Olympus continues to provide world-leading technologies, products, and services based on two forms of value: early diagnosis and minimally invasive therapies.

Evolution of Gastrointestinal Endoscopes

1950 Photographing
   First step toward early diagnosis of cancer
   Development of world’s first practical gastrocamera

1964 Viewing
   Contributions to diagnosis and treatment
   Development of fiberoscopie

1966 Treatment
   Beginnings in biopsies
   Launch of Olympus’ first biopsy scope and endotherapie devices (biopsy forceps and cytology brushes)

1982 Creation of the world’s first ultrasonic endoscopy system

1985 Birth of video-endoscopy system

2002 Development of the world’s first HD endoscopy systems
   Realization of clear, high-definition (HD) images that can detect even the smallest abnormality

Today
   New era of observation using specific light spectra to display fine details of disease sites
   Continued development of endoscopes to evolve beyond simple viewing tools to become medical equipment for performing treatment and other procedures

Two Forms of Value Provided by Olympus

Early Diagnosis

Minimally Invasive Therapies

Olympus’ Medical Business is charged with the social mission of continuing to contribute to a medical environment that cares for both the physical and mental health of people around the world.

We fulfill this mission by developing and supplying equipment for realizing early diagnosis of illness and reducing the physical burden on patients through minimally invasive therapies. Through these efforts, we strive to contribute to improved quality of life for patients while helping make medical treatment more efficient and affordable.

Where There’s a Will, There’s a Way.

65 years

History of contributing to early diagnosis

70%

Share of global gastrointestinal endoscope market
Olympus responds to medical needs by leveraging its technological prowess and collaborating with healthcare professionals as it moves forward on its never-ending quest to create a medical environment that alleviates the physical and mental burdens of patients around the world.

Cancer is a disease for which early diagnosis and treatment can greatly increase the chance of a successful recovery. Olympus has continued to contribute to early diagnosis through such advancements as the development of the world’s first gastrointestinal videoscope capable of autofluorescence imaging as well as narrow band imaging (NBI) technologies that utilize optical mechanisms to enhance visualization. These technologies aid physicians in observing cancer and other illnesses by highlighting capillaries in mucosal surface layers, which are difficult to view through standard imaging methods.

Olympus has forged distinctive technology development capabilities and cutting-edge manufacturing technologies over the more than half a century it has been developing medical equipment. These strengths are the tools we use to respond to the ever-more sophisticated needs of physicians across the globe.

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Olympus’ service network offers safety and reliability anywhere in the world based on the belief that medical treatment does not stop at the doors of the hospital. Olympus’ endoscopes are used for a variety of life-saving applications and must be operating as intended to ensure effective outcomes. For this reason, we are devoted to enhancing service systems to ensure that our products can continue to be used safely and reliably anywhere in the world. Olympus’ industry-leading service network consists of more than 200 sites in all corners of the globe and is one of the Company’s core strengths.

With a service network consisting of more than 200 sites on six continents, Olympus is able to provide the same high-quality service in any country or region. Olympus believes that the most fundamental value of endoscopes is the ability to be used safely and reliably. The world’s largest endoscope repair center, established in San Jose, California, in 1979, is the main center for performing major repairs, including full instrument disassembly and reassembly.

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Editorial Policy
The Olympus Group strives to conduct disclosure in a manner that meets the information needs of its stakeholders.

Annual Report 2015 is a report for fiscal 2015, the year ended March 31, 2015, that provides stakeholders with the management, financial, and non-financial information necessary to understand the Company’s operations.
Detailed non-financial information can be found in CSR Report 2015, while the Company’s corporate website provides up-to-date information on a variety of topics.

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

Corporate Philosophy
We aim towards establishing firm ties with society through the three INs.

The Olympus Group strives to realize better health and happiness for people by being an integral member of society, sharing common values, and proposing new values through its business activities.
This “Social IN” concept is key to the basic Olympus philosophy underlying all of our activities.
Social IN comes from Social Value IN the Company, a concept of incorporating social values into the Company’s activities.
Our Business Domains and Key Technologies

Olympus develops its operations in three core business domains. The Scientific Solutions Business continues to refine the optical technologies Olympus has treasured since its founding. The Imaging Business drives advanced research on electronic imaging technologies. The Medical Business, meanwhile, grows by leveraging the technologies of these two businesses. The technologies developed through these businesses are the greatest strength of Olympus, and it is this strength that enables us to make world-leading products.

Medical Business
Gastrointestinal endoscope market share (Global):
70% No.1

A technological foundation with a dominating global market share and massive growth potential
Since developing the world’s first practical gastrocamera in 1950, Olympus has continued to create world-leading gastrointestinal endoscopes, thereby maintaining a dominating share of the global market. These product development capabilities are supported by the optical technologies and electronic imaging technologies that are born out of microscopes and cameras. In addition, we are applying the technologies accumulated through gastrointestinal endoscope development to the surgical device field in order to expand the breadth of our product lineup to realize further growth.

Key Technologies
- Optical Technologies
  - Optical Measurement Technology / Advanced Optical Technology / Next-Generation Optical Design Technology
- Precision Technologies
  - Precision Control Technology / Precision Mounting Technology / MEMS Technology / Miniature Devices
- Biological Based Technologies
  - Live Cell Analysis Technology / Cell Separation, Cell Culture, and Evaluation Technology / Gene Transfer Technology

Scientific Solutions Business

Driver of optical technologies and growth

Driver of optical and imaging technologies

Imaging Business

Mirrorless camera market share (Japan):
25% No.2

Technological driver for creating sophisticated electronic imaging technologies
In the camera operations of the Imaging Business, product development cycles are short and competition is fierce due to the presence of numerous rivals. However, this business creates sophisticated electronic imaging technologies that are of great benefit to the other businesses. For example, the digital imaging technologies from digital camera development were used to evolve endoscopes from fiberscopes to videoscopes.

Biological Based Technologies

- FLUOVIVO FV1000-RRS (Multi-photon laser scanning microscope)
- OmniScan SX phased array flaw detectors

Olympus PEN Life E-PL7 mirrorless camera

OLYMPUS OM-D E-M5 Mark II mirrorless camera

OLYMPUS PEN Lite E-PL7 mirrorless camera

OLYMPUS STYLUS TG-4 tough, compact digital camera
Overview of Olympus

Consolidated

<table>
<thead>
<tr>
<th>Consolidated</th>
<th>2010/3</th>
<th>2011/3</th>
<th>2012/3</th>
<th>2013/3</th>
<th>2014/3</th>
<th>2015/3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Revenue</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net sales</td>
<td>883,096</td>
<td>847,105</td>
<td>848,548</td>
<td>743,851</td>
<td>713,286</td>
<td>764,671</td>
</tr>
<tr>
<td>Operating income</td>
<td>61,160</td>
<td>38,579</td>
<td>35,518</td>
<td>35,077</td>
<td>73,445</td>
<td>90,962</td>
</tr>
<tr>
<td>Operating margin (%)</td>
<td>6.9%</td>
<td>4.5%</td>
<td>4.2%</td>
<td>4.7%</td>
<td>10.3%</td>
<td>11.9%</td>
</tr>
<tr>
<td>Net income (loss)</td>
<td>52,527</td>
<td>34,188</td>
<td>33,787</td>
<td>33,999</td>
<td>36,850</td>
<td>41,219</td>
</tr>
<tr>
<td>R&amp;D expenditures</td>
<td>61,850</td>
<td>67,286</td>
<td>61,356</td>
<td>63,379</td>
<td>66,796</td>
<td>74,101</td>
</tr>
<tr>
<td>Capital expenditures</td>
<td>34,323</td>
<td>32,699</td>
<td>37,061</td>
<td>28,109</td>
<td>37,810</td>
<td>47,743</td>
</tr>
</tbody>
</table>

Financial Highlights

Return on equity (ROE) (%) 40.6% 2.9% (62.3%) 8.3% 5.7% (2.6%)

Cash flows from financing activities 17,355 (37,359) (5,761) (42,436) (39,693) (70,185)

Interest-bearing debt 661,481 648,787 642,426 560,390 415,831 354,421

Total equity per share (yen) 576.63 421.37 167.76 493.30 962.83 1,038.64

Net income (loss) 52,527 3,866 (48,985) 8,020 13,627 (8,737)

R&D expenditures 61,850 67,286 61,356 63,379 66,796 74,101

EBITDA margin (1) (%) 11.1% 15.6% 11.0% 15.5% 32.1% 32.9%

Net sales increased 7% year on year following the second consecutive year of record-breaking sales in the Medical Business and strong growth in overseas sales in the Scientific Solutions Business.

Though operating income rose 24%, year on year, this mainly reflected realization of full year-on-year operating income from the Scientific Solutions Business.

EBITDA margin rose 1.6 percentage points.

The equity ratio improved 0.8 percentage point following a ¥61.4 billion year-on-year reduction in interest-bearing debt.

Return on equity rose 8.3 points year on year.

Free cash flows from operating activities totaled ¥39.6 billion, up as a result of investment for the redevelopment of plants in the Medical Business.

EBITDA margin = EBITDA / Net sales

Net cash provided by operating activities amounted to ¥106.8 billion. Net cash used in investing activities totaled ¥39.6 billion, all as a result of investment for the redevelopment of plants in the Medical Business.

The equity ratio improved 0.8 percentage point following a ¥106.8 billion year-on-year reduction in interest-bearing debt.
Olympus is promoting a medium-term vision for the five years from the fiscal year ended March 31, 2013. Acting in accordance with the vision’s slogan of “Back to Basics,” the Company aims to return to the basic values it had at founding and make a fresh start in order to regain the credibility of its stakeholders, build itself anew, and create new corporate value.

**Corporate Management Policies**

<table>
<thead>
<tr>
<th>Back to Basics</th>
<th>One Olympus</th>
<th>Profitable Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contribute to the development of society through products and solutions</td>
<td>Share management strategies with employees worldwide and work as a team</td>
<td>Strive for profitable growth through the complete revision of cost structures</td>
</tr>
</tbody>
</table>

**Basic Strategies Based on Corporate Management Policies**

1. Rebuilding of Business Portfolio / Optimizing Allocation of Management Resources
   - Clarification of our core businesses
   - Identification and liquidation of non-core businesses
   - Establishment of mechanisms to drive optimal allocation of management resources
   - Contribute to total wellness of people as a company centered on the Medical Business

2. Review and Reduction of Costs
   - Cost reduction
   - Significant curtailment of indirect expenses
   - Improve profitability of the entire Group through drastic review of cost structures

3. Restoration of Financial Health
   - Steady flow of profits from businesses
   - Maximization of cash flows
   - Streamlining of assets
   - Improve equity ratio as soon as possible and realize stable management

4. Restructuring of Corporate Governance
   - Restructuring of the governance system
   - Realignment of internal controls
   - Strengthening of the compliance system
   - Recover trust and improve corporate value

Results of implementing these basic strategies will be monitored based on four performance indices: return on invested capital (ROIC)*, operating margin, free cash flow, and equity ratio.

In fiscal 2015, the operating margin, an indicator of business profitability, was 11.9% and the equity ratio, an indicator of financial soundness, was 32.9%. Both of these were an improvement from fiscal 2014, in which the Company achieved levels targeted for fiscal 2017 three years ahead of schedule. ROIC was 8.0%, representing steady progress toward the fiscal 2017 goal for this index, while free cash flow amounted to ¥27.2 billion, declining substantially year on year due to increases in accounts receivable and inventories.

