To Shareholders

Internet Disclosure for Notice Regarding the Convocation of the General Meeting of Shareholders For the 150th Term

June 4, 2018

OLYMPUS CORPORATION

Pursuant to applicable laws and regulations, and the provisions of the Articles of Incorporation of Olympus Corporation (the "Company"), the items listed above are deemed to have been provided to shareholders because they have been posted on the Company's website (https://www.olympus.co.jp/ir/stock/meeting.html).

I. Matters Concerning Subscription Rights to Shares, etc.

1. Summary of Subscription Rights to Shares

Date of resolution of issue	Number of subscription rights to shares	Class and number of shares to be issued upon exercise of subscription rights to shares	Paid-in amount for subscription rights to shares	Value of property contributed upon exercise of subscription rights to shares	Exercise period	Grantees
August 8, 2013 (The first subscription rights to shares)	401	Common stock 40,100 shares	¥2,940 per share	¥1 per share	(Note) 1.	Directors or Executive Officers
June 26, 2014 (The second subscription rights to shares)	410	Common stock 41,000 shares	¥3,625 per share	¥1 per share	(Note) 1.	Directors or Executive Officers
June 26, 2015 (The third subscription rights to shares)	387	Common stock 38,700 shares	¥4,415 per share	¥1 per share	(Note) 1.	Directors or Executive Officers
June 28, 2016 (The fourth subscription rights to shares)	395	Common stock 39,500 shares	¥3,582 per share	¥1 per share	(Note) 1.	Directors or Executive Officers

Notes: 1. (a) A holder of subscription rights to shares may exercise the rights only during a period of 10 years that starts after one year has passed since the day immediately following the day on which the holder loses his/her position of either Director or Executive Officer of the Company.

(b) Should a holder of subscription rights to shares assume the position of Audit & Supervisory Board Member after his/her retirement from the position of Director or Executive Officer, he/she may exercise the rights only during a period of 10 years that starts after one year has passed since the day immediately following the day on which the holder loses his/her position of Audit & Supervisory Board Member of the Company.

(c) Other terms and conditions are stipulated in the Agreement on the Allocation of Subscription Rights to Shares.

2. In accordance with the provisions of the Agreement on the Allocation of Subscription Rights to Shares, the “Number of subscription rights to shares” for the first subscription rights to shares above and that for the second subscription rights to shares above each decreased by 10, that for the third subscription rights to shares above decreased by 3, and that for the fourth subscription rights to shares above decreased by 15 due to the retirement of Executive Officers.

2. Subscription Rights to Shares Granted to as Compensation for the Duties Performed and Held by the Company's Directors and Audit & Supervisory Board Members at the End of the Fiscal Year

Category	Issue number	Number of subscription rights to shares	Class and number of shares to be issued upon exercise of subscription rights to shares	Number of holders
Directors (excluding Outside Directors)	The first subscription rights to shares	95	Common stock 9,500 shares	4
Directors (excluding Outside Directors)	The second subscription rights to shares	110	Common stock 11,000 shares	5
Director (excluding Outside Directors)	The third subscription rights to shares	113	Common stock 11,300 shares	5
Director (excluding Outside Directors)	The fourth subscription rights to shares	124	Common stock 12,400 shares	5

II. Framework to ensure fairness of operations

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 its activities.

The Company, based on this basic concept, shall prepare and operate a framework which ensures the effectiveness and efficiency of operations and appropriateness and reliability of financial reporting of the Company and its subsidiaries (hereinafter, "the Olympus Group"), and make continuous improvements.

1. Framework to ensure the compliance by Directors and employees of the Company and its subsidiaries, 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 of the Olympus Group perform their duties in compliance with applicable laws and regulations as well as the Articles of Incorporation, the Company shall establish the Olympus Group Corporate Conduct Charter and the Olympus Group Code of Ethics and internal corporate regulations, and shall instill the policies and facilitate initiatives to raise awareness of compliance in Olympus Group through continuing education and other measures.

(2) The Company shall establish the Compliance Committee chaired by an Outside Director as a body to supervise and improve the compliance system of the Olympus Group. It shall also establish a compliance promotion system by appointing an officer in charge of compliance ("Chief Compliance Officer") and establishing a department in charge of group-wide compliance. The department in charge of group-wide compliance shall be responsible for activities toward the improvement of the group compliance system based on the Global Compliance Management System. Furthermore, it shall continuously conduct education of employees and measures relating to assessment. It shall establish a compliance helpline inside and outside the Company for consultation or provision of information on compliance related issues so that any employee, when suspecting there is or may be a violation of laws and regulations, etc., may make a report.

(3) The Company shall establish the CSR Committee with the President responsible for CSR and chaired by the officer in charge of CSR, and regularly hold meetings to set the contents and objectives for CSR activities by the Olympus Group and evaluate such activities. The Committee shall develop high ethical standards and promote measures to realize the Olympus Group Corporate Conduct Charter and the Olympus Group Code of Ethics.

