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To Shareholders

Internet Disclosure for Notice Regarding the Convocation of the General Meeting of Shareholders For the 151st Term

June 3, 2019

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.

3. The Company conducted a four-for-one share split of common stock on April 1, 2019.

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

Issue number	Category	Number of subscription rights to shares	Class and number of shares to be issued upon exercise of subscription rights to shares	Number of holders
The first subscription rights to shares	Directors (excluding Outside Directors)	95	Common stock 9,500 shares	4
	Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)	12	Common stock 1,200 shares	1
The second subscription rights to shares	Directors (excluding Outside Directors)	110	Common stock 11,000 shares	5
	Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)	12	Common stock 1,200 shares	1
The third subscription rights to shares	Directors (excluding Outside Directors)	113	Common stock 11,300 shares	5
	Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)	12	Common stock 1,200 shares	1
The fourth subscription rights to shares	Directors (excluding Outside Directors)	124	Common stock 12,400 shares	5
	Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)	9	Common stock 900 shares	1

II. Framework to Ensure Fairness of Operations

All our activities are based on our corporate philosophy, “Making people’s lives healthier, safer and more fulfilling.”

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 six 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 receives reports at any time through internal and external compliance helplines and reports on individual cases and results of investigations to the Audit & Supervisory Board Member, while communicating the existence of the helplines and raising awareness.
- 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.

- The Company established the new post of Chief Information Security Officer as the director in charge of information security and launched the "Information Security Global Project," thereby reinforcing the group-wide information security system.

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 28 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 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 36 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 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, 2018 to March 31, 2019)

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

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
   The consolidated financial statements of the Company and its subsidiaries (hereinafter, "the Olympus Group") 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 Regulation on 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. Scope of consolidation
   Status of consolidated subsidiaries
      Number of consolidated subsidiaries: 91
      Names of principal consolidated subsidiaries:
         Olympus Corporation of the Americas, Olympus Europa Holding SE, Olympus Corporation of Asia Pacific Limited, Olympus (China) Co., Ltd.
      Change in scope of consolidation
         Newly added consolidated subsidiaries: 2
         Olympus Medical Products Portugal unipessoal Lda. and one other company have been included in consolidated subsidiaries in conjunction with the new establishment of these companies in the fiscal year under review.
         Excluded companies: 7
         Olympus FN Korea Co., Ltd. and 6 other companies have been excluded from consolidated subsidiaries due to their liquidation during the fiscal year under review.

3. 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.

4. 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 statement 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 “Financial Instruments” 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 Statement of Financial Position

1. Allowance for doubtful accounts directly deducted from assets
   (1) Current assets ¥5,475 million
   (2) Non-current assets ¥9,458 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
   ¥328,359 million

3. Contingent liabilities
   Liabilities for guarantees

Guaranteed party	Description of guarantee	Amount
Employees	Housing fund loans, etc.	¥8 million
Total		¥8 million

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 1,370,853,396 shares

    Note: The Company conducted a four-for-one share split of common stock on April 1, 2019.
    The above-mentioned total number of issued shares reflects the share split.

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 26, 2018	Common stock	9,559	28	March 31, 2018	June 27, 2018

    (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 25, 2019, 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	10,243	Retained earnings	30	March 31, 2019	June 26, 2019

    Note: The Company conducted a four-for-one share split of common stock on April 1, 2019.
    Because the record date of year-end dividends for the current fiscal year falls on March 31, 2019, dividends will be paid based on the number of shares before the share split.
    The above-mentioned amount of dividend per share is the actual amount before the share split.

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, 2019

    Common stock 143,100 shares

    Note: The Company conducted a four-for-one share split of common stock on April 1, 2019.
    The above-mentioned number of potential shares resulting from the exercise of subscription rights to shares is the number of shares before the share split.

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, 2019, fair value on the same date and their variances of major financial instruments measured at amortized cost 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 statement of financial position	Fair value	Variance
Financial assets			
Lease receivables	29,824	29,803	(21)
Financial liabilities			
Bonds	19,909	19,897	(12)
Borrowings	97,811	98,218	407
Lease obligations	9,035	9,140	105

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

(Lease receivables and lease obligations)

Lease receivables and lease obligations are stated at the value obtained by calculating the present value of each lease receivable and lease obligation categorized by a lease 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.