**Performance Indices and Targets (Consolidated)**

- **Return on invested capital (ROIC)**: FY ended March 2012 (Result): 2.7%, FY ended March 2013 (Result): 2.7%, FY ended March 2014 (Result): 5.0%, FY ended March 2015 (Result): 8.0%, FY ended March 2016 (Result): 10% or more
- **Operating margin**: FY ended March 2012 (Result): 4.2%, FY ended March 2013 (Result): 4.7%, FY ended March 2014 (Result): 10.3%, FY ended March 2015 (Result): 11.9%, FY ended March 2016 (Result): 10% or more
- **Free cash flow (Cash flows from operating activities + Cash flows from investing activities)**: ¥14.8 billion (FY ended March 2012), ¥58.7 billion (FY ended March 2013), ¥52.1 billion (FY ended March 2014), ¥27.2 billion (FY ended March 2015), ¥70.0 billion or more (FY ended March 2016)
- **Equity ratio**: FY ended March 2012 (Result): 4.6%, FY ended March 2013 (Result): 15.5%, FY ended March 2014 (Result): 32.1%, FY ended March 2015 (Result): 32.9%, FY ended March 2016 (Result): 30% or more

*Return on invested capital (ROIC) at Olympus. ROIC is calculated using the following assumptions: Return (Operating income after taxes) / IC (Shareholders’ equity + Interest-bearing debt)

**Success Over 3-Year Period of Medium-Term Vision**

<table>
<thead>
<tr>
<th>Change from Fiscal 2012 to Fiscal 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales: +60% ¥349.2 billion → ¥558.3 billion</td>
</tr>
<tr>
<td>Operating margin: Operating margin: +3pts 19.5% → 22.4%</td>
</tr>
<tr>
<td>R&amp;D expenditures: +61% ¥86.9 billion → ¥143.3 billion</td>
</tr>
<tr>
<td>Capital expenditures: +130% ¥15.6 billion → ¥38.6 billion</td>
</tr>
<tr>
<td>Net sales by industrial field: +19% ¥49.8 billion → ¥59.4 billion</td>
</tr>
</tbody>
</table>

**Other Indices**

- **Ratio of mirrorless camera sales to total digital camera sales**: More than Double
- **Reorganization of non-core business domains**: –3sites 5 sites → 2 sites
- **Operating income**: Profitability Achieved ¥9.0 billion → ¥1.2 billion
- **Cost of sales ratio**: Improvement of Groupwide profitability –18pts 54.8% → 35.9%
- **Ratio of mirrorless camera sales to total digital camera sales**: More than Double
- **Reorganization of unprofitable businesses**: –3sites 5 sites → 2 sites

**Market capitalization**

- **Market capitalization 4 times higher**
  - ¥349.2 billion → ¥1,350.0 billion

**Year-end dividend payment**

- **¥10 per share**
  - (1st time in 4 years)
We are looking to the future, determining our vision for Olympus 10 years from now and drafting the roadmap that will guide us on our path. Our commitment to leading Olympus to success is resolute, and we will move swiftly as we boldly tackle the obstacles that come before us.

Olympus passed an important milestone in fiscal 2015. The milestone I refer to is the resolution of the financial issues that had plagued the Company. Over the three years since the institution of the Company’s new management team, we have pushed forward with reconstruction, all employees united in our goal of regaining stakeholder trust lost and improving corporate value. The benefits today are palpable, and extend beyond restructured corporate governance systems and more stringent compliance. Our mainstay Medical Business, for example, posted record-breaking net sales and operating income, despite conducting additional growth investments, and made massive contributions to the Company’s overall performance in fiscal 2015. We have also realized substantial improvements in our financial position, an area where improvements were badly needed. We were therefore able to issue dividend payments for the first time in four years, thus resolving an issue that was of top priority for management. Moreover, we are making steady progress in transitioning to a new organizational structure, which entails integrating business units in order to reallocate management resources. I truly feel that fiscal 2015 was a year in which we were successful in building the foundations for future growth.

Fiscal 2016 will be the first year under the new organizational structure. Not just this, but I also feel that fiscal 2016 marks the start of a new Olympus. We are currently in the process of formulating a new medium-term management plan that is slated to start with fiscal 2017. In developing this plan, we are looking to the future, determining our vision for Olympus 10 years from now and drafting the roadmap that will guide us on our path. We have cut a fresh start, and are working to build the foundations for the future development of the new Olympus with eyes on our next milestone to pass—our centennial anniversary in 2019—and the road that lies beyond. Our commitment to leading Olympus to success is resolute, and we will move swiftly as we boldly tackle the obstacles that come before us.

August 2015

Hiroyuki Sasa
President and Representative Director
Interview with the President

Question 1
Would you please provide an overview of performance in fiscal 2015?

Our mainstay Medical Business made massive contributions to overall performance, resulting in consolidated operating income rising for the second consecutive year. Unfortunately, a net loss was posted due to the recording of extraordinary loss. Regardless, we decided to issue dividend payments for the first time in four years in recognition of the progress made toward resolving the financial issues that have plagued Olympus.

In fiscal 2015, consolidated net sales rose 7% year on year, to ¥764.7 billion, largely as a result of the continuation of strong performance in the mainstay Medical Business. Operating income similarly showed a massive 24% increase, to ¥91.0 billion, demonstrating that our business operations are proceeding as planned. However, I have the regrettable duty of reporting to our stakeholders that the Company posted a net loss of ¥8.7 billion. This outcome is largely due to the recording of loss related to the investigation under U.S. Anti-Kickback Act and the related Act of ¥53.9 billion as an extraordinary loss. This loss was associated with U.S. Department of Justice investigations of a U.S. subsidiary and the progress in subsequent discussions on how to resolve the issue in question. This, too, is unfortunate to report, but rest assured in the knowledge that we have already reinforced global compliance systems to ensure that no such issues occur in the future. On a more positive note, we have made progress toward resolving the financial issues that have plagued Olympus. In consideration of this accomplishment, as well as the strong performance of our mainstay business and our improved financial position, we decided to issue dividend payments for the first time in four years. This is a huge step forward, and we intend to continue enhancing shareholder returns going forward.

Question 2
Looking back at your three years as president, how would you evaluate the Company’s progress?

While there are still unresolved issues that need to be addressed, performance is in line with our plans, and the Medical Business is even exceeding expectations. With regard to the restructuring of corporate governance, restoration of financial health, expansion of the mainstay Medical Business, and reorganization of non-core business domains, the speed of progress has exceeded our plans, and our goals in these areas have been met.

In the Medical Business, we conducted additional upfront investments, primarily for addressing the need to strengthen surgical device field sales forces in North America, and I feel that the benefits are apparent in terms of both business expansion and increased prospects for the future. At the same time, we realized smooth improvements in the profitability of the Scientific Solutions Business by shifting from strategies based on product lineups to pursue those oriented toward customer groups. Other contributions to this improved profitability came from the increased business efficiency achieved by integrating operating sites in North America and other areas. The Imaging Business, meanwhile, has recorded losses for five consecutive years, and we are still in the process of fundamentally resolving the issues facing this business. There are clearly still areas requiring improvement, and we are restructuring this business to address these areas. Specific plans include furthering the shift toward mirrorless cameras to boost profitability and realocating management resources from the Imaging Business to business-to-business (B2B) operations and other growth fields.

As for our financial position, through the steady reduction of interest bearing debt, we have successfully increased the equity ratio to above 30%, achieving our initial target for this indicator earlier than planned.

Question 3
Olympus began operating under a new organizational structure in April 2015. What has changed in this new structure and what was the aim of this transition?

The primary aim of the new organizational structure is to fully leverage the Company’s management resources through a matrix style of business organization that is realized by forming a balanced union between the divisions on the business axis and the functional axis of the organization.

One main reason for the new organizational structure was the integration of the development, manufacturing, and other functions—previously dispersed among different businesses—into a single unified axis of functional organizations that cater to all businesses. I expect that this integration will enable us to more effectively utilize management resources while also allowing for additional strengthening of the development and manufacturing functions that form the Company’s foundation. In addition, we have established the Sales Group as a new functional organization. Through this organization, we plan to enhance Olympus’ overall sales capabilities by sharing expertise and communicating information regarding issues throughout sales operations in different businesses and regions, thereby instituting more aggressive sales strategies on a global basis. At the same time, the Business Development Office was established to facilitate efforts to expand operations in new fields, explore new businesses, and conduct M&A activities. This office will aid us in creating the new businesses that will support Olympus in the future. Another main point was that the Medical Business was split into five business units. Previously, we had developed our operations centered on the gastrointestinal, surgical device, and endoscopy device fields, formulating various measures and actively allocating resources to these fields. At the same time, however, we were unable to conduct a sufficient amount of investment and establish the necessary systems in the urology, gynecology, and ear, nose, and throat (ENT) fields; despite their potential for high growth and their compatibility with Olympus’ technologies. Under the new business unit structure, we aim to accelerate investment and business development in these fields, and thereby stimulate the future growth of the Company.

What are the Company’s future plans for the digital camera business? Do you believe that this business can be returned to profitability in the current harsh operating environment?

In the digital camera business, rather than pursuing sales expansion, we will cut back on fixed costs in order to realize a departure from the current state of unprofitability and ensure that the business can break even on the operating income level. In addition, we will utilize the technologies of the Imaging Business throughout the Company, and reallocate this business’ resources to growth fields.

The operating environment for the digital camera business remains harsh due to the continuation of a market contract trend that is exceeding all expectations. Faced with this adversity, we transitioned to strategies that matched market changes and undertook structural reforms. Specifically, this process involved halving the staff of more than 10,000 that was working in the business three years ago and consolidating five manufacturing sites into two. In addition, the Company took steps to address projected future changes by withdrawing from low-priced compact digital camera businesses and accelerating the shift of its focus toward mirrorless cameras. Despite our best efforts, however, we were unable to keep up with the pace of market contraction.

In fiscal 2016, rather than pursuing sales expansion, we will cut back on fixed costs in order to realize a departure from the current state of unprofitability and ensure that the business can break even. To this end, we will further narrow our product lineup to reduce both R&D expenditures and advertising and promotion expenses. In terms of manufacturing, we will develop a more-efficient production system by leveraging the strengths of our different manufacturing sites. For example, lenses and other components requiring sophisticated technologies and masterful techniques could be produced at the Shenzhen plant in China, with assembly of cameras performed at the Vietnam plant to take advantage of its low labor costs. In addition, we will reform logistics procedures and conduct a full range of other improvement measures.

At the same time, we realize that there still exist business opportunities for us to use Olympus’ imaging technologies to generate earnings. For this reason, we aim to create an operating structure that will ensure the Imaging Business can break even, while utilizing this business’ superior technologies and resources in other areas throughout the Company.
With regard to investment in new businesses, which fields are being targeted and when do you expect these investments to begin generating returns?

Also, are M&A activities being considered as an option for creating new businesses?

The most important concern for Olympus at the moment is the degree to which it can grow its businesses over the medium to long term. For this reason, it is absolutely essential that we conduct aggressive upfront investments for expanding our business scope while actively creating new strategic businesses through M&A activities and other means.

The strategies Olympus has selected for expanding its business scope, specifically in medical business areas, are a direct result of meetings with and discussions with President Sasa, and of my visits to the various business divisions and their headquarters. The consensus is that Olympus will seek out business opportunities and incubate new businesses in order to expand operations, primarily in medical and imaging technology fields.

At the moment, there are some opportunities we are still feeling out and some that are coming together. I am confident that all the investments conducted on this front will begin producing results over the next several years. Specific policies for business exploration will be detailed in the next corporate strategic plan, but I will say that we intend to expand operations in medical fields in which we can capitalize on the existing strengths of the Medical Business, namely the endoscopes and regenerative medicine fields. In the regenerative medicine field, for example, we are conducting R&D ventures on treatment techniques that entail extracting cartilage cells from sufferers of osteoarthritis—osteoarthritic joints—and then cultivating these cells and reintroducing them into the patient. I feel there is significant potential for this technique given the projected rise in sufferers of this ailment in conjunction with the aging of the population as well as the fact that Olympus deals in arthroscopes. Presently, the primary treatment options for gonarthrosis include artificial joints or open surgeries. For this reason, the advent of minimally invasive therapies using regenerative medicine techniques and arthroscopes could substantially reduce the burden on patients. In this manner, these fields represent areas in which Olympus can leverage its existing strengths.

In regard to imaging technology fields, we will strengthen operations focused on fields in which we can expect ongoing growth, including automobile-mounted cameras and security cameras. Strategic investments in the Imaging Business have been directed at these fields since 2014, and a number of projects are already under way. The automobile-mounted camera field is a massive market, and is also highly appealing due to the potential for cameras to be used in various vehicle models for long periods of time. At the same time, the need for security cameras is increasing, and the market for these cameras is growing rapidly. In these markets, Olympus will target segments in which highly specialized, high-value-added products are in demand. We will compete in these segments not by chasing sales scale through mass production, but by setting sights on market areas in which we can leverage Olympus’ technological prowess. For example, our industry-leading image stabilization technologies could be used to develop security cameras that are exceptionally resilient to the impacts of seismic vibrations and wind. Such technologies are viewed as incredibly valuable. Even if only in niche markets, we aim to determine the areas in which Olympus can become No. 1, and devote our resources accordingly.