(4) The Company shall establish the Internal Audit Office that directly reports to the President. The Internal Audit Office shall, pursuant to the provisions of the Internal Audit Regulations, conduct internal audits of the businesses of the Company and domestic subsidiaries in general with regard to the status of their compliance with laws and regulations, the Articles of Incorporation, and internal corporate regulations, and the appropriateness of the business execution procedures and details and other matters. For overseas subsidiaries, the internal audit department of each regional business center shall regularly conduct internal audits. Their audit results shall be reported to the President, the Board of Directors and the Audit & Supervisory Board of the Company.

(5) In order to ensure the fairness of operations of subsidiaries, the Company shall dispatch Directors and Audit & Supervisory Board Members to major subsidiaries and request them to obtain the Company's approval for significant matters of subsidiaries based on Internal Control Framework on approval procedures.

(6) In order to ensure the appropriateness and reliability of financial reporting of the Olympus Group, the Internal Audit Office shall continue to conduct improvement activities by regularly evaluating its efforts and operations to ensure that control activities relating to financial reporting function effectively under the internal control system.

(7) 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. The Olympus Group continuously shall conduct measures for excluding anti-social forces and prepare relevant rules and regulations in order to maintain its social responsibility to exclude anti-social forces.

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

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

(2) Directors and Audit & Supervisory Board Members may access important documents such as the minutes of a meeting of the Board of Directors and documentary approvals at any time based on the internal rules on document management.

3. Regulations and other framework relating to managing risks of loss of the Company and its subsidiaries

(1) The Company shall manage its business risks of the Olympus Group based on due deliberations held at meetings of the Board of Directors and the Executive Management Committee, among other meetings, and appropriate operation of the internal approval procedure. The President shall make a proposal to the Board of Directors for resolution of significant matters of the Olympus Group that are specified by the Rules of the Board of Directors following sufficient deliberations at meetings of the Executive Management Committee. The Board of Directors shall make a decision about the proposed matters after sufficient deliberations. In addition, the President shall make a decision about significant matters except for board meeting agendas after deliberations at meetings of the Executive Management Committee.

(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 designating divisions in charge, establishing internal corporate regulations, working for preventive risk management as the Olympus Group, and implementing education and training.

(3) The CSR Committee shall report and deliberate on plans and measures in relation to risk management, and make efforts to establish and maintain a risk management system at the Olympus Group. Moreover, pursuant to the Rules on Risk Management and Crisis Response, each department in charge in the Company and the subsidiaries shall be aware of risks and take preventative measures, and the Company

has 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, the department in charge shall make immediate reports to the President, other members of the Executive Management 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 of the Company and its subsidiaries

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

(2) The Board of Directors shall determine the assignment of duties among the President and other Operating Directors and approve the assignment of duties of Executive Officers. In addition, the Board of Directors shall receive reports on their duties as performed.

(3) Based on internal corporate regulations including the internal rules on approval procedures and organizational matters, the Board of Directors shall approve the management organization and the separation of duties as well as the responsibility and authority of each of the Representative Director, other Operating Directors and Executive Officers, and receive reports from major management organizations on their duties as performed.

(4) With the establishment of Treasury Control Framework, which regulate financial policies as a base for financial operations of the Olympus Group, the Company strengthens the corporate governance of the Olympus Group from a financial aspect, and oversees and manages funding, foreign exchange, and transactions with financial institutions for the Olympus Group including the subsidiaries.

5. Framework for reporting to the Company on matters concerning execution of duties by the Directors, etc., of the subsidiaries of the Company

(1) Pursuant to the internal rules on management of subsidiaries and affiliates, the Company shall clearly provide for management standards applied to its subsidiaries, review management status of respective subsidiaries, and regularly make reports to the Executive Management Committee.

(2) The Company shall receive reports from the subsidiaries through the Executive Management Committee Global Session held on a regular basis.

(3) The Company shall ensure receiving reports as appropriate and in a timely manner from the subsidiaries in accordance with the Global Consolidated Accounting Control Framework to ensure that the Company will remain accurately informed of financial position and results of operation of the Olympus Group, and appropriately maintain and manage the consolidated accounting policies.

6. Matters relating to employees that assist the Audit & Supervisory Board Members of the Company upon the request of such Audit & Supervisory Board Members for assistance, matters relating to independence of the relevant employees from Directors of the Company and matters relating to effectiveness of directions given to such employees by the Audit & Supervisory Board Members of the Company to be ensured

The Company shall establish the office of Audit & Supervisory Board Members and allocate a dedicated employee who will assist with the Audit & Supervisory Board Members' duties. The Company may also allocate non-dedicated, shared employees as necessary. In addition, the Company shall set forth internal corporate regulations to ensure independence from execution as stated below, and ensure effectiveness of directions from the Audit & Supervisory Board Members to such employees.

(i) In assisting with the Audit & Supervisory Board Members' duties, such employees shall not receive directions or guidance from any Directors and employees.

(ii) Appointment, dismissal, transfers, wages, personnel evaluation, etc. of employees, who should assist with Audit & Supervisory Board Members' duties, shall be determined after obtaining the approval of the Audit & Supervisory Board.