Notes to Revenue Recognition

Medical Business

The Medical Business sells and leases medical devices, including gastrointestinal endoscopes, surgical endoscopes, endo-therapy devices, and ultrasound endoscopes, to customers who are primarily medical institutions in Japan and overseas.

Regarding the sale of products by the Medical Business, when control over products is transferred to a customer—at the time the Company delivers the products to the customer—the legal title to the products and physical possession of the products, and significant risks and rewards of ownership of the products are transferred to the customer; then the Company obtains the right to receive payments from the customer. At that point, the Company recognizes the revenue. The revenue from the sale of products is measured in transaction prices related to the contract with the customer. The Company receives a consideration for a transaction primarily within a year after satisfaction of performance obligations, and the consideration does not include a significant financial component. In respect of transactions that consist of multiple components, such as products and maintenance service, the Company treats each component as a separate performance obligation when products to sell and services to render have an independent value on their own, and the total transaction amount is proportionally allocated based on the individual sales prices of the components.

In regard to maintenance contracts concerning medical devices, because performance obligations are satisfied over the passage of time, the transaction amount related to the contract with a customer is recognized as revenue spread evenly over the contract period. Generally, the Company receives a consideration for a transaction in a lumpsum as advance payment at the time the contract is concluded.

Lease transactions for medical devices as the lessor are recorded in accordance with Notes to Consolidated Financial Statements “4. Items concerning accounting policies: (7) Leases.” The Company receives lease fees concerning leasing contracts based on payment conditions specified in individual contracts.

Scientific Solutions Business

The Scientific Solutions Business sells microscopes, industrial videoscopes, ultrasonic flaw detectors, etc. to customers who are mainly research institutions and medical institutions in Japan and overseas.

Regarding the sale of products by the Scientific Solutions Business, when control over products is transferred to a customer—at the time the Company delivers the products to the customer—the legal title to the products and physical possession of the products, and significant risks and rewards of ownership of the products are transferred to the customer; then the Company obtains the right to receive payments from the customer. At that point, the Company recognizes the revenue. The revenue from the sale of products is measured in transaction prices related to the contract with the customer. The Company receives a consideration for a transaction primarily within a year after satisfaction of performance obligations, and the consideration does not include a significant financial component.

In regard to maintenance contracts concerning Scientific Solutions Business, because performance obligations are satisfied over the passage of time, the transaction amount related to the contract with a customer is recognized as revenue spread evenly over the contract period. Generally, the Company receives consideration for a transaction in a lumpsum as advance payment at the time the contract is concluded.

Imaging Business

The Imaging Business sells digital cameras including single-lens-reflex cameras and mirrorless cameras primarily to corporations that are engaged in retailing in Japan and overseas.

Regarding the sale of products by the Imaging Business, when control over products is transferred to a customer—at the time the Company sells the products to the customer—the legal title to the products and physical possession of the products, and significant risks and rewards of ownership of the products are transferred to the customer; then the Company obtains the right to receive payments from the customer. At that point, the Company recognizes the revenue. The revenue from the sale of products in the Imaging Business is measured in transaction prices related to the contract with the customer. In respect of transaction agreements that include a change to the consideration, such as rebates and subsequent discounts, transaction prices are determined using the most likely amount method based on past records, etc. in consideration of the relevant variable prices within a scope that does not cause a significant difference between quotations and results. The Company receives a consideration for a transaction primarily within a year after satisfaction of performance obligations, and the consideration does not include a significant financial component.

Other Businesses

Other businesses include R&D and exploratory activities for new businesses, in addition to sales of biomedical materials.

Per-Share Information

1. Equity attributable to owners of parent per share ¥ 323.06
2. Basic earnings per share ¥ 5.97

Note: The Company conducted a four-for-one share split of common stock on April 1, 2019.
On the assumption that the share split took place at the start of the fiscal year ended March 31, 2019, equity attributable to owners of parent per share and basic earnings per share reflect the share split.