One of the new organizations established in the transition to a matrix style of business operation was the Business Development Office, which has been tasked with exploring business in new fields to support Olympus in the coming era. This organization will seek out business opportunities and incubate new businesses in order to expand operations, primarily in medical and imaging technology fields. At the moment, there are some opportunities we are still feeling out and some that are coming together. I am confident that all the investments conducted on this front will begin producing results over the next several years.

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Olympus’ operations in the gastrointestinal endoscope field are highly competitive, and the Company’s share of this market is dominating. In the surgical device field, however, European and U.S. rivals are quite formidable. How do you intend to combat these rivals?

Although we are behind our European and U.S. rivals in terms of sales and marketing capabilities, as Olympus’ operations in the gastrointestinal endoscope field are highly competitive, and the Company’s share of this market is dominating. In the surgical device field, however, European and U.S. rivals are quite formidable. How do you intend to combat these rivals?

We recognize that sales and marketing capabilities will need to be strengthened to realize such share expansion. It is for this reason that we have been focusing investments on these capabilities in the surgical device field. We are committed to quickly developing the systems necessary for ensuring that new products launched in the future meet robust sales.

The main point of the next corporate strategic plan will be to in corporate a perspective that balances considerations regarding growth, capital efficiency, and financial soundness, and to live up to the expectations for Olympus as a global player in the medical field. Accordingly, a major focus will be determining how investments should be conducted in the Medical Business to ensure robust growth while securing a level of capital that can be considered appropriate based on the Company’s characteristics as a medical equipment manufacturer. To reiterate, investments are to be directed at the Medical Business, a growth market. We are considering means of effectively utilizing the Imaging Business resources born out of the structural reforms that have been instituted in this business. Fortunately, the trend toward limiting medical expenses has placed Olympus in an advantageous position. Accordingly, an important element of the next corporate strategic plan will be the degree to which we can leverage this advantage to fuel the overall growth of the Company, and this will form the framework for the plan. Another issue of crucial importance will be our ability to strike a balance between the need to grow and the need to provide returns to our shareholders.

For information on shareholder return policies, please refer to the “Message from the CFO” beginning on page 67.

In Closing

I believe that Olympus is a manufacturer at heart, and that it possesses amazing technologies. Moreover, I am confident that these technologies are unrivaled in any field. Developing such technologies requires a great deal of time, meaning it will take much longer for competitors to catch us up if we were to remain still. I am fully committed to leveraging this advantage to guarantee that Olympus continues to beat out the competition in terms of technologies. However, we have no intention of simply letting our technologies do the talking. We are therefore working to strengthen sales capabilities to ensure that Olympus can properly explain as well as use these technologies to respond to customer needs.

I feel that, today, the market’s expectations for Olympus are changing; rather than being concerned with the degree to which we can rebuild, stakeholders are instead focused on seeing how much we can grow. Looking five and 10 years into the future, we are shifting gears toward management that emphasizes aggressive action as we pursue our vision for the Company and the growth that entails. I look forward to showing our stakeholders the results of these efforts.
It has been three years since the Company instituted its new management team, and Olympus is now prepared to step onto a new growth stage, with the main proponent of its progress being the Medical Business. What must Olympus accomplish in order to create new value and achieve further growth?

President Hironuki Sasa talked with an investor and analysts about their evaluation of the Company over the past three years and what type of company they feel Olympus should become in the future, and listened to their earnest opinions and advice.

A Look Back at Three Years under President Sasa

Sasa: Upon my appointment as president, it was clear to me what was needed, so my first step was to incorporate this thinking into the Company’s medium-term vision. This vision served as our corporate strategic plan, and it had two main goals. The first was to regain lost trust by clearly illustrating to outside stakeholders the systems that would be employed and our goals. The first was to regain lost trust by clearly illustrating to outside stakeholders the systems that would be employed and our goals. The second was to raise motivation by providing those within the Company with a concrete roadmap describing where we were heading.

President Sasa

After the Company’s scandals came to light, it was obvious that it would be impossible to recover the trust of our stakeholders without reconstructing corporate governance systems. For this reason, the Company replaced all members of the Board of Directors and instituted a radically different system to facilitate the new management team’s wholehearted efforts to regain trust. The newly appointed outside directors pulled no punches in pointing out the Company’s flaws. However, I believe it was this stern oversight that kept Olympus from going a surprising change. Previously, even relatively expensive medical equipment would be accepted by the market so long as it was marketed properly. However, I cannot help but feel that the recovery of the Imaging Business is taking too much time. Three years have passed since you, Mr. Sasa, assumed the role of president. Including the time before you took up this mantle, the Imaging Business has recorded losses for five straight years. I believe most would agree that this is too long, and that investors are hoping for this business to break even at the earliest date possible.

Furthermore, even now, you still begin discussions with talk of corporate governance. I think it is safe to say that the stock market has already recognized that Olympus has changed and overcome its past shortcomings. Investors are more interested in plans for the future, how the Company will develop its operations going forward with regard to M&A activities, investments in new businesses, and other such matters. I think that Olympus should be more clearly communicating its policies on these matters.

Sasa: Disclosing information about new businesses means also giving this information to our competitors. For this reason, it is important to consider the extent to which we reveal our plans. However, I do realize that, as shareholders choose to invest in Olympus because they approve of our plans for the future, it is vital that we release as much information on these matters as possible.

Yoshihara: In the past, I was responsible for covering the medical equipment industry. I now cover the software sector. Over the past two years, this sector has undergone a surprising change. Previously, even relatively expansive medical equipment would be accepted by the market so long as it was marketed properly. However, I cannot help but feel that the recovery of the Imaging Business is taking too much time. Three years have passed since you, Mr. Sasa, assumed the role of president. Including the time before you took up this mantle, the Imaging Business has recorded losses for five straight years. I believe most would agree that this is too long, and that investors are hoping for this business to break even at the earliest date possible.

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Discussing Olympus' Ideal Form

Olympus' Growth Strategies

Future Areas of Focus and Medium- to Long-Term Vision for Olympus

Sasa: In fiscal 2016, we will formulate the next corporate strategic plan. At the moment, discussions are proceeding within the Company to determine what exactly the essence of Olympus is and what constitutes our corporate genes.

Olympus' technologies are No. 1, and we stand unmatched on this front. Being able to say this with confidence is our greatest strength. It is therefore crucial that we position ourselves as leaders in technological prowess as our main targets. If not, we run the risk of being judged based on overall competitiveness or financial capabilities, and we cannot beat the massive companies seen in Europe and the United States with this respect. In this manner, Olympus will not attempt to compete with these companies in the areas in which they excel. Rather, we will accurately respond to the needs of specialists in niche markets, and endeavor to become the leader in this area. This approach will be adopted in all businesses. In the Medical Business, for example, if a customer cannot understand the benefits and superior performance of THUNDERBEAT, they will not doubt purchase a less expensive product. For this reason, cultivating this type of understanding among customers is crucial. In the Imaging Business as well, I believe that Olympus' target demographic is specialists as opposed to the broad general consumer market. Gone are the days in which effective commercial strategies were enough to guarantee sales. In this manner, we have analyzed the Company's business, and formulated an idea of the type of customer we should cater to as we develop our operations.

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In formulating the next corporate strategic plan, we will determine the best use for all of the Company's resources, including those currently associated with the problematic Imaging Business. With the strong conviction to realize further growth, we will turn our eyes to the future of Olympus.

Nakanomyo: After hearing this explanation, I think probably the greatest concern in the minds of people would be the risk of being judged based on overall competitiveness or financial capabilities. If we run the risk of being judged based on overall competitiveness or financial capabilities, we cannot beat the massive companies seen in Europe and the United States with this respect. In this manner, Olympus will not attempt to compete with these companies in the areas in which they excel. Rather, we will accurately respond to the needs of specialists in niche markets, and endeavor to become the leader in this area. This approach will be adopted in all businesses. In the Medical Business, for example, if a customer cannot understand the benefits and superior performance of THUNDERBEAT, they will not doubt purchase a less expensive product. For this reason, cultivating this type of understanding among customers is crucial. In the Imaging Business as well, I believe that Olympus' target demographic is specialists as opposed to the broad general consumer market. Gone are the days in which effective commercial strategies were enough to guarantee sales. In this manner, we have analyzed the Company's business, and formulated an idea of the type of customer we should cater to as we develop our operations.

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endoscopes are different than digital imaging equipment, such as ultrasound, CT, and MRI scanners. The benefits of digital imaging can be recreated to a certain degree regardless of what company makes the equipment. For this reason, it may be only natural for more affordable equipment to be chosen. As there is a drive to limit medical expenses, this goes without saying, unless a given piece of equipment features a substantial advantage. Meanwhile, the endoscope field, as you mentioned, may be the most resilient to this type of price sensitivity. Endoscopes are an amalgamation of various technologies and expertise that have been brought together through minute adjustments. This is a feat that not any company can accomplish. As the drive to reduce medical expenses limits capital expenditures by hospitals, it will become increasingly difficult to increase the number of facilities using Olympus products, and we therefore cannot hope to expand our business purely through sales of capital products, by which I mean existing systems. For this reason, we will focus our efforts on helping hospitals reduce overall expenses through improved efficiency. This efficiency will be realized by enhancing certain parts of a hospital’s existing systems or increasing the number of examination rooms in which these systems can be used, for example. If operating rooms are able to perform a greater number of procedures, it will mean greater efficiency for the hospital. At the same time, such an increase will also create business opportunities for Olympus as a greater number of procedures leads to higher consumption of disposable medical devices. Treatment fields are also expected to be used, for example, it can be for early diagnosis, and then for conducting minimally invasive therapies. As such, endoscopes can eliminate the need for opening abdominal surgeries, which are accompanied by high hospitalization costs, and thereby alleviate both the financial and physical burden placed on patients. I do not think anyone would oppose such a win-win situation.

Nakanomyo: Having accepted that explanation, I think the next questions asked by the remaining 20% would be “What about earnings in the short term?” and “How will the Imaging Business be handled?” For this reason, if Olympus is able to minimize the negative aspects of its operations, such as the recent investigation by the U.S. Department of Justice, I think you would be able to win over the remaining 20%, and have them too looking forward to the future of Olympus. Owaki: If you take the perspective of social responsibility, rather than financial gain, then maybe the Company should continue its camera operations in order to protect the interests of customers who prefer using Olympus’ products. From the perspective of competition, however, each company has its strengths, and profit will not come easily even if the Company targets niche markets. As an investor, I believe if the Company intends to adopt a more realistic approach then the decision should probably be made soon. It is my hope that Olympus will become the type of company that focuses more on its core businesses to practice management in an efficient manner, a company that does not warrant debates about its Imaging Business.

Yoshitaka: The wave of mergers among European and U.S. companies is resulting in the creation of increasingly larger companies, which are realizing heightened cost competitiveness by leveraging sales-front synergies to reduce costs. Olympus, on the other hand, has expressed that its goal is to be an aggressive, expanding scale. Given these trends, however, there is concern as to whether or not the Company can maintain its current level of competitiveness through these strategies. I think overseas investors, in particular, might be worried when considering the current state of the medical equipment industry. I realize that Olympus has a one-of-a-kind business model with endoscope operations that encompass systems and disposable products for gastrointestinal endoscopes and even surgical endoscopes. You, President Sasa, have stated that you have no intention of directly competing with other manufacturers. Do you really believe that Olympus can continue to operate under this business model over the next 10 or 20 years?

Sasa: I do believe that we can continue to operate with this model, although growth will slow if this is all we do. For this reason, it is important that we branch out, leveraging the business platform we have constructed to date in order to expand into new fields in which we can win out over the competition, such as the orthopedic and ENT fields. Making progress in the medical business requires a great deal of time. Accordingly, we decided to first examine the option of focusing investments and resource allocation on those fields, and then clarify our policies in the next corporate strategic plan. This, I feel, is the approach Olympus should adopt in the future. We lack the competencies necessary to acquire large numbers of companies and manage these effectively, as is done by our European and U.S. rivals. Of course, we will utilize M&A activities as a means to accomplish our objectives. Nevertheless, Olympus will pursue growth while firmly rooted in the manufacturing sector. I believe this type of growth to be the Company’s mission.