7. Framework regarding reports by Directors and employees of the Company to Audit & Supervisory Board Members of the Company, and reports by Directors and employees of the subsidiaries of the Company or personnel who have received reports from them to the Audit & Supervisory Board Members of the Company

(1) Directors and employees of the Company, and Directors, Audit & Supervisory Board Members and employees of subsidiaries shall make reports to the Audit & Supervisory Board of the Company any material violation of relevant laws and regulations, or the Articles of Incorporation, acts of wrongdoing, or acts that may cause material damages to the Company, directly or by way of an appropriate division in a timely manner. In addition, when Audit & Supervisory Board Members of the Company request reports from Directors and employees of the Olympus Group in accordance with relevant laws and regulations, as well as the Rules of the Audit & Supervisory Board and the Audit & Supervisory Board Members' Audit Standard, which are both established by the Audit & Supervisory Board of the Company, such Directors and employees shall immediately make a report to the Audit & Supervisory Board Members.

(2) In case any material compliance issue arises in the Olympus Group, the Chief Compliance Officer shall make reports on details and other matters to the Board of Directors in accordance with the Rules for Compliance Helpline Operation. Reports on details of issues reported and results of investigations shall also be made regularly to Standing Audit & Supervisory Board Members.

(3) The Internal Audit Office of the Company shall regularly report the status of internal audit in the Olympus Group to Audit & Supervisory Board Members of the Company. In addition, the Chief Compliance Officer shall report the status concerning compliance to the Audit & Supervisory Board Members as necessary.

8. Framework to ensure that any personnel who have made a report to the Audit & Supervisory Board Members of the Company will not be subjected to any unfair treatment due to the report made

The Company shall set forth internal corporate regulations and shall not impose any unfair treatment (including de-facto measures such as restricting the personnel to engage in duties, or assigning the personnel solely to work on chores, in addition to measures of personnel affairs such as dismissal, demotion, pay cut and other disciplinary actions and disadvantageous transfer) to any personnel who have made a report on the grounds of having made a report to the Audit & Supervisory Board Members.

9. Matters regarding procedures for advance payment of expenses incurred in connection with execution of duties by Audit & Supervisory Board Members of the Company and their reimbursement, and treatment of other expenses or liabilities incurred in connection with execution of the duties

The Company shall set forth internal corporate regulations. When an advance payment or reimbursement of expenses is requested for execution of duties of Audit & Supervisory Board Members, the Company shall promptly process disbursement except for such case that the expense is obviously deemed unnecessary for execution of duties by Audit & Supervisory Board Members.

10. Other systems to ensure the effectiveness of audit by Audit & Supervisory Board Members of the Company

(1) Directors and employees of the Company and the subsidiaries shall ensure effectiveness of the audit by cooperating with the Audit & Supervisory Board Members for investigations by interviews and on-site inspections.

(2) The Company shall ensure that it provides Audit & Supervisory Board Members with opportunities to sufficiently exchange opinions with Directors, Accounting Auditor and any other personnel necessary for the Audit & Supervisory Board Members in appropriately performing their duties.

(3) The Company shall ensure that it provides Audit & Supervisory Board Members with opportunities to attend meetings of the Board of Directors as well as meetings of the Executive Management Committee and any other important meetings to express their opinions.

(4) The Company shall ensure that it provides Audit & Supervisory Board Members with, upon their request, opportunities of collaboration between Audit & Supervisory Board Members and Audit & Supervisory Board Members of the subsidiaries and collecting information from employees of the subsidiaries.

III. Overview of Status of Management of Framework to Ensure Fairness of Operations

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

- The Company has established the Olympus Group Corporate Conduct Charter and the Olympus Group Code of Ethics and in addition established and revised internal corporate regulations. Moreover, the Compliance Committee held four meetings to report the status of the compliance related activities. The Global Compliance Committee held four meetings. The Company also conducted compliance training for Executive Management Committee members.
- The Company received reports at any time through the compliance helpline provided inside and outside the Company, and made reports on individual cases and result of investigation to the Audit & Supervisory Board Members.
- The Company held CSR Committee meetings and reported the status of activities to the Executive Management Committee. In addition, the Company held Global CSR meetings three times to strengthen CSR activities at the entire Group-level.
- The Internal Audit Office of the Company made reports on the audit plan, audit implementation status and others based on the Internal Audit Regulations to President and the Board of Directors. In addition, the Company also reported on the status of preparation for internal control of financial report and its operation in accordance with the internal control implementation policy. Moreover, the result of the audit was reported to the President, the Board of Directors, and Audit & Supervisory Committee Members.
- The Company dispatched Directors and Audit & Supervisory Board Members to major subsidiaries, and deliberated important matters of subsidiaries in accordance with internal control rules which are Olympus global rules, and internal control rules of respective locations.
- The Company performed investigation on transactions of the Company and its subsidiaries in accordance with the rules for eliminating of antisocial forces.

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

- The Company prepared and saved minutes of the Board of Directors' meetings, Annual Securities Report and other regulations, etc. in accordance with internal rules on document management.