Significant Subsequent Events

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

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

(1) Purpose of share split

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

(2) Overview of share split

(i) Method of share split

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

(ii) Number of shares to be increased by share split

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

(iii) Schedule of the share split

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

(3) Partial amendment to the Articles of Incorporation

(i) Reason for the amendment

In line with this share split, pursuant to the Article 184, Paragraph 2 of the Companies Act, the Company changed, as of April 1, 2019, the total number of shares authorized to be issued set by Article 6 of our Articles of Incorporation.

(ii) Details of the amendments

The following are the details of the amendments.

(Underlined portions represent amendments)

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

(iii) Schedule

Effective date of the amendment to the Articles of Incorporation April 1, 2019

(4) Others

(i) Change in the amount of share capital

The share split will not change the amount of share capital.

(ii) Dividends

The effective date for this share split is April 1, 2019. The year-end dividends for the fiscal year ended March 31, 2019 will be based on the number of shares before the share split.

"Per share data" has been calculated as if the Company's share split was conducted at the beginning of the fiscal year under review.

Other Notes

1. Business combination

(Business combination through acquisition)

(1) Overview of business combination

(i) Name of company concerned and description of business

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

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

(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.

Urinary tract stone management in the urology business segment is a key strategic field in the Company's 16CSP. With the acquisition of this business, the Company will enhance its competitiveness in the urology business through the in-house development and manufacture of lithotripsy systems.

(iii) Acquisition date

May 15, 2018

(iv) Acquisition method to govern the acquired business

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

(2) Acquisition-related expense

The acquisition-related expense of ¥116 million 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	3,424
Consideration with conditions	489
Total	3,913
Fair value of assets acquired, and liabilities undertaken	
Intangible assets	3,815
Fair value of assets acquired, and liabilities undertaken (net amount)	3,815
Goodwill	98
Total	3,913

The fair value of the acquired assets in the relevant business combination as of the acquisition date was measured in the fiscal year under review and intangible assets decreased by ¥98 million from the initial provisional amount, causing goodwill of the same 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

The consideration with conditions will be paid on condition that knowledge is transferred from Cybersonics to the Company and that business assets are put into operation within a certain period of time, and the amount was calculated in consideration of the possibility of the said conditions being fulfilled and the time value of money. The maximum amount of payment is 4.5 million dollars (before discount). The fair value of the consideration with conditions will fluctuate along with changes to interest rates. However, the impacts on measuring fair value are not material.

(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 revision of retirement benefit plan)

The Company recorded a gain on the revisions of the retirement benefit plan in Europe of ¥1,883 million in “Other income.”

(Gain on sale of fixed assets)

The Company recorded gain on sale of fixed assets of ¥1,059 million in “Other income.”

(2) Other expense

Major items of other expenses are as follows.

(Losses related to securities litigation)

The Company received claims for compensation for damages from several individuals 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 to the first quarter of the fiscal year ended March 31, 2012. The Company recorded ¥19,380 million as a settlement amount in “Other expenses” as a result of the said claims for compensation for damages being settled.

(Reorganization expenses for manufacturing bases of Imaging Business)

The Company resolved to reorganize manufacturing bases in the Imaging Business in May 2018, and decided to suspend operations of Olympus (Shenzhen) Industrial Ltd., an Olympus consolidated subsidiary, and integrate manufacturing into Olympus Vietnam Co., Ltd. The Company recorded ¥6,174 million as reorganization expenses for manufacturing bases of the Imaging Business, including financial compensation that would be generated accompanying a series of reorganizations, in “Other expenses.”

(Loss related to litigation involving a subsidiary)

On July 30, 2018, the Shenzhen Intermediate People’s Court handed down a judgment on the lawsuit by Shenzhen Anping Tai Investment and Development Co., Ltd. against Olympus (Shenzhen) Industrial Ltd. (hereinafter referred to as “OSZ”), an Olympus consolidated subsidiary. The judgment document was sent to OSZ on August 3, 2018. Although the judgment supported part of OSZ’s claims, it ordered OSZ to pay compensation for damage. In preparation for losses related to litigation, the Company estimated the amount deemed necessary in a reasonable manner. Consequently, ¥3,817 million was recorded in “Other expenses.”