Opinions, Advice, and Hopes for Olympus

Owaki: Despite the various negative incidents that have surfaced, Olympus’ stock price is on the rise. I am convinced this is because the market has highly evaluated the strength of the Company’s Medical Business, which is founded on endoscopes. My hopes for Olympus involve removing the roots of concern in the Medical Business, and then addressing the Imaging Business. In this business, even your new ideas have been, in actuality, old ideas. Quite frankly, I do not feel that sales of cameras to consumers is a necessary business for Olympus. Another area needing improvement is how the Company presents itself. The medical equipment business contributes to a better existence for humanity, and you should be proud of your involvement in this business. Make the market understand that the future is promising and that your company is correct, and then explain your targets, results, and business strategies from this standpoint.

Nakanomyo: I think that you are completely correct about what constitutes Olympus’ core strength. The analog aspects of endoscopes are quite difficult to understand for people outside of the Company. Perhaps this is something I will need to learn at the upcoming plant tour*, as this is probably the area in which Olympus is strongest. Moreover, this will most likely remain an area of strength into the future, and today’s discussion made me realize that I should pay more attention to this element of your business.

* Tour of Olympus endoscope plants in Aizu and Shinkawa in Fukushima Prefecture when held in the week following this discussion.

Yoshitaka: Olympus’ business is one that makes substantial contributions to society, and this fact is something you should advertise more. Many investors have already stated this opinion. Endoscopes have saved tens of thousands of lives by finding cancers in their early stages. You should have more pride in Olympus’ business and its products. There are not many Japanese medical equipment manufacturers that can compete on the global stage to the extent that Olympus does. I want you to develop your operations with a sense of confidence in the Company’s business and its people, and to transmit messages to this extent. This is an opinion I have heard from others as well, and I hope that you will take it to heart.

Sasa: Thank you for joining us today. I hope to draw on your valuable input and insight in management to create an Olympus that lives up to your expectations.
Special Feature
New Organizational Structure for New Corporate Strategic Plan

Olympus intends to create a new corporate strategic plan during fiscal 2016 to guide it in the pursuit of further growth over the period after the conclusion of the medium-term vision established in 2012. To advance the formulation of this plan under the ideal structure, the Company transitioned to a new organizational structure in April 2015.

April 2015
Development of a New Organizational Structure for the New Corporate Strategic Plan

Under the new organizational structure, we will formulate our new corporate strategic plan through a coordinated effort between business units and functional organizations.

Overview of New Organizational Structure

Groupwide Reorganization (Integration of Operating Companies)

Olympus had previously employed an organizational structure through which the Medical Business and the Imaging Business were operated by subsidiaries, Olympus Medical Systems Corp. and Olympus Imaging Corp., respectively. Under the new organizational structure, these companies were integrated into the Company to consolidate the functions that had been dispersed among businesses. In order to boost management efficiency and allow for management resources to be allocated to businesses, the new structure enables swift response to the ever-changing market conditions.

Matrix Style of Business Operation

The new organizational structure is a departure from the prior style of operation that was based on the “in-house company system,” which grants each business a high degree of independence. Instead, the new structure employs a matrix style of operation, which is realized through a balanced union of the business and functional axes of the organization. By reorganizing the functions that had previously been dispersed among businesses and consolidating them within functional organizations, we aim to utilize human resources, technologies, and other management resources without being restricted by business boundaries, and thereby realize improved management efficiency and inter-business synergies.

From fiscal 2013
Progress of the Medium-Term Vision (Corporate Strategic Plan)

The following measures were advanced under the medium-term vision, which was established together with the new management team in 2012:

• Expansion of the Medical Business
• Reorganization of non-core business domains
• Restructuring of corporate governance
• Reinforcement of financial position

New Corporate Strategic Plan

The three key points of the new corporate strategic plan currently being constructed are listed below. Based on these three points, we will discuss the new plan on a Company-wide basis with the aim of formulating management strategies that can fully leverage the characteristics of the new organizational structure.

• Growth
• Capital efficiency
• Financial soundness

For more information, please refer to “Interview with the President” beginning on page 16.

Creation of Business Development Office

The Business Development Office was established as a specialized organization for facilitating efforts to expand operations in new fields, explore new businesses, and conduct M&A activities. It is responsible for actively allocating resources to drive growth over the medium to long term.

Reorganization and Establishment of Functional Organizations

By reorganizing the functions that had previously been dispersed among businesses and consolidating them within functional organizations, we aim to fully utilize the management resources of the entire Company. In addition, we established the Sales Group as a new functional organization for overseeing the marketing departments of each business and strengthening Olympus’ sales capabilities, which was previously an area of weakness. R&D Group: This group is responsible for allocating resources based on R&D targets and business to make full use of Olympus’ technological capabilities. Manufacturing Group: This group is tasked with effectively utilizing the Company’s global production infrastructure, and establishing cross-business manufacturing strategies. Sales Group: This group has the goal of strengthening Company-wide sales capabilities to better communicate the superiority of Olympus’ technologies and the appeal of its products to the market. Quality and Regulatory Group: View the institution of stricter regulations and other operating environment changes as opportunities, this group aims to create systems to ensure quick response to such changes.

For more information, please refer to page 46.

April 2016
Start of the New Corporate Strategic Plan

For more information, please refer to page 28.
Business Units of the Medical Business

In order to fuel the further expansion of the Medical Business, the Uro/Gyn Business Unit, ENT Business Unit, and Medical Service Business Unit were established as independent organizations for strengthening operations in the strategic areas of urology; gynecology; ear, nose, and throat; and medical services.

Operating Environment and Outlook

Business Strategy

Shares of Net Sales

Major Competitors

Gastrointestinal endoscopes: FujiFilm Corporation (Japan), HOYA CORPORATION (Japan), etc.
Endotherapy devices: Boston Scientific Corporation (U.S.), etc.

Surgical endoscopes: Stryker Corporation (U.S.), KARL STORZ GmbH & Co. KG (Germany), etc.

Energy devices: Ethicon Endo-Surgery Inc. (U.S.), Medtronic Inc. (U.S.), etc.
Messages from General Managers of Business Units in the Medical Business

The Medical Business has been separated into five business units, and we are stepping up initiatives in fields warranting strategic expansion. Each business unit faces a unique market with its own trends. By quickly and accurately responding to the issues faced in these different markets while pursuing our goals, we aim to accelerate the growth of the Medical Business as a whole.

Katsuyuki Saito
GI (Gastrointestinal) Business Unit

The average age is rising for populations of countries across the globe, and this trend is creating a drive to limit medical costs. Together, these factors are stimulating a clear increase in the demand for early diagnosis procedures using endoscopes as well as for endoscopic mucosal resection, endoscopic submucosal dissection, and other minimally invasive therapy procedures conducted using endotherapy devices. Olympus is poised to respond to this demand from its world-leading position, which it is solidifying by developing technologies that are unparalleled on the global market and providing products of the same caliber. These products include our mastery of endoscopes, which feature enhanced functionality for supporting pathological change examinations, such as narrow band imaging (NBI) which highlights the capillary vessels and subtle details for mucous membranes with high contrast. Other offerings include our scopes that boast improved ease of insertion. Going forward, we will strengthen operations in fields peripheral to gastrointestinal endoscopes to grow this business as a core operational area that supports the entire Company, and thereby realizes ongoing growth in sales and income. In the growth market represented by China and other parts of Asia, we aim to achieve a massive year-on-year increase in net sales in fiscal 2016 of more than 20% by stepping up efforts to train physicians in endoscopic procedures, an area where capable individuals can improve their skills to expand their implementation of these procedures. Furthermore, we will expand our share of the endotherapy device market by promoting usage of endoscopic submucosal dissection procedures and bolstering our product lineup in this specialty.

Tomohisa Sakurai
GS (General Surgery) Business Unit

The GS Business Unit is set to achieve explosive growth in the future. The catalysts for this growth include the strategic investments conducted in fiscal 2015 to fuel further surgical device business growth and the scheduled fiscal 2016 launch of the new surgical endoscopy systems that Sony Olympus Medical Solutions Inc., a joint venture with Sony Corporation, developed for the market. Meanwhile, we have been accelerat- ing business expansion in the energy device field through such means as bolstering our lineup of THUNDERBEAT output devices. Accordingly, we expect high profitability from THUNDERBEAT devices is still fairly low. This is largely due to the fact that we have previously failed to invest the necessary amount of management resources into this field, as well as to the presence of highly competitive rivals. We will work to expand our share in this field by developing products that are highly appealing to customers.

Minoru Okabe
Uro/Gyn (Urology / Gynecology) Business Unit

The Uro/Gyn Business Unit is utilizing the extensive North American sales networks that were acquired together with Gyrus Group PLC to expand its operations in the areas of enlarged prostate, bladder cancer, and urinary tract stone treatment. While Olympus already has strong market shares for the endoscopes used to treat enlarged prostates and the flexible endoscopes used to diagnose bladder cancer and treat urinary tract stones, we will further solidify our position in these markets by soliciting Olympus’ technological prowess. The Company’s share in the market for urinary tract stone treatment devices is still fairly low. This is largely due to the fact that we have previously failed to invest the necessary amount of management resources into this field, as well as to the presence of highly competitive rivals. We will work to expand our share in this field by developing products that are highly appealing to customers.

Georg Schloer
Medical Service Business Unit

Olympus has established a strong presence in terms of its flexible endoscopes for pharynx and larynx treatments. However, our share in the rhinology and otology fields is still quite low. Given the Company’s rich product lineup and superior technological prowess, it is clear that we should not be satisfied with our current position, and that there is still plenty of room for the Company to grow in the ENT field as a whole. The market growth rate in the ENT field is not particularly high by nature. Based on this reality, we have established two main strategies for expanding our business in this market. The first is to provide ideal solutions to all stakeholders in the ENT field, such as healthcare professionals, hospital managers, and patients. We will accomplish this by creating new diagnostic and therapeutic procedures through close coordination with medical institutions while also developing optimal new products to be used with these procedures. The second is to strengthen sales capabilities. Olympus must be capable of effectively providing the solutions created through this first strategy to the relevant stakeholders. Previously, strategic investments in sales capabilities for the ENT field have been insufficient. Going forward, we will endeavor to build sales systems suited to each market of operation and then strengthen these systems to increase Olympus’ global presence in the ENT field.

Olympus develops its global business based on the policy of providing a complete range of repair services to customers, no matter where in the world they are located. For this reason, the Medical Service Business Unit has an important role to play in underpinning Olympus’ Medical Business. At the same time, as it is a stand-alone business unit, the Medical Service Business Unit is also devoted to improving its own profitability. For example, we aim to increase the ratio of Olympus products covered by maintenance service contracts. Such coverage creates a win-win situation through which customers are able to use our products with peace of mind and the Company is able to secure stable profits at the same time. Furthermore, we are pushing forward with ongoing repair service cost reduction activities.

Yoshihito Shimizu
ENT (Ear, Nose, and Throat) Business Unit

Olympus develops its global business based on the policy of providing a complete range of repair services to customers, no matter where in the world they are located. For this reason, the Medical Service Business Unit has an important role to play in underpinning Olympus’ Medical Business. At the same time, as it is a stand-alone business unit, the Medical Service Business Unit is also devoted to improving its own profitability. For example, we aim to increase the ratio of Olympus products covered by maintenance service contracts. Such coverage creates a win-win situation through which customers are able to use our products with peace of mind and the Company is able to secure stable profits at the same time. Furthermore, we are pushing forward with ongoing repair service cost reduction activities.
Double-digit sales growth was recorded in the gastrointestinal endoscopes, surgical device, and endotherapy device fields. Sales of mainstay gastrointestinal and surgical endoscopes continued to increase, and sales in North America, Europe, Asia, and other overseas markets drove overall performance improvements. As a result, the Medical Business posted record-breaking figures for both net sales and operating income for the second consecutive year, with net sales of ¥558.0 billion, up 13% year on year, and operating income of ¥124.9 billion, up 11%.

In the life science field, performance benefited from contributions from the sales of our laser scanning microscopes, which are used in advanced life science research. In the industrial field, corporate capital expenditures were on the rise, and sales of industrial videoscopes and ultrasonic flaw detectors were strong as a result. In addition, structural reforms created improvements in profitability, leading net sales in the Scientific Solutions Business to increase 6% year on year, to ¥103.9 billion, and operating income to grow 39%, to ¥6.8 billion.

Net sales in the focus area of mirrorless cameras increased 16% year on year following higher sales of the OM-D series in Europe as well as favorable sales of interchangeable lenses. Overall, net sales in the Imaging Business were down 13%, to ¥93.8 billion, as we reduced compact digital camera sales volumes. Operating loss was ¥15.9 billion as a result of forward-looking investments in business-to-business (BtoB) operations.