3. Regulations and other framework relating to managing risks of loss of the Company and its subsidiaries

- The Company shall make a proposal to the Board of Directors for resolution of significant matters of the Olympus Group following sufficient deliberations at meetings of the Executive Management Committee. The Company regularly held the meetings of the Executive Management Committee and the Board of Directors. The Company also performed business risk management of the Group by due operations of approval procedures using the electric approval system.
- The Company worked to manage risks for the entire Olympus Group by providing necessary educational training programs and holding meeting bodies. In addition, CSR Committee conducted risk assessments and provided drills to ensure quick response in case of a disaster.

4. **Framework to ensure the effective performance of duties by Directors of the Company and its subsidiaries**
   - Officers in charge at the Company made reports on the status of execution of Directors' duties. The Company also formulated business plans for the next fiscal year. During the fiscal year under review the Company held 26 meetings of the Board of Directors.

5. **Framework for reporting to the Company on matters concerning execution of duties by the Directors, etc., of the subsidiaries of the Company**
   - The Company received reports on actual results from subsidiaries every month and conducted quarterly and annual reviews. In addition, the Company has dispatched Directors and Audit & Supervisory Board Members to major subsidiaries. The Company held the Executive Management Committee Global Session four times to make necessary reports and deliberation.

6. **Matters relating to employees that assist the Audit & Supervisory Board Members of the Company upon the request of such Audit & Supervisory Board Members for assistance, matters relating to independence of the relevant employees from Directors of the Company and matters relating to effectiveness of directions given to such employees by the Audit & Supervisory Board Members of the Company to be ensured**
   - The Company has established the office of Audit & Supervisory Board Members and has allocated two dedicated employees and one non-dedicated employee. In addition, the Company shall ensure independence from execution based on the regulations, and ensure effectiveness of directions from the Audit & Supervisory Board Members to such employees.

7. **Framework regarding reports by Directors and employees of the Company to Audit & Supervisory Board Members of the Company, and reports by Directors and employees of the subsidiaries of the Company or personnel who have received reports from them to the Audit & Supervisory Board Members of the Company**
   - The Company made arrangements so that the Audit & Supervisory Board Members can exchange opinions with Directors, Executive Officers, employees, and accounting auditors as necessary. In addition, the Company secured opportunities for Audit & Supervisory Board Members to attend the Executive Management Committee and the Global Compliance Committee. The Company further made reports on the status relating to compliance, internal reporting and results of investigation to the Audit & Supervisory Board Members. The company held 30 meetings of the Audit & Supervisory Board Members in the fiscal year.

8. **Framework to ensure that any personnel who have made a report to the Audit & Supervisory Board Members of the Company will not be subjected to any unfair treatment due to the report made**
    - The Company has established rules concerning the framework supporting duties of the Audit & Supervisory Board Members. The Company has been strictly prohibited from unfairly treating anyone who made a report to the Audit & Supervisory Board Members for the reason of making such report, and the rules have been complied with.

9. **Matters regarding procedures for advance payment of expenses incurred in connection with execution of duties by Audit & Supervisory Board Members of the Company and their reimbursement, and treatment of other expenses or liabilities incurred in connection with execution of the duties**
    - The Company reimbursed required expenses as appropriate upon request from an Audit & Supervisory Board Member.

10. **Other systems to ensure the effectiveness of audit by Audit & Supervisory Board Members of the Company**
    - The Company secured opportunities for Audit & Supervisory Board Members to exchange opinions with Directors, Executive Officers and employees as necessary upon request from the Audit & Supervisory Board Members and improved effectiveness of audit performed by the Audit & Supervisory Board Members. In addition, the Company secured opportunities for the Audit & Supervisory Board Members to attend the Executive Management Committee and the Global Compliance Committee. In addition, the Company's Audit & Supervisory Board Members held two liaison meetings with Audit & Supervisory Board Members of subsidiaries and affiliates and also held face-to-face meetings with Audit & Supervisory Board Members of the subsidiaries.

IV. Basic Policy on Control of Company

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 Company's shares 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 a large-scale acquisition that benefits neither the corporate value of the target company nor, in turn, the common interests of its shareholders. Unless a person who would make a large-scale acquisition of the Company's shares understands the source of the Company's corporate value 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 Company's shares in a manner that does not contribute to the corporate value of the Company and, in turn, the common interests of its shareholders would be inappropriate to become persons who would control decisions on the Company's financial and business policies. Against a large-scale acquisition of the Company's shares by such persons, in order to ensure the corporate value of the Company and, in turn, the common interests of its shareholders, the Company will require the acquirer, etc. to provide necessary and sufficient information, disclose relevant information appropriately in a timely manner, and ensure that shareholders will have sufficient information and time needed to make proper decisions whether or not the large-scale acquisition is acceptable. The Company will also take other appropriate measures within the scope permitted by the Financial Instruments and Exchange Act, the Companies Act, other laws and ordinances, and the Articles of Incorporation.