(Expenses related to litigation involving a subsidiary)

Regarding expenses related to the lawsuit between KeyMed (Medical & Industrial Equipment) Ltd., an Olympus consolidated subsidiary, and a former board member, the Company estimated the amount deemed necessary in a reasonable manner, and ¥1,197 million was recorded in “Other expenses.”

(Investigation into duodenoscopes in the US)

The US Department of Justice issued subpoenas to Olympus Medical Systems Corp., an Olympus subsidiary, in March and August in 2015, demanding the provision of information about duodenoscopes the Group produced and sold. Afterwards, The Group came under investigation by the Department pursuant to Federal Food, Drug and Cosmetic Act, FDCA. The Company concluded a plea bargain deal with the Department concerning this issue on December 3, 2018. The deal was approved by a US court on

December 10, 2018, and its content became final. Accordingly, the Company paid a criminal fine of ¥9,653 million, an equivalent amount of criminal confiscation, and others.

(Impairment losses)

The values of business assets in the Imaging Business, development assets in the Medical Business and others were cut to the collectable level of revenue because the revenue expected at the time of their acquisition became unlikely to be earned mainly due to changes in the markets. The Company recognized ¥1,990 million and ¥1,332 million of impairment losses, respectively, and recorded the amounts in "Other expenses."

(Voluntary investigation into indirect tax payment of a consolidated subsidiary)

The Company recorded ¥5,328 million in order to provide for the additional tax amount expected as a result of the voluntary investigation into indirect tax payments of the Company's overseas subsidiaries. Of that amount, ¥3,882 million was recorded in "Other expenses."

VII. Non-Consolidated Statement of Changes in Net Assets (April 1, 2018 to March 31, 2019)

(Millions of yen)

Items	Shareholders' equity						
	Share capital	Capital surplus			Retained earnings		
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings		Total retained earnings
					Reserve for advanced depreciation	Retained earnings carried forward	
Balance at the beginning of the year	124,560	90,980	4	90,984	1,200	231,674	232,874
Cumulative effect of accounting change						(154)	(154)
Restated balance	124,560	90,980	4	90,984	1,200	231,520	232,720
Changes during the year							
Issuance of new shares	46	46		46			
Dividends from Surplus						(9,559)	(9,559)
Profit						30,223	30,223
Acquisition of treasury shares							
Disposal of treasury shares			0	0			
Reversal of reserve for advanced depreciation					(39)	39	–
Net changes in items other than shareholders' equity							
Net changes during the year	46	46	0	46	(39)	20,703	20,664
Balance at the end of the year	124,606	91,026	4	91,030	1,161	252,223	253,384

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	(4,775)	443,643	11,186	11,186	543	455,372
Cumulative effect of accounting change		(154)				(154)
Restated balance	(4,775)	443,489	11,186	11,186	543	455,218
Changes during the year						
Issuance of new shares		92				92
Dividends from Surplus		(9,559)				(9,559)
Profit		30,223				30,223
Acquisition of treasury shares	(8)	(8)				(8)
Disposal of treasury shares	19	19			(19)	0
Reversal of reserve for advanced depreciation		–				–
Net changes in items other than shareholders' equity			(4,555)	(4,555)		(4,555)
Net changes during the year	11	20,767	(4,555)	(4,555)	(19)	16,193
Balance at the end of the year	(4,764)	464,256	6,631	6,631	524	471,411

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 Changes in Presentation Methods

(Balance sheets)

The Company has applied the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) effective from the current fiscal year. Accordingly, deferred tax assets were presented under Investments and other assets.

Notes to Non-Consolidated Balance Sheet

1. Accumulated depreciation for property, plant and equipment ¥138,682 million

2. Contingent liabilities
   Liabilities for guarantees ¥3,569 million
   The above amount includes ¥3,561 million in contracted guarantees to subsidiaries and affiliates.

3. Short-term monetary claims to subsidiaries and affiliates ¥90,938 million

4. Long-term monetary claims to subsidiaries and affiliates ¥611 million

5. Short-term monetary liabilities to subsidiaries and affiliates ¥75,935 million

6. Discounted bills of exchange for export ¥205 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 ¥7 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	¥297,096 million
Net purchases	¥211,289 million
Other business transactions	¥43,543 million
Amount resulting from non-business transactions	¥57,726 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 1,370,853,396 shares

   The number of common stock outstanding at the end of the current fiscal year increased by 88,500 shares as a result of the issuance of new shares for restricted share remuneration.