In order to allocate management resources to business domains in a more concentrated manner, we reorganized non-core business domains, and withdrew from the biologics business in the previous fiscal year. As a result, net sales in the Others Business amounted to ¥19.6 billion, down 29% year on year, and profitability was achieved with operating income of ¥1.2 billion.
Medical Business

We aim to expand our business by providing world-leading services and the two forms of value represented by early diagnosis and minimally invasive therapies.

In the gastrointestinal endoscope field, we are strengthening our operating foundation with the aim of solidifying our position as the world’s No.1 manufacturer. Meanwhile, the surgical device field has been positioned as a future growth driver, and we plan to expand our market share in this field by strengthening sales forces and leveraging our competitive products. At the same time, we will step up activities in the other medical field business units, which have been reorganized into independent organizations under the new organizational structure, in the pursuit of brisk growth.

Akihiro Taguchi
Medical Business, Business Management Officer

Global Market Share*(as estimated by the Company)

Gastrointestinal endoscopes
Endotherapy devices* Surgical endoscopes* Energy devices

Olympus 70% Domestic manufacturer B
Olympus 25% Overseas manufacturer A
Olympus 20% Overseas manufacturer A
Olympus 15% Overseas manufacturer A

* Product fields related to Olympus’ operations (general surgery, urology, and orthopedics)

Operating Environment and Forecasts
In developed countries, where populations are rapidly aging, as well as emerging countries, which are experiencing high economic growth, the improvement of patient quality of life and control of both healthcare and social security expenses have become urgent priorities. In the United States, for example, the Affordable Care Act (ObamaCare) has created a burgeoning trend toward efficiency and operational rationality in the medical industry. Olympus possesses technologies for the development and manufacture of medical equipment for advancing the progress in terms of early diagnosis and minimally invasive therapies. These technologies place the Company in a prime position to contribute to the medical industry. By leveraging this strength, the Medical Business will seek further business expansion by providing technologies, products, services, and solutions of the highest caliber.

Olympus’ Ever-Growing Medical Business

Net Sales (¥ Billion)

2012/3 2013/3 2014/3 2015/3
Gastrointestinal endoscopes 304.7 300.7 311.3 334.3
Endotherapy devices 492.3 453.4 486.6 515.3
Surgical endoscopes 553.3 615.6 695.3 773.7
Surgical & endotherapy devices 73.0%

Net Sales (¥ Billion)

2012/3 2013/3 2014/3 2015/3
Surgical & endotherapy devices 73.0%

S W O T

Strengths

Operations

- Increasing number of physicians trained in endoscopic procedures
- Growing need for minimally invasive treatment methods
- Growing healthcare awareness; rising demand for early diagnosis
- Improved medical techniques in emerging countries
- Progress in medical system reforms worldwide

Weaknesses

- Insufficient number of physicians trained in endoscopic procedures
- Insufficient number of physicians trained in endoscopic procedures

Opportunities

- WWII

- Expansion of minimally invasive surgical techniques

Threats

- Appearance of overseas rivals due to reorganization
- Downward pressure on selling prices due to increased influence of GPOs
- Appearance of overseas rivals due to reorganization
- Impacts of foreign exchange rate fluctuations

Net Sales by Region

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Net Sales by Region

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Surgical & endotherapy devices 73.0%
Overview of Fiscal 2015

In the gastrointestinal endoscope field, strong sales continued for mainstream gastrointestinal video endoscopy systems EVIS EXERA III and EVIS LUCERA ELITE, making large contributions to overall earnings. Sales growth was also seen in the endotherapy device field, where we introduced new products including QuickClip Pro, a disposable rotatable clip fixing device to stop bleeding of polyps and lesions. In the surgical device field, favorable sales increases were once again achieved for the VISERA ELITE surgical video endoscopy system—designed to support endoscopic surgery—as well as for our 3D laparoscopy surgical system and the THUNDERBEAT energy device. We also witnessed the benefits of growth investments conducted for strengthening sales forces centered on the surgical device field. As a result of these factors, the Medical Business achieved year-on-year increases of 13% for net sales and 11% for operating income, which both set new records for the second consecutive year.

Growth Strategies

To accelerate growth in the Medical Business, we will advance the three basic strategies of working to reinforce foundations in the gastrointestinal endoscope field, further strengthen the surgical device field, and expand sales in emerging markets. The functions for supporting these strategies will also be enhanced going forward.

Under the new organizational structure, we expanded the range of units included in the Medical Business to five business units: the GI (gastrointestinal) Business Unit, GI (general surgery) Business Unit, Uro/Gyn (urology / gynecology) Business Unit, ENT (ear, nose, and throat) Business Unit, and Medical Service Business Unit. This new structure will enable us to allocate management resources to fields in which we have previously failed to conduct sufficient growth investment, and thereby realize robust growth for the Medical Business as a whole. Furthermore, we will continue forward-looking endeavors to expand existing businesses and create new businesses.

Basic Policy of Medium-Term Vision (Medical Business)

- Reinforcement of GI business foundation
- Significant growth of surgical device field business
- Sales increase in emerging markets

Improvement of Productivity

- Reinforcement of repair / service
- Reinforcement of global sales functions
- Reinforcement of R&D / manufacturing functions

Priority Measures Based on Growth Strategies

1. Reinforce Foundations in the Gastrointestinal Endoscope Field

In the core gastrointestinal endoscope field, our aim is to maintain our unrivaled No. 1 position by increasing profitability and productivity while pursuing ongoing improvements in the high levels of resolution and the ease of scope insertion and operation of the products we offer. In the endotherapy device field, an area peripheral to endoscopes, our operations have previously suffered from an insufficient product lineup and lack of sales capabilities. Recognizing this issue, we are enhancing our lineup through the development of competitive and differentiated products and strengthening sales systems in order to expand our market share.

Olympus' refined technologies and products are also currently being utilized in the respiratory field. Lung cancer, recently surpassed stomach cancer as the leading cause of cancer-related death in Japan, and this has resulted in various checks and detailed examinations being conducted in this field. For example, endobronchial ultrasound-guided transbronchial needle aspiration is a procedure that utilizes Olympus' ultrasound bronchoscope to display ultrasound images of lymph nodes so that samples can be collected using a specialized aspiration needle. These samples can then be used to conduct pathological diagnoses for purposes such as providing a definitive diagnosis of spreading lung cancer.

Strategic Policy of GI (Gastrointestinal) Business Unit

- Maintain unrivaled share of gastrointestinal endoscope market
- Increase sales in emerging markets
- Expand endotherapy device operations
- Develop operations in respiratory field
- Improve operations in gastrointestinal peripheral fields

2. Further Strengthen the Surgical Device Field

Medium-term vision target: 14% average annual growth of surgical device field

Priority measures in the surgical device field including improving Olympus' brand image, boosting sales of surgical endoscopes that utilize the Company's strength in imaging technologies, and expanding energy device operations. In particular, we view developing energy devices into a core business as one of the most important measures to ensure the growth of operations in the surgical device field. We are therefore implementing various initiatives in this area, with one of the most prominent being the strengthening of sales systems. For example, we established a specialized sales force in the United States for approaching group purchasing organizations (GPOs) and integrated delivery networks (IDNs), which are an important customer segment for the Medical Business in the massive energy device market. This sales force is anticipated to contribute to a rapid growth in sales. Furthermore, we are promoting the spread of Olympus products by stepping up efforts to provide training in procedures using these products, and are also enhancing our lineup of strategic THUNDERBEAT products.

In the surgical endoscope field, the 3D laparoscopy surgical system launched in 2013 has established an incredibly strong reputation. Furthermore, in fiscal 2016 we plan to launch a new product equipped with state-of-the-art imaging technologies that was developed by Sony Olympus Medical Solutions Inc., a joint venture company created with Sony Corporation. Armed with our lineage of existing imaging and energy devices as well as these two prominent new products, we aim to solidify the position of the Olympus brand for minimally invasive therapies in the surgical device field based on the slogan “See More and Treat Better.”

3. Expand Sales in Emerging Markets

Medium-term vision target: 23% average annual growth in emerging markets

Emerging countries are experiencing population aging in a similar fashion to developed countries, and national healthcare costs are shooting upward. For this reason, fostering new endoscopists is a pressing task. To address this, Olympus has established three training centers in China, located in Shanghai, Beijing, and Guangzhou. The Company is now amply equipped to respond to the projected growth in training and other sales in the emerging market in the Chinese market. Going forward, we plan to develop training centers in other parts of Asia with the aim of growing our business by spreading knowledge regarding early diagnosis, minimally invasive therapies, and other procedures using endoscopes.

4. Enhance Sales, Service, R&D, and Manufacturing Functions Supporting Business Growth

In addition to strengthening sales capabilities, we are also actively investing in the expansion of service, development, and manufacturing functions to support the further growth of the Medical Business. To strengthen sales capabilities, we conducted strategic investments in fiscal 2015 to expand our North American sales forces in the surgical device and endotherapy device fields by approximately 1,000 people, a restraint that is contributing to growth in the surgical device field. We are also in the process of constructing a new domestic repair base in Nagano to respond to the rise in repair demand that is accompanying sales increases.

At the same time, the Company is expanding production lines to address the rising global demand for its products. In Japan, we have invested a total of ¥20 billion to construct new buildings at our three gastrointestinal endoscope factories, located in Azu, Shiraoka, and Aomori. The new building at the Shiraoka plant is expected to be operational in fiscal 2016. Elsewhere, we are consolidating dispersing manufacturing functions for surgical devices and other products in the United States while also reinforcing existing manufacturing sites. For example, at the new manufacturing site in Brooklyn Park, in the U.S. state of Minnesota, we are pursuing increases in both production line capacity and efficiency with a focus on energy devices.

Performance and Strategies by Business

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About Energy Successes

THUNDERBEAT has delivered tremendous success in the U.S. market. We grew approximately 20% year on year overall, not an easy feat in the U.S. marketplace given the heightened competitive environment. Olympus successfully installed many generators into the market thanks to the efforts of our sales force, growing our overall THUNDERBEAT handpiece revenue by approximately 40%. Most importantly, we’ve had our first line extension—the Open Extended Jaw (O.E.J). The feedback on the design and performance from surgeons has been fantastic. In our initial product launch support study, 80% of the surgeons felt O.E.J. was more ergonomic than their existing energy device.

Surgents also reported that O.E.J. has a more multifunctional design and reduces the need for instrument exchanges for grasping or dissecting instruments.

In fiscal 2016, we are excited to introduce our PK Technology advanced bipolar portfolio onto the THUNDERBEAT generator. With the launch of our PK devices, Olympus now has a true universal platform that supports all of the common forms of energy utilized in the operating room today. Olympus’ universal platform allows customers to increase efficiencies while reducing costs—two key objectives for healthcare leaders in this environment.

In addition to our strengthened energy portfolio, Olympus has made significant investments in resources for sales and marketing to support the business. This includes four new Business Unit Vice Presidents (BUVPs)—one for each surgical business area—who have a wealth of business, sales, and marketing expertise. The BUVPs will have full responsibility and accountability to drive, implement, and optimize sales and marketing strategies at their respective businesses, and represent our efforts to empower each surgical specialty to concentrate their efforts on growing each business. Such investments will be focused on launching new products, enhancing our value proposition, and building clinical relevance while driving and meeting demand in the field to evaluate the portfolio.

Field Representative Brian Christie Speaks to His Sales Strategy During a National Sales Meeting

I work hard to build relationships with our customers to make the sale. By working within the offices and building relationships with the surgical techs and nurses, I get an understanding of what the bariatric surgeons in that account are looking for. Then, when I get to the operating room, I can talk to the devices based on what I’ve been told by the techs and nurses. Once the surgeons understand what the device does, I schedule follow-up appointments to bring in the technology so they can try it firsthand.

Observing the first few physician cases not only betters my understanding of how the physician operates, but also shows the physician I’m genuinely interested in his or her procedure and technique. I choose to engage the physician by asking impactful questions to build our relationship so that I become a trusted professional in the room instead of just a visitor.

We are pushing forward with business restructuring to improve capital efficiency and maximize earnings.

By expanding the earnings of the Scientific Solutions Business and breaking even in the Imaging Business, we aim to maximize Olympus’ earnings. To accomplish these objectives, we are pushing forward with business restructuring in both of these businesses.