V. Consolidated Statement of Changes in Equity (April 1, 2017 to March 31, 2018)

(Millions of yen)

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

VI. Notes to Consolidated Financial Statements

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

1. Standards for preparation of consolidated financial statements
   Since the fiscal year under review, the Group's consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (hereinafter the "IFRS") as stipulated by the provisions of Paragraph 1, Article 120 of the Rules of Corporate Accounting. Some of the descriptions and notes required by the IFRS are omitted as stipulated by the provisions stated in the latter part of the above same paragraph.

2. Early adoption of the new standards
   The Olympus Group has early adopted IFRS 9 "Financial Instruments" (revised in July 2014) (hereinafter, "IFRS 9"), IFRS 15 "Revenue from Contracts with Customers" (issued in May 2014) and "Clarifications to IFRS 15" (issued in April 2016).

3. Scope of consolidation
   Status of consolidated subsidiaries
   - Number of consolidated subsidiaries: 96
   - Names of principal consolidated subsidiaries:
     Olympus Corporation of the Americas, Olympus Europa Holding SE, Olympus Corporation of Asia Pacific Limited
   - Change in scope of consolidation
     Newly added consolidated subsidiaries: 2
     Image Stream Medical, Inc. and one other company have been included in consolidated subsidiaries in conjunction with the Company's acquisition of shares or the incorporation of a new company in the fiscal year under review.
     Excluded companies: 13
     Olympus Software Technology Corporation and 11 other companies have been excluded from consolidated subsidiaries due to mergers with the Company or other consolidated subsidiaries, or their liquidation during the fiscal year under review.
     Olympus Europa Properties GmbH & Co. KG has been excluded from the consolidated subsidiary due to the sale of its shares held by another consolidated subsidiary.

4. Application of the equity method
   Status of affiliated companies accounted for under the equity method
   - Number of affiliated companies accounted for under the equity method: 2
   - Names of principal affiliated companies:
     Sony Olympus Medical Solutions Inc.

5. Items concerning accounting policies

(1) Financial assets

(i) Initial recognition and measurement

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

(ii) Classification and subsequent measurement

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

(Financial assets measured at amortized cost)

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

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

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

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

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

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

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

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

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

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

(iii) Impairment of financial assets

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

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

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

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

(iv) Derecognition

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

(2) Derivatives and hedge accounting

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

For the application of hedge accounting, the Olympus Group officially makes designation and prepares documentation at the inception of the hedge, regarding the hedging relationship as well as the risk management objectives and strategies. Such document contains hedging instruments, hedged items, the nature of the risks to be hedged and the method for evaluating the hedging effectiveness. The Olympus Group continually evaluates whether the hedging relationship is effective prospectively.

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

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

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

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

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

(3) Inventories

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

(4) Property, plant and equipment

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

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

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

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

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

(5) Goodwill

Goodwill is carried at cost less any accumulated impairment losses.

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

(6) Intangible assets

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

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

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

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

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

Intangible assets with indefinite useful lives and those yet to be usable are not amortized and are tested for impairment in each period or whenever there is an indication of impairment.

(7) Leases

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

(i) Leases as lessee

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

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

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

(ii) Leases as lessor

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

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

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

(8) Impairment of non-financial assets

For the carrying amount of non-financial assets (excluding inventories, deferred tax assets, retirement benefit asset and non-current assets held for sale), the Olympus Group assesses at the end of each reporting period whether there is an indication of impairment. If any such indication exists, impairment test is performed. However, goodwill, intangible assets with indefinite useful lives and those yet to be usable are tested for impairment in each period or whenever there is an indication of impairment.

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

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

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

When there is an indication of reversal in respect of impairment losses recognized in prior periods and the recoverable amount of the asset or cash-generating unit exceeds its carrying amount, impairment losses are reversed. The carrying amount after reversal of impairment losses does not exceed the carrying amount that would have been determined when depreciation or amortization had been continued until the reversal occurred if any impairment loss had never been recognized for the asset. Impairment losses associated with goodwill are not reversed.

(9) Provisions

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

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

(10) Employee benefits accruals

(i) Post-employment benefits

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

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

Discount rate used for discounting to the present value of defined benefit obligations is determined by reference to market yields on high quality corporate bonds of which currency and due date are consistent with those of the post-employment benefit obligations.

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

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

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

(ii) Short-term employee benefits

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

(iii) Other long-term employee benefits

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

(11) Revenue

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

Step 1: Identify the contract with the customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

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

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

Notes to Consolidated Statements of Financial Position

1. Allowance for doubtful accounts directly deducted from assets
   (1) Current assets ¥6,096 million
   (2) Non-current assets ¥9,724 million

   The amount of ¥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 and is included as an excess amount in "trade and other receivables" of non-current assets. Although these fees were paid to the external partners of multiple Receiver Funds, the Company has requested payment from these external partners of Receiver Funds because the fees were not agreed.

2. Accumulated depreciation for property, plant and equipment and accumulated impairment losses
   ¥314,376 million

3. Contingent liabilities
   (1) Liabilities for guarantees

Guaranteed party	Description of guarantee	Amount
Employees	Housing fund loans, etc.	¥13 million
Total		¥13 million

(2) Lawsuits, etc.

