplementary schedules, and consolidated financial statements (consolidated balance sheet, consolidated statement of income, consolidated statement of changes in net assets, and notes to consolidated financial statements) for the said fiscal year.

2. Audit results

(1) Results of audit of the corrected business report, etc.

(i) We confirm that the corrected business report and its supplementary schedules for the 142nd fiscal year present fairly the situation of the Company in accordance with relevant laws and regulations and the Company's Articles of Incorporation.

(ii) The Board of Directors, which should supervise the business execution of management as an important part of the company-wide internal control system, did not function effectively because of collusion among several former members of the Company's management for improper purposes.
As a result, it cannot be concluded that the performance of duties by Directors with respect to the said internal control system, including internal control related to financial reporting, was appropriate.

(iii) Although past resolutions of the Board of Directors with regard to the internal control system were in themselves appropriate, we do not recognize that such resolutions were properly implemented at the time of the 142nd fiscal year.
It is reported to us that the Company established a management reform committee, consisting of members who hold no interests with the Company, on December 7, 2011 (the "Management Reform Committee"), and that under the guidance and supervision of the Management Reform Committee, the Company is working, on the basis of the Company and across the entire Group, to renew management systems and to establish governance systems, internal control systems and compliance systems.

(iv) With respect to the basic policy concerning the persons who control decisions on the Company's financial and business policies, which is described in the business report, we confirm that there are no matters to be pointed out. We confirm that the initiatives based on the said basic policy do not damage the common interests of shareholders of the Company and that they are not aimed at maintaining the positions of Directors or Corporate Auditors of the Company.

(2) Results of audit of corrected financial statements and their supplementary schedules
We confirm that the auditing methods and results of Ernst & Young ShinNihon LLC, an accounting auditor, are proper.

(3) Results of audit of corrected consolidated financial statements
We confirm that the auditing methods and results of Ernst & Young ShinNihon LLC, an accounting auditor, are proper.

March 1, 2012

The Board of Corporate Auditors,
OLYMPUS CORPORATION

Standing Corporate Auditor: Tadao Imai [Seal]
Outside Corporate Auditor: Makoto Shimada [Seal]
Outside Corporate Auditor: Yasuo Nakamura [Seal]