In addition to the new organizational structure, we are working to improve business efficiency by allocating management resources in an optimal manner. Specifically, we will concentrate resources on fields in the Scientific Solutions Business in which we can expect high levels of growth while greatly reducing the amount of resources assigned to the Imaging Business.

Hanau Ogawa
Scientific Solutions & Imaging Business, Business Management Officer

Operating Environment and Forecasts (Scientific Solutions)

Improvements in the business environment are evident, as supported by the execution of budgets at domestic and overseas research and private-sector companies, as well as a recovery trend in capital expenditures. These positive trends, stemming from an increase in business confidence in the global scale and the depredation of the yen, a result of the economic stimulus measures instituted by the Japanese government. In the medium to long term, we expect to see the acceleration of advanced research on topics such as induced pluripotent stem cells (iPS cells) as well as a push for the practical application of regenerative medicine in the area of science research. In addition, infrastructure investment is projected to increase in emerging countries in conjunction with economic development. The market for Scientific Solutions Business products is anticipated to expand as a result of these factors.

The Scientific Solutions Business is easily influenced by macro-economic trends. Accordingly, the recovery in capital expenditures stemming from improvements in business confidence centered on North America is anticipated to contribute to growth in earnings, particularly with regard to operations in the industrial field. Nonetheless, we are working to create a business structure that can guarantee stable profits without being heavily influenced by such factors in the external operating environment. By advancing this type of business restructuring, we aim to improve business efficiency and reinforce our earnings foundation. At the same time, we will invest in growth fields over the medium to long term to expand earnings going forward.

Operating Environment and Forecasts (Imaging)

The compact digital camera market is rapidly contracting due to the spread of smartphones, and the Imaging Business continues to face a harsh operating environment as a result. In order to address this major market change, we are pushing forward with structural reforms to shrink the Imaging Business to a more appropriate scale. As one facet of this undertaking, we have developed conservative sales plans with a narrower scope, only including focus products and market segments, that do not presume the pursuit of sales growth, even in the core mirrorless camera market. We aim to minimize risks through this limited scope. In conjunction with this shift in focus, we are revising cost structures to realize a business structure that will enable the Imaging Business to break even, despite the reduced sales. We are also enhancing earnings structures by strengthening sales of high-margin interchangeable lens products.
Scientific Solutions Business

- Industry's top share of 40% in biological microscopes market
- Leading share of 40% in industrial endoscope market
- Comprehensive solutions capabilities allowing diverse product lineups
- State-of-the-art optical technologies continually refined since Company's founding

- Increased focus on advanced science research by governments of various countries and higher related budgets in these countries following economic upturn
- Rising demand for non-destructive testing equipment due to aging of infrastructure in emerging countries
- Expanding demand for industrial endoscopes due to growth of electronic component industry in conjunction with spread of smartphone usage
- Strong performance in basic science research driven by strategic initiatives (selection and concentration high earnings and rapid growth, and reorganized operations)
- Development of new business areas matched by high enthusiasm in execution

Overview of Fiscal 2015

An economic recovery trend prevailed domestic and overseas markets, stimulating brisk corporate capital expenditures and thereby resulting in favorable sales of products for the electronic component and automotive industries.

In the life science field, performance was impacted by a temporary slowdown in the execution of budgets by research institutions in Japan. At the same time, however, sales of FLUOVUE PIVME-RS, a laser scanning microscope for pathological diagnosis in hospitals, continued to increase year on year following higher net sales and the benefits of cost reduction efforts, such as the integration of sales offices.

Growth Strategies

In the Scientific Solutions Business, we have been shifting from our previous strategies based on product lineups to pursue those oriented toward customer groups, and are strategically investing in growth fields to expand our market share and boost sales. In addition, the business restructuring measures commenced in fiscal 2015 are generating steady improvements in profitability realized by streamlining operations to cut costs. By further advancing such reforms, we aim to strengthen the earnings capacity of this business to an even greater degree while building the systems needed for future growth.

1. Work Closely with Customers to Expand Market Share and Maximize Earnings

- Shift from product lineup-based strategies to customer group-oriented strategies

We are moving away from our previous product lineup-based strategies to pursue those more customer group oriented. As part of this process, we have narrowed the scope of customer groups to be targeted to seven fields in which we can anticipate high earnings and rapid growth, and reorganized operations in unprofitable fields accordingly (selection and concentration of management resources). Going forward, we will pursue growth that emphasizes profitability through sales activities focused on these seven target customer fields.

2. Strengthen Earnings Foundation

- Improve business efficiency and constitution through organizational integration

We are in the process of integrating business organizations that were previously separated based on product line, and are thereby consolidating management functions and sales organizations on a global scale. In fiscal 2015, sales bases in North America were integrated, and contributions to higher profitability are already noticeable. These initiatives will be expanded to Europe and Asia going forward with the aim of realizing further improvements in business efficiency and constitution.

- Conduct upfront investment in growth markets

Upfront investments will be conducted in growth markets to build the foundations for medium- to long-term business growth. For example, research on topics such as iPS cells is anticipated to create a massive market in the regenerative medicine field. Accordingly, the Company will advance R&D ventures on new products targeting this field with the aim of creating new markets with products that facilitate advanced research.

3. Further Improvements in Business Efficiency and Constitution

- Stability and efficiency for pathological diagnosis in hospitals and for services for educational institutions
- Accelerated research in regenerative medicine, oncology, brain neurology, and other advanced life science fields
- Aging social infrastructure in developing countries (increased demand for repairing and inspecting roads, etc.)
- Infrastructure investment in emerging countries (increased repair and inspection demand)
- Higher demand for methods of testing equipment at resource- and environment-related facilities as well as factories without causing unnecessary destruction or halting operation

Net Sales

Operating Income / Operating Margin

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**Advancing Life Science Research, Contributing to Industrial Progress, and Making Life Safer through the Scientific Solutions Business**

By providing solutions that are fine-tuned to meet the needs of customers in the life science and industrial fields through the Scientific Solutions Business, Olympus is advancing life science research, contributing to industrial progress, and making life safer. As we move forward, we will work to improve efficiency and augment growth potential in this business by focusing on the seven growth fields of advanced life science research, pathology and clinical research, wet lab, education, infrastructure maintenance, manufacturing, and environment and resources.

### Growth Fields

**1. Life Science**
- Advanced life science research
- Pathology and clinical research
- Education
- Wet lab

**2. Industrial**
- Manufacturing
- Environment and resources
- Infrastructure maintenance

**3. Non-destructive testing**
- X-ray fluorescence analyzers
- Ultrasonic phased array flaw detectors
- OmniScan SX array flaw detectors
- DELTA handheld XRF analyzers

**4. Biological microscopes**
- INFINITY40 digital microscope
- ILLUMINA inverted microscope

**5. Industrial microscopes**
- Industrial videoscopes
- FLEX IT industrial videoscopes
- ORVISOX fluorescence analyzers

**6. Imaging Business**

- **Strengths**
  - Unique technologies accumulated by concentrating on mirrorless camera
  - Ability to design and manufacture high-performance lenses that are small and lightweight
  - No. 1 share in mirrorless camera market in Japan
  - Leading in European sales and connections with Group customers from Medical Business and Scientific Solutions Business that are applicable to Kobei operations

- **Weaknesses**
  - Lacking sales system for high-product SLR camera (sales system shift under way)
  - Insufficient lineup of high-priced interchangeable lens products (lineup expansion scheduled)

- **Opportunities**
  - Expansion of mirrorless camera market
  - Widening range of applications for camera and increased demand for imaging-related technologies outside of private sector

- **Threats**
  - Intensifying competition in mirrorless cameras market
  - Increased usage of smartphones and tablet PCs

**Composition (Fiscal year ended March 31, 2015)**

- **Digital cameras**
  - Share of Net Sales: 82.7%
  - Sales by Product: 82.7%

- **Others**
  - Share of Net Sales: 17.3%
  - Sales by Product: 17.3%

**Operating Results**

- Operating Expenses: 139,321 (2015/3) 130,711 (2014/3) 105,293 (2013/3) 97,695 (2012/3)

**Operating Income (Loss)**

- Digital cameras: 96.1%
- Others: 3.9%

**Operating Income (Loss) (¥ billion)**

<table>
<thead>
<tr>
<th>Year</th>
<th>2012/3</th>
<th>2013/3</th>
<th>2014/3</th>
<th>2015/3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Digital cameras</td>
<td>12.0</td>
<td>12.1</td>
<td>10.6</td>
<td>10.0</td>
</tr>
<tr>
<td>Others</td>
<td>3.4</td>
<td>3.3</td>
<td>2.5</td>
<td>2.0</td>
</tr>
</tbody>
</table>

**Net Sales (¥ billion)**

<table>
<thead>
<tr>
<th>Year</th>
<th>2012/3</th>
<th>2013/3</th>
<th>2014/3</th>
<th>2015/3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Digital cameras</td>
<td>82.7%</td>
<td>82.7%</td>
<td>82.7%</td>
<td>82.7%</td>
</tr>
<tr>
<td>Others</td>
<td>17.3%</td>
<td>17.3%</td>
<td>17.3%</td>
<td>17.3%</td>
</tr>
</tbody>
</table>

**Segment Data**

- Research Expenditures (¥ billion): 9.6 (2013/3) 10.2 (2014/3) 8.7 (2015/3)
- Capital Expenditures (¥ billion): 5.2 (2013/3) 5.1 (2014/3) 3.5 (2015/3)
- Number of Employees (people): 11,644 (2013/3) 8,180 (2014/3) 7,883 (2015/3)

*Including average number of temporary employees*
Overview of Fiscal 2015

Amid the rapid contraction of the camera market following the spread of smartphones, we continued to advance the shift from compact cameras to mirrorless cameras.

Sales of mirrorless cameras were up year on year due to growth in the OM-D series in Europe as well as the fact that a larger portion of sales came from high-priced models. Another contributor to higher sales was the favorable sales of interchangeable lens products. Conversely, overall sales in the Imaging Business were down as we reduced sales volumes of compact cameras in preparation for the future contraction of the camera market.

Operating loss showed a substantial year-on-year increase. The harsh market environment forced us to lower selling prices of mirrorless cameras, and write-downs on inventories were recorded as a result of strict realocation. In addition, investments were carried out to expand automobile-mounted camera and other BtoB operations. While we worked to reduce costs through structural reforms, these efforts could not absorb the impact of the aforementioned income detractors.

Factors Projected to Improve Income in Fiscal 2016

<table>
<thead>
<tr>
<th>Factor</th>
<th>2015/3</th>
<th>2016/3 (Forecast)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross profit</td>
<td>20.6</td>
<td>20.6</td>
</tr>
<tr>
<td>Preparation of mirrorless camera market</td>
<td>47.3</td>
<td>(2.6)</td>
</tr>
<tr>
<td>Reduction of sales volume targets in</td>
<td>13.0</td>
<td>(6.6)</td>
</tr>
<tr>
<td>Improvement in operating margin of</td>
<td>19.6</td>
<td>(6.7)</td>
</tr>
<tr>
<td>Reduction in R&amp;D expenditures, manufacturing investments, and promotion expenses due to narrowing of product线up</td>
<td>49.8</td>
<td>49.8</td>
</tr>
<tr>
<td>Transference of BtoB operations to the newly established Business Development Office</td>
<td>42.8</td>
<td>(2.6)</td>
</tr>
<tr>
<td>Reassignment of certain Companywide-applicable R&amp;D topic to corporate R&amp;D Group</td>
<td>51.0</td>
<td>(13.8)</td>
</tr>
<tr>
<td>Improvement of operating income</td>
<td>100.0</td>
<td>70.0</td>
</tr>
</tbody>
</table>

In the future, we will make conservative estimates about the operating environment for mirrorless camera operations as well, and will revise business plans based on the assumption that the market will not expand, placing operating income improvements as our top priority. At the same time, we will pursue heightened business efficiency by advancing a shift in strategies centered on the cross-business reallocation of management resources.