As a result of inappropriate financial reporting by the Company, certain shareholders and shareholder groups, etc. filed lawsuits against the Company. Although there is a possibility that the claims by lawsuits may have an impact on the Company's financial results by providing related reserves depending on future developments pertaining to the claims, it is not possible to make a reasonable estimate of this impact at present.

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

In March and August 2015, a subpoena was issued to Olympus Medical Systems Corp., a subsidiary of ours by the U.S. Department of Justice, seeking information relating to duodenoscopes that the Olympus Group manufactures and sells, and the Department continues investigation of the facts. There is a possibility of having an impact on the Company's financial results depending on future developments pertaining to the claims, and it is not possible to make a reasonable estimate of this impact at present.

Notes to Consolidated Statement of Changes in Equity

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

   Common stock 342,691,224 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
Ordinary General Meeting of Shareholders held on June 28, 2017	Common stock	9,583	28	March 31, 2017	June 29, 2017

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

   It is proposed that at the Ordinary General Meeting of Shareholders to be held on June 26, 2018, the following matters regarding dividends will be brought up for resolution.

Class of shares	Total dividends (Millions of yen)	Source of dividends	Dividend per share (Yen)	Record date	Effective date
Common stock	9,559	Retained earnings	28	March 31, 2018	June 27, 2018

3. Number and class of potential shares resulting from the exercise of subscription rights to shares (excluding shares for which the exercise period has not commenced) as of March 31, 2018

   Common stock 148,300 shares

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.

   In accordance with internal regulations, the Olympus Group manages customer credit risks pertaining to trade and other receivables by conducting credit investigations on major external customers and controls of due dates and outstanding balances by customers, while promptly identifying doubtful accounts caused by deteriorated financial conditions, etc., to reduce risks.

   Regarding risks of market prices associated with holding shares, the Olympus Group regularly checks market prices and the financial status of business counterparts issuing shares, etc., while reviewing holding positions continuously in consideration of relationships with business counterparts to reduce risks.

   Foreign currency fluctuation risks arising from foreign currency-denominated financial assets and financial liabilities are hedged mainly through forward foreign exchange contracts to lower risks. In addition, interest-rate risks associated with some long-term borrowings are hedged by fixing the amount of interest payments through interest-rate swap deals to reduce risks.

2. Items concerning fair value of financial instruments

   Consolidated statement of financial position amount at the end of the fiscal year ended March 31, 2018, fair value on the same date and their variances are as follows. However, financial instruments whose book value and fair value are nearly equal are not included in the list below.

(Millions of yen)

	Amount recorded in the Consolidated statements of financial position	Fair value	Variance
Financial assets			
Lease receivables	35,463	35,430	(33)
Financial liabilities			
Bonds	34,942	34,905	(37)
Borrowings	130,024	128,599	(1,425)
Lease obligations	8,507	8,666	159

Items concerning the method of determining the fair value of financial instruments

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

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

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

(Bonds and borrowings)

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

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

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

(Other financial assets and other financial liabilities)

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

Listed shares are stated at market prices valued at the end of the each reported fiscal year.

Unlisted shares are stated at the value obtained by evaluation methods such as the method of comparing peer public companies.

Currency derivatives are stated at the value based on forward exchange rates, and interest-rate derivatives are stated at the value obtained based on observable data such as market interest rates, credit risks, and the period up to maturity.

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

Per-Share Information

1. Equity attributable to owners of parent per share ¥1,297.01
2. Basic earnings per share ¥166.84

Significant Subsequent Events

(Restructuring of manufacturing locations of Imaging Business)

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

1. Details of the restructuring

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

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

2. Effect on business results

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

Other Notes

1. Business combination

(Business combination through acquisition)

(1) Overview of business combination

(i) Name of company acquired and description of business
Name of company acquired: Image Stream Medical, Inc. (hereinafter "ISM")
Description of business: Proposal, sale, delivery and maintenance services for video management equipment and system integration solutions for operating rooms

(ii) Primary reason for business combination
In the 2016 Corporate Strategic Plan ("16CSP") released on March 30, 2016, the Company set forth a goal of formulating aggressive business portfolios with a firm business base and improving its corporate value toward sustainable growth down the road.
With this acquisition, the Company has obtained the technology for internet protocol (IP)-based image delivery, which ISM has cultivated through medical practices, and a business base for system integration. Given this advantage, the Company will work to strengthen the "Operating Room System Integration" business set forth in 16CSP and offer a better medical environment, thereby contributing to a society where people in the world have a healthy, peaceful, and fulfilling life.

(iii) Acquired ratio of holding capital with voting rights
100 %

(iv) Acquisition date
June 1, 2017

(v) Acquisition method to govern the acquired company
Cash consideration for the acquisition of shares

(2) Acquisition-related expense

The acquisition-related expense of ¥394 million has been booked in "sales, general and administrative expenses."