   Note: The Company conducted a four-for-one share split of common stock on April 1, 2019.
   The above-mentioned total number of issued shares reflects the share split.

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

   Common stock 5,170,080 shares

   The number of treasury shares of common stock at the end of the current fiscal year increased by 7,068 shares as a result of the purchase of shares constituting less than one unit, decreased by 20,800 shares as a result of the exercise of stock options and increased by 2,408 shares as a result of acquisition without charge from retired directors and executive officers who were under the performance-linked share-based remuneration plan.

   Note: The Company conducted a four-for-one share split of common stock on April 1, 2019.
   The above-mentioned total number of treasury shares reflects the share split.

Tax Effect Accounting

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

Deferred tax assets	
Inventories	¥6,697 million
Prepaid expenses	¥8,757 million
Accrued bonuses	¥3,015 million
Property, plant and equipment	¥4,456 million
Intangible assets	¥3,597 million
Denial of loss on valuation of investment securities	¥2,584 million
Denial of loss on valuation of investment securities in subsidiaries and affiliates	¥8,678 million
Denial of provision of allowance for doubtful accounts	¥4,525 million
Loss carry forward	¥15,795 million
Other current liabilities	¥2,496 million
Subtotal of deferred tax asset	¥60,600 million
Valuation allowance related to loss carry forward	¥(9,695) million
Valuation allowance related to deductible temporary differences	¥(15,708) million
Total deferred tax assets	¥35,197 million
Deferred tax liabilities	
Net unrealized holding gains (losses) on available-for-sale securities, net of taxes	¥(1,911) million
Reserve for advanced depreciation	¥(512) million
Prepaid pension expenses	¥(6,036) million
Other	¥(145) million
Total deferred tax liabilities	¥(8,604) million
Net deferred tax assets	¥26,593 million

Transactions with Related Party

No items to report

Per-Share Information

1. Net assets per share ¥344.80
2. Earnings per share ¥22.13

Note: On April 1, 2019, the Company conducted a four-for-one stock split of common stock. The stock split is reflected in the amounts of "net assets per share" and "earnings per share" as if the stock split were conducted at the beginning of the fiscal year ended March 31, 2019.

Significant Subsequent Events

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

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

(1) Purpose of share split

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

(2) Overview of share split

(i) Method of share split

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

(ii) Number of shares to be increased by share split

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

(iii) Schedule of the share split

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

(3) Partial amendment to the Articles of Incorporation

(i) Reason for the amendment

In line with this share split, pursuant to the Article 184, Paragraph 2 of the Companies Act, the Company changed, as of April 1, 2019, the total number of shares authorized to be issued set by Article 6 of our Articles of Incorporation.

(ii) Details of the amendments

The following are the details of the amendments.

(Underlined portions represent amendments)

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

(iii) Schedule

Effective date of the amendment to the Articles of Incorporation April 1, 2019

(4) Others

(i) Change in the amount of share capital

The share split will not change the amount of share capital.

(ii) Dividends

The effective date for this share split is April 1, 2019. The year-end dividends for the fiscal year ended March 31, 2019 will be based on the number of shares before the share split.

"Per share data" has been calculated as if the Company's share split was conducted at the beginning of the fiscal year under review.

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 received claims for compensation for damages from several individual and institutional investors, for losses sustained as a result of the Company's false statements for the purpose of postponing recognition of losses in the Annual Securities Reports, Semi-Annual Securities Reports and Quarterly Securities Reports for the period from the fiscal year ended March 31, 2001 through the first quarter of the fiscal year ended March 31, 2012. The Company recorded a monetary settlement of ¥19,380 million, which is the amount of settlements paid for the claims for damages, in "Loss related to securities litigation."

Impairment losses

Regarding business assets, etc. in the Imaging Business, as the revenue projected at the time the assets were acquired is now not expected due to changes in the market environment, book values have been written down to the collectable amount, and the losses of ¥1,478 million have been recorded as "Impairment losses."