Structural Reforms

1. Revise Mirrorless Camera Sales Expansion Plans and Prioritize Operating Income Improvements

The basic policy for the Imaging Business is risk minimization, and we have greatly reduced the scale of compact camera operations while accelerating the shift toward highly profitable mirrorless cameras in accordance with this policy. A number of measures have been implemented to transform the Imaging Business into a profitable business, including cutting costs by consolidating manufacturing sites, reducing inventory costs, decreasing R&D expenditures by curtailing the development of models, and utilizing sales channels in a more efficient manner. These measures have born results, as production adjust-

2. Institute Measures to Reduce Costs

In order to respond to market changes in the Imaging Business, we instituted drastic reforms to cost structures, including a massive reallocation of manufacturing sites and the cur-

tailment of compact camera model development. Looking ahead, we will implement even more extensive measures to reduce development, manufacturing, and sales costs in prepar-

ation for further contraction risks in the mirrorless camera market. To cut R&D expenditures, we will once again curtail the number of new models to be developed with regard to both mirrorless cameras and compact cameras. In terms of manufacturing, we will transition away from the use of original equipment manufacturers (OEMs) to a system centered on in-house production. This will enable us to make fine-tuned adjustments to production levels based on changes in market conditions, and thereby minimize inventory risks. In addition, we are shifting production from our plant in China, where labor costs are on the rise, to our Vietnam plant with the aim of lowering manufacturing costs. With regard to sales, we will substantially limit promotion expenses by narrowing the scope of sales plans to only include focus products and market segments while advancing efficient sales measures tailored to the characteristics of specific regions.

3. Reallocate Management Resources

Based on the Companywide policy of investing management resources in high-growth fields, we are reallocating resources currently associated with the Imaging Business to other business fields. As part of this effort, Olympus’ superior optical, image processing, and wireless and mobile communications technologies—all areas of strength for the Imaging Business—will be utilized throughout the Company. Furthermore, automobile-mounted camera, security camera, and other BtoB operations will be transferred to the newly established Business Development Office to accelerate their expansion.

TOPICS

1. Cutting-Edge Imaging Technologies Utilized in the Medical Business and the Scientific Solutions Business

One of the largest draws of mirrorless cameras is the ability to select the optimal interchangeable lens for the scene that the photographer seeks to capture. Olympus’ interchangeable lens products are a culmination of its traditional optical technologies, advanced precision technologies, and reliability technologies forged by experienced lens-crafting specialists. These cutting-edge imaging technologies are also utilized in high-precision microscopes and endoscopes.

2. Launch of OLYMPUS OM-D E-M5 Mark II

Top-class OM-D image quality and OM-D Movie in hand-held shooting

Launched in February 2015, the OLYMPUS OM-D E-M5 Mark II, our new flagship mirrorless camera, is equipped with a new, evolved 16-megapixel image stabilization function capable of eliminating all types of blurring. This stabilization function allows photographers to be taken without fear of blurring with no need for a tripod. Moreover, this holds true under any conditions, whether photographing in the dark, taking pictures of far-off subjects, or even when recording video.
R&D Activities

Overview of R&D Activities

Olympus is proactively advancing R&D activities utilizing its core competencies, which include its optical technologies, digital imaging technologies, and microscopic processing technologies. These activities will be continued going forward to further strengthen the Company’s technological foundation. R&D activities are conducted in a strategic manner focused on creating technologies that directly benefit our three core businesses, with the Medical Business receiving a particularly large allocation of management resources. We carried out R&D activities based on this approach in fiscal 2015, resulting in a massive year-on-year rise of 26.0% in R&D expenditures

R&D Expenditures by Business Segment

<table>
<thead>
<tr>
<th>Business</th>
<th>2014/3</th>
<th>2015/3</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medical Business</td>
<td>43,324</td>
<td>54,796</td>
<td>26.0%</td>
</tr>
<tr>
<td>Scientific Solutions Business</td>
<td>9,407</td>
<td>9,687</td>
<td>2.9%</td>
</tr>
<tr>
<td>Imaging Business</td>
<td>8,229</td>
<td>9,765</td>
<td>18.4%</td>
</tr>
<tr>
<td>Others / Corporate</td>
<td>13,141</td>
<td>14,065</td>
<td>6.6%</td>
</tr>
<tr>
<td>Total</td>
<td>66,576</td>
<td>79,319</td>
<td>20.0%</td>
</tr>
</tbody>
</table>

R&D Expenditures / Ratio of R&D Expenditures to Net Sales

<table>
<thead>
<tr>
<th>Year</th>
<th>Total (¥ Million)</th>
<th>Ratio (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014/3</td>
<td>20,078</td>
<td>8.3%</td>
</tr>
<tr>
<td>2015/3</td>
<td>24,797</td>
<td>9.7%</td>
</tr>
</tbody>
</table>

R&D Investments for Creating New Businesses

In the Others Business, aggressive R&D investments will be conducted for creating new businesses. The Business Development Office, which was established as part of the shift to the new organizational structure commenced in April 2015, will play a central role in this undertaking.

New business goals

- Medical Field
- Imaging Field

- Medical Field
  - Olympus has continued to push forward with R&D activities in fields that are peripheral to the Medical Business and present significant potential for synergies. We are now accelerating investments in such fields with the aim of developing them into full-fledged businesses.
  - Olympus plans to explore advanced fields that contribute to the realization of minimally invasive therapies, one of the core values provided by the Medical Business. Specific target fields include orthopedics and regenerative medicine.

- Imaging Field
  - The R&D operations previously developed as part of the Imaging Business will be strengthened in the future as one facet of our investments in new business fields. Olympus has forged highly sophisticated optical and image processing technologies through fierce competition in the camera market. We anticipate that these technologies will be an invaluable asset in creating products for the BioBusiness, where customers demand the utmost levels of quality. Currently, we are developing operations dealing in such forms as factory automation, cameras, and automobile-mounted cameras, which are becoming increasingly more standard in vehicles. At the moment, these operations are being expanded with the aim of achieving profitability.
  - Overall, the long-term vision is to continue exploring potential in other product areas that we can utilize Olympus’ imaging technologies, seeking out feasible businesses in a wide range of fields.

Intellectual Property Activities

Overview of Intellectual Property Strategies

Intellectual Property Strategies Linked to Business Strategies

Olympus formulated its intellectual property strategies in conjunction with the medium-term vision (corporate strategic plan), and is advancing intellectual property activities that facilitate its management and business activities. In accordance with the basic policies of the Company's intellectual property strategies, each business unit clearly defines the core technologies for which it requires a strong patent base, and formulates its patent portfolio accordingly. In Companywide core competence areas, intellectual property activities are being strengthened from a long-term perspective and on an organization-wide basis that encompasses business units and R&D divisions. In this manner, we are working to maximize Companywide efficiency and intellectual property value.

Business Contributions from Intellectual Property

Intellectual Property Activities Matched to Business Portfolio and Expansion Initiatives

As our business activities grow more global, we have defined the policy of increasing the number of patents held overseas, and are advancing patent acquisition efforts accordingly. Looking at patent holdings of individual businesses, there is a noteworthy trend in the Medical Business, where we are now accelerating the large allocation of management resources. We carried out R&D activities based on this approach in fiscal 2015, resulting in a massive year-on-year rise of 26.0% in R&D expenditures

Number of Patents Held by Country

<table>
<thead>
<tr>
<th>Country</th>
<th>2014/3</th>
<th>2015/3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>1,282</td>
<td>1,548</td>
</tr>
<tr>
<td>United States</td>
<td>2,444</td>
<td>2,835</td>
</tr>
<tr>
<td>China</td>
<td>474</td>
<td>533</td>
</tr>
<tr>
<td>Others</td>
<td>503</td>
<td>611</td>
</tr>
<tr>
<td>Total</td>
<td>4,607</td>
<td>5,538</td>
</tr>
</tbody>
</table>

Intellectual Property Activities in Core Competence Areas

Number of Patent Applications Published in Japan and Overseas in Core Competence Areas

Due to our implementation of the above-mentioned policy of increasing overseas patents, the number of patent applications published in core competence areas is decreasing in Japan and rising overseas. In the future, we will continue to bolster our global patent portfolio by submitting applications in the United States, China, and other countries.

Number of Patent Applications Published in Japan in Core Competence Areas

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of patent applications</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013/3</td>
<td>278</td>
</tr>
<tr>
<td>2014/3</td>
<td>292</td>
</tr>
<tr>
<td>2015/3</td>
<td>358</td>
</tr>
</tbody>
</table>

Number of Patent Applications Published Overseas in Core Competence Areas

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of patent applications</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013/3</td>
<td>143</td>
</tr>
<tr>
<td>2014/3</td>
<td>167</td>
</tr>
<tr>
<td>2015/3</td>
<td>245</td>
</tr>
</tbody>
</table>

Share of Patent Applications by Business Portfolio

<table>
<thead>
<tr>
<th>Business</th>
<th>Share of Patent Applications</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medical Business</td>
<td>39%</td>
</tr>
<tr>
<td>Scientific Solutions Business</td>
<td>28%</td>
</tr>
<tr>
<td>Imaging Business</td>
<td>26%</td>
</tr>
<tr>
<td>Others / Corporate</td>
<td>17%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
</tr>
</tbody>
</table>

Intellectual Property Activities

Portions of patent applications differ by business. The Medical Business has the largest share (47%), followed by Scientific Solutions Business (13%) and Imaging Business (16%). The share of patent applications in Others / Corporate is 24.8% of 2015/3 total.
Corporate Governance

Basic Stance toward Corporate Governance

The Olympus Group strives to realize better health and happiness for people by being an integral member of society, sharing common values, and proposing new values through its business activities and innovation. We have made it the corporate philosophy that underlies all of our activities.

Based on this, the Company has established systems to ensure that the Olympus Group operates effectively and efficiently and is appropriate and reliable, and is pursuing ongoing improvements to these systems. At the same time, we realize that incorporating the diverse values and expectations of society into management is important to fulfilling our corporate social responsibility (CSR). For this reason, we actively communicate with a wide range of stakeholders with the aim of fulfilling our responsibility to society while also continuing to grow together sustainably with them. Furthermore, the Board of Directors and other members of management conduct periodic inspections to ensure that all corporate officers and employees adhere to Olympus’ Corporate Conduct Charter, which is based on our corporate philosophy. In this manner, we work to cultivate a corporate culture that is respectful toward the rights and position of stakeholders as well as good business ethics.

Corporate Governance Structure

- Basic Corporate Governance Policies

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

- Overview of Corporate Governance Structure

The Board of Directors consists of 10 members, half of which are outside directors. In principle, the Board of Directors meets once per month and approves important management proposals made by the president, the highest authority for executive management, while exercising appropriate oversight of business execution. The term of directors is set at one year to allow their performance to be evaluated on a yearly basis and to clarify responsibility for this performance. Olympus expects the five outside directors to apply their specialized expertise in management by engaging in decision making and oversight over the Board of Directors from an independent perspective. Furthermore, the Board of Directors requests reports on matters that are decided by the Executive Management Committee or by the president. In this manner, the Company is strengthening governance from the perspectives of sharing information and monitoring, thereby creating systems for better ensuring the soundness of management.

Olympus employs an executive officer system, which separates the decision-making function and supervisory function of the Board of Directors from the business execution function of the executive officers. In addition, the Company has set a maximum tenure period for the president and a maximum age for directors and executive officers. These restrictions are in place to prevent inappropriate activities from occurring due to extended tenures of corporate officers. The Executive Management Committee, in principle, convenes three times a month in order to advise the president in making important management decisions through discussion of these matters. This committee consists of members including the president and heads of functional organizations. Also, audit & supervisory board members and the Chief Compliance Officer (CCO) attend meetings of this committee as observers, thereby further reinforcing the oversight function for business execution divisions.

- Voluntarily Established Committees

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

Overview of the Corporate Governance Structure

(As of June 26, 2015)

<table>
<thead>
<tr>
<th>Committee</th>
<th>Number of members</th>
<th>Independent directors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board of Directors</td>
<td>10</td>
<td>5 (5 independent directors)</td>
</tr>
<tr>
<td>Nominating Committee</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>Compensation Committee</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>Compliance Committee</td>
<td>4</td>
<td>—</td>
</tr>
</tbody>
</table>

Corporate Governance Structure

General Meeting of Shareholders

Auditor

Board of Directors

President and Representative Director

Executive Management Committee

Chairman / President

Olympus has strengthened the corporate governance structure by appointing 5 outside directors, representing half of its directors, and utilizing their objective standpoint, wealth of experience, and extensive knowledge of management. Furthermore, Olympus has increased the objectivity and fairness of management oversight by appointing 2 outside audit & supervisory board members out of the 4 audit & supervisory board members.