(3) Fair value of consideration paid, assets acquired, and liabilities undertaken as of the acquisition date

(Millions of yen)

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

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

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

(4) Consideration with conditions

Consideration with conditions is milestone payments to be made to old ISM shareholders in response to the Company's obtaining of licenses on the ISM development, and is the amount calculated in consideration of the possibility of acquiring licenses on the targeted development and time value of money. The maximum amount of milestone payments is 9 million U.S. dollars before discount.

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

There were no significant fluctuations in the fair value of the above consideration with conditions in the fiscal year under review.

(5) Impacts on the Olympus Group

The Company omits making a description concerning profit and loss information of the said business combination on and after the acquisition date as well as profit and loss information under the assumption that the said business combination was conducted at the beginning of the fiscal year under review. This is because the amount of impact on consolidated financial statements due to such information is not material.

The Accounting Auditor has not audited profit and loss information under the assumption that the said business combination was conducted at the beginning of the fiscal year under review.

2. Other income and other expenses

(1) Other income

Major items of other income are as follows.

(Gain on sale of investments in subsidiaries)

The Company recorded gain on sale of investments in subsidiaries of ¥3,048 million in “Other income” in conjunction with sales of all shares of the former subsidiary.

(Gain on sale of fixed assets)

The Company recorded gain on sale of land of ¥1,345 million in “Other income.”

(2) Other expense

Major items of other expenses are as follows.

(Business restructuring expenses)

The Company recorded ¥1,351 million for the business restructuring expenses in Europe in “Other expenses.”

(Impairment losses)

The Company recorded ¥1,686 million of impairment losses because the recoverable amount of fixed assets fell below the carrying amount primarily due to a decrease in forecasted income. The primary relevant assets include the manufacturing facilities of OSZ, a manufacturing location for the Imaging Business.

VII. Non-Consolidated Statement of Changes in Net Assets (April 1, 2017 to March 31, 2018)

(Millions of yen)

Items	Shareholders' equity						
		Capital surplus			Retained earnings		
					Other retained earnings		
	Share capital	Legal capital surplus	Other capital surplus	Total capital surplus	Reserve for advanced depreciation	Retained earnings carried forward	Total retained earnings
Balance at the beginning of the year	124,520	90,940	3	90,943	1,241	226,036	227,277
Changes during the year							
Issuance of new shares	40	40		40			
Dividends from Surplus						(9,582)	(9,582)
Profit						15,179	15,179
Acquisition of treasury shares							
Disposal of treasury shares			1	1			
Reversal of reserve for advanced depreciation					(41)	41	–
Net changes in items other than shareholders' equity							
Net changes during the year	40	40	1	41	(41)	5,638	5,597
Balance at the end of the year	124,560	90,980	4	90,984	1,200	231,674	232,874

Items	Shareholders' equity		Valuation and translation adjustments		Subscription rights to shares	Total net assets
	Treasury shares	Total shareholders' equity	Net unrealized holding gains (losses) on available-for-sale securities, net of taxes	Total valuation and translation adjustments		
Balance at the beginning of the year	(1,122)	441,618	8,821	8,821	554	450,993
Changes during the year						
Issuance of new shares		80				80
Dividends from Surplus		(9,582)				(9,582)
Profit		15,179				15,179
Acquisition of treasury shares	(3,663)	(3,663)				(3,663)
Disposal of treasury shares	10	11			(11)	0
Reversal of reserve for advanced depreciation		–				–
Net changes in items other than shareholders' equity			2,365	2,365		2,365
Net changes during the year	(3,653)	2,025	2,365	2,365	(11)	4,379
Balance at the end of the year	(4,775)	443,643	11,186	11,186	543	455,372

VIII. Notes to Non-Consolidated Financial Statements

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) Available-for-sale securities
         Items with market value: Market value method by 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 moving-average 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)
      Straight-line method
      (a) Vehicles, tools and fixtures: Based on useful lives as per the Corporation Tax Act
      (b) Other property, plant and equipment: Based on useful lives prescribed by the Company determined in accordance with estimated functional useful years

(2) Intangible assets (excluding lease assets)

Straight-line method
Based on useful lives as per the Corporation Tax Act
Software for internal use is reported using the usable period within the Company (3 to 5 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.

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) Provision for retirement benefits

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

Pertaining to past service cost, 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 gain or loss, 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 gain or loss is accounted as an expense starting from the following fiscal year.

(4) Provision for loss on business liquidation

To provide for losses arising from the business liquidation to be carried out by certain subsidiaries of the Company, the expected amount of these losses is accounted.

(5) Provision for loss on litigation

To provide for losses related to lawsuits and the like, in light of progress of lawsuits, the expected amount of these losses is accounted based on a reasonable estimate of the amount deemed necessary.

(6) Provision for points

To provide for sales allowances for utilization of points granted to customers, the amount that is expected to be utilized in the future is accounted.

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

(1) Treatment method for important deferred assets

Stock issuance expense and bond issuance expense

Total expense recorded at the time of occurrence

(2) 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) Method of assessing hedge effectiveness

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

(3) Treatment of consumption taxes

Treated using the tax exclusive method.

(4) Application of the consolidated tax payment system

The consolidated tax payment system is adopted.

Notes to Non-Consolidated Balance Sheet

1. Accumulated depreciation for property, plant and equipment ¥135,958 million

2. Contingent liabilities
   (1) Liabilities for guarantees ¥2,739 million
   The above amount includes ¥2,726 million in contracted guarantees to subsidiaries and affiliates.

   (2) Lawsuits, etc.
   As a result of inappropriate financial reporting by the Company, certain shareholders and shareholder groups, etc. filed lawsuits against the Company. Moreover, although there is a possibility that other claims by lawsuits may have an impact on the Company’s financial results by recognizing related reserves depending on future developments pertaining to the claims, it is not possible to make a reasonable estimate of this impact at present.

3. Short-term monetary claims to subsidiaries and affiliates ¥91,570 million

4. Long-term monetary claims to subsidiaries and affiliates ¥9,014 million

5. Short-term monetary liabilities to subsidiaries and affiliates ¥70,691 million

6. Discounted bills of exchange for export ¥187 million

7. Accounting treatment of notes matured on the balance sheet date
   In the accounting treatment of notes matured on the balance sheet date, they were treated as having been settled on the maturity date, though the balance sheet date for the fiscal year under review fell on a holiday of financial institutions. The amounts of notes matured on the closing date of the fiscal year under review are as follows.
   Notes receivable ¥9 million
   Notes payable ¥545 million

8. 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 of “Other assets” under Investments and other assets. Although these fees were paid to the external partners of multiple Receiver Funds, the Company has requested payment from these external partners of Receiver Funds because the fees were not agreed.

Notes to Non-Consolidated Statement of Income

Total transactions with subsidiaries and affiliates	
Amounts resulting from business transactions	
Revenue	¥291,163 million
Net purchases	¥215,622 million
Other business transactions	¥28,449 million
Amount resulting from non-business transactions	¥11,052 million

Notes to Non-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 342,691,224 shares

   The number of common shares outstanding at the end of the current fiscal year increased by 19,716 shares as a result of the issuance of new shares for restricted share remuneration.

2. Class and total number of treasury shares at the end of the current fiscal year

   Common stock 1,295,351 shares

   The number of treasury shares of common stock at the end of the current fiscal year increased by 861,300 shares as a result of the purchase of treasury shares by resolution of the Board of Directors of the Company held on November 24, 2017, increased by 2,262 shares as a result of the purchase of shares constituting less than one unit, and decreased by 3,500 shares as a result of the exercise of stock options.

Tax Effect Accounting

1. Breakdown of deferred tax assets and liabilities by main cause

Deferred tax assets	
Inventories	¥6,452 million
Prepaid expenses	¥7,266 million
Accrued bonuses	¥3,210 million
Property, plant and equipment	¥4,093 million
Intangible assets	¥3,300 million
Denial of loss on valuation of investment securities	¥2,765 million
Denial of loss on valuation of investment securities in subsidiaries and affiliates	¥7,915 million
Denial of provision of allowance for doubtful accounts	¥6,575 million
Loss brought forward	¥14,998 million
Other current liabilities	¥2,695 million
Subtotal of deferred tax asset	¥59,269 million
Valuation allowance	¥(23,341) million
Total deferred tax assets	¥35,928 million
Deferred tax liabilities	
Net unrealized holding gains (losses) on available-for-sale securities, net of taxes	¥(3,063) million
Reserve for advanced depreciation	¥(530) million
Prepaid pension expenses	¥(5,883) million
Other	¥(145) million
Total deferred tax liabilities	¥(9,621) million
Net deferred tax assets	¥26,307 million

Transactions with Related Party

Type	Name	Voting rights ownership ratio (%)	Relation	Details of transaction	Amount (Millions of yen)	Item	Ending balance (Millions of yen)
Subsidiary	Olympus Biotech International Ltd.	Direct Ownership 100.0	Financial support	—	—	Claims provable in bankruptcy, claims provable in rehabilitation and other (Note 1)	3,876

Terms of transactions and method for determining them

Note 1: With regard to total claims provable in bankruptcy, claims provable in rehabilitation and other, the Company recognized an allowance for doubtful accounts.

Per-Share Information

1. Net assets per share ¥ 1,332. 26
2. Earnings per share ¥ 44. 38

Significant Subsequent Events

No items to report

Notes on Company Subject to Consolidated Dividend Regulations

The Company is subject to consolidated dividend regulations.

Other Note

Loss related to securities litigation

The Company has received claims for compensation for damages from several individual and institutional investors, for losses sustained as a result of the Company's false statements for the purpose of postponing recognition of losses in the Annual Securities Reports, Semi-Annual Securities Reports and Quarterly Securities Reports for the period from the fiscal year ended March 31, 2001 through the first quarter of the fiscal year ended March 31, 2012. ¥ 592 million in "Loss related to securities litigation" represents losses relating to these claims for compensation for damages and the main component is settlement packages.