Outside directors and audit & supervisory board members receive reports from the Group’s Internal Audit Office about internal audits at Board of Directors’ meetings. Outside audit & supervisory board members also receive reports from both the Internal Audit Office and the accounting auditor at Audit & Supervisory Board meetings. In addition, outside audit & supervisory board members meet with staff from the Internal Audit Office and the accounting auditor to share opinions and coordinate their efforts. Furthermore, all 5 outside directors are independent directors and both audit & supervisory board members are independent auditors.

Composition of Committees and Position of the Chairman

Number of members

<table>
<thead>
<tr>
<th>Committee</th>
<th>Number of members</th>
<th>Independent directors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board of Directors</td>
<td>10</td>
<td>5 (5 independent directors)</td>
</tr>
<tr>
<td>Nominating Committee</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>Compensation Committee</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>Compliance Committee</td>
<td>4</td>
<td>—</td>
</tr>
</tbody>
</table>

Outside Directors and Audit & Supervisory Board Members

Outside audit & supervisory board members

Reason for appointment

Attendance at meetings of the Board of Directors (Met 17 times in fiscal 2015)

Takuya Goto* Mr. Goto was appointed so that his extensive experience and diverse knowledge as a business manager at Assa Abloy Corporation may be applied to the Company’s management.

Shinsuke Hirota Mr. Hirota was appointed so that his extensive experience and diverse knowledge as a business manager at Assa Abloy Corporation may be applied to the Company’s management.

Sumita Fukui* Mr. Fukui was appointed so that his extensive experience and diverse knowledge as a business manager at DACHS Corporation may be applied to the Company’s management.

Motokō Nishikawa* Mr. Nishikawa was appointed so that his extensive experience and diverse knowledge as a business manager at Nippon Steel Corporation (current Nippon Steel & Sumitomo Metal Corporation) as well as his diverse knowledge as an attorney may be applied to the Company’s management.

Kiko Ueno* Mr. Ueno was appointed so that his extensive experience and diverse knowledge acquired from working at the Japan Fair Trade Commission may be applied to the Company’s management.

Outside directors

Reason for appointment

Attendance at meetings of the Board of Directors and the Audit & Supervisory Board (Met 17 times in fiscal 2015)

Masaaki Nogiya Mr. Nogiya was appointed so that his extensive experience and diverse knowledge as a certified public accountant may be applied to the Company’s management.

Kohsuke Nishimura* Mr. Nishimura was appointed so that his extensive experience and diverse knowledge as a business manager at Assa Abloy Corporation may be applied to the Company’s management.

* Independent officers
Corporate Governance

Strengthening of Audit and Supervisory Functions

Olympus is a company with the Audit & Supervisory Board system. Two of the four audit & supervisory board members are outside audit & supervisory board members. One of the two standing audit & supervisory board members was re-appointed from outside Olympus to guarantee the strength of supervisory functions. Olympus has established the office of Audit & Supervisory Board to support audit & supervisory board members and assigned full-time employees to assist with their work. In principle, the Audit & Supervisory Board, like the Board of Directors, meets once per month.

In accordance with the Rules of the Audit & Supervisory Board and the Audit & Supervisory Board Members’ Audit Standard, the audit & supervisory board members attend important meetings, including Board of Directors’ meetings, and periodically exchange opinions with directors and executive officers. In principle, they exchange opinions with the representative director four times per year.

Corporate Officer Compensation

The upper limits for the monthly compensation of directors and audit & supervisory board members as well as director bonuses are decided at the general meeting of shareholders. Director compensation is decided by the Board of Directors in accordance with the Director Compensation Guidelines based on the recommendations of the Compensation Committee, which is comprised of a majority of highly independent outside directors. Audit & supervisory board member compensation is decided by the Audit & Supervisory Board in the same manner. Bonuses and stock options are not paid to audit & supervisory board members to maintain their standing independent from business execution.

<table>
<thead>
<tr>
<th>Position</th>
<th>Total number of directors / audit &amp; supervisory board members</th>
<th>Total value of remuneration (¥ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Base</td>
</tr>
<tr>
<td>Directors (excluding outside directors)</td>
<td>369</td>
<td>273</td>
</tr>
<tr>
<td>Audit &amp; supervisory board members (excluding outside audit &amp; supervisory board members)</td>
<td>56</td>
<td>56</td>
</tr>
<tr>
<td>Outside officers</td>
<td>130</td>
<td>130</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Position</th>
<th>Total value of remuneration (¥ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(Consolidated operating income in fiscal 2016 = ¥15.0 billion) × 0.0544% + (Consolidated net income in fiscal 2016 = ¥1.0 billion) × 0.0458% + (Total sum of &quot;officer points&quot; for all applicable directors = 96) (rounded to the nearest ¥10,000)</td>
</tr>
<tr>
<td></td>
<td>30</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Position</th>
<th>Total value of remuneration (¥ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total value of remuneration = (Total sum of &quot;officer points&quot; for all applicable directors × &quot;Officer points&quot; of individual director)</td>
</tr>
<tr>
<td></td>
<td>10</td>
</tr>
</tbody>
</table>

Internal Controls

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:

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

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

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

- Risk Management Structure
  - 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.
  - 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.
  - The Board of Directors shall determine the separation of duties among the president and other operating directors and approve the separation of duties of executive officers. In addition, the Board of Directors shall receive reports on their duties as performed.
  - 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 representative director, other operating director, executive officer, and receive reports from major management organizations on their duties as performed.
  - To ensure efficient execution of duties by directors of the Company and its subsidiaries, the Company has established Group Finance Control Rules and introduced a corporate management system for Japan, America, Europe, and Asia.

Risk Management Foundation

Olympus has identified one of the functions of the CSR Committee, which establishes the president as being responsible for CSR and is chaired by the officer in charge of CSR, as managing risks, and the committee thus works to reduce exposure to risks and prevent their actualization as part of its normal operations. The Company has also put into place systems for responding to serious risks should they be realized. In addition, to further strengthen the Company’s risk management structure, the Risk Management Bureau was revised and renamed the Risk Management Department in October 2012.
Basic Policies for Information Disclosure

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

Communication with Shareholders

At Olympus, the president, director in charge of finance, heads of businesses, outside directors, and other members of management actively engage in communication with shareholders, and we have installed systems for incorporating shareholder feedback into management. Moreover, top-level managers explain the Company’s management policies directly to shareholders at the general meeting of shareholders as well as during shareholder interviews. We also provide clear and easy-to-understand explanations on these policies at financial results briefings, through annual reports, and on Olympus’ corporate website.

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

Investor Relations (IR) Activities

The following investor relations activities were conducted in fiscal 2015.

<table>
<thead>
<tr>
<th>Activity</th>
<th>Details</th>
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<tbody>
<tr>
<td>Conference on results for institutional investors and analysts</td>
<td>Meetings held quarterly (May, August, November, and February) to explain topics from the period, focused on financial performance and forecasts</td>
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<tr>
<td>Facility tours and study sessions</td>
<td>Tours and study sessions of plants, repair centers, training centers, and other facilities</td>
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<tr>
<td>Conference call for overseas institutional investors</td>
<td>Teleconferences with overseas institutional investors held on the day of financial results presentations for each quarter</td>
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<tr>
<td>Overseas IR roadmap</td>
<td>5 Meetings for institutional investors in which the president and CFO visit overseas sites</td>
</tr>
<tr>
<td>Meetings for individual investors</td>
<td>Meetings held at branch offices of securities companies</td>
</tr>
<tr>
<td>Uploading of IR information to corporate website</td>
<td>Posting of financial results and other timely disclosure materials, intellectual property reports, and fact books as well as information on CSR and environmental activities</td>
</tr>
</tbody>
</table>

Evaluation Results Regarding Effectiveness of Board of Directors

To increase the overall effectiveness of the Board of Directors and improve corporate value, the Company institutes analyses and evaluations of the Board of Directors. Third-party perspectives are employed as part of this process. The results of these analyses and evaluations are disclosed.

Method of Evaluation

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

Main items in the questionnaire for the evaluation of Board of Directors

1. Composition of the Board of Directors
2. General operation of the Board of Directors
3. Composition and roles of individual committees
4. General operation of the Nominating Committee
5. General operation of the Compensation Committee
6. Support system for outside directors
7. Roles and expectations of the audit & supervisory board members
8. Relationship with investors and shareholders
9. Governance system, effectiveness of the Board of Directors in general

Results of Analysis and Evaluation of the Effectiveness of the Board of Directors

As a result, the Company confirmed that adequate support, such as briefings prior to board meetings and Olympus facility tours conducted for outside directors and audit & supervisory board members, had led to active discussions at board meetings involving audit & supervisory board members, where outside directors with a wide range of experience and expertise had previously been in the majority. It also confirmed that individual committees (Nominating Committee, Compensation Committee) had properly fulfilled their required roles. Based on the above-mentioned analysis results and others, the Board of Directors of the Company evaluated that the effectiveness of the board had been sufficiently established for the purposes of approving important managerial matters and properly supervising business operations.

Response to the Corporate Governance Code

Following the 2014 revision of the government’s Japan Revitalization Strategy, the Corporate Governance Code was established in March 2015 as a compilation of principles for effective corporate governance by listed companies. Since the establishment of the new management team in 2012, Olympus has continued to strengthen its corporate governance systems, positioning this as a top management priority. In light of the establishment of the code, Olympus expressed its endorsement and newly formulated the Basic Policy for Corporate Governance based on the code. We then quickly set about implementing the code’s principles.

The Basic Policy for Corporate Governance can be viewed in its entirety on the Company’s corporate website and in its corporate governance reports.

Incorporating the Opinions of Outside Directors to Improve Management Capabilities

Olympus’ Board of Directors consists of five highly independent outside directors, representing half of the members. The outside directors actively engage with management by participating in various committees and taking part in discussions at meetings of the Board of Directors. We asked outside directors Sumitaka Fujita and Keiko Unotoro about their activities and were pleased to receive their opinions on the issues Olympus will need to address in the future.

Duties in Committees and Future Goals

We are raising internal compliance awareness and introducing long-term incentives into corporate officer compensation systems.

Unotoro: I am a member of the Compliance Committee, which consists of myself, another outside director, an outside lawyer, and the Chief Compliance Officer (CCO). Olympus’ current compliance systems and frameworks, which include such aspects as the CCO, whistle-blowing systems, and Global Compliance Committees, were forged through discussions among the Compliance Committee. With these systems in place, this committee’s main duty is to monitor them to make sure they continue to function effectively. Moreover, the Compliance Committee is tasked with preventing compliance issues from occurring, and this requires us to be able to judge what situations may give rise to such issues. It is for this reason that an outside lawyer has been appointed to this committee alongside the outside directors. Initiatives to be pursued in the future include evaluating compliance activities through employee awareness surveys, self-assessments, and other means, and instituting improvements based on the findings.

Fujita: I chair the Compensation Committee. The role of this committee is exactly as I described it in my comment in Annual Report 2013—i.e., to create compensation systems that give corporate officers additional incentive to pursue further improvements in corporate value. As one facet of these efforts, we took steps to increase the amount of officer compensation linked to performance in comparison to fixed compensation.

To this end, we introduced stock options as well as short-term incentives that reflect one year’s performance. In the future, I hope to develop a system that provides long-term incentives in reflection of progress toward medium- to long-term management targets.

Operation of the Board of Directors

All outside directors are putting forth their expertise in discussions. We need to consider delegating more authority to the Executive Management Committee.

Unotoro: At meetings of the Board of Directors, all of the outside directors discuss the items placed on the table based on their differing areas of expertise and diverse perspectives. With all participants actively bringing up issues that may have been overlooked by the Executive Management Committee or that relate to underlying policies, these discussions have an intense yet engaging atmosphere, ensuring that decisions are made only after thorough examination.

Fujita: In terms of structure, Olympus has established an effective corporate governance system. However, whether or not this system is truly able to function effectively is dependent upon not only the Board of Directors and the Executive Management Committee. To ensure this effectiveness, the corporate divisions that support these organizations must acquire specialized work abilities to strengthen their overall management capabilities. Olympus has always faced issues with this regard, but I feel that improvements have been made to this end.

Unotoro: Apparently, outside directors had been requesting improvements in this area since even before I received my chair on the Board of Directors. It was based on these requests, I feel, that we are now receiving very complete explanations of meeting agendas. So long as management maintains its constructive approach toward the feedback of outside directors, seeing us as fellow contributors rather than possible nuisances, I am certain that Olympus will become an even better company.

Fujita: Ms. Unotoro brings us up a very important point. It is pointless to simply appoint outside directors as a formulaic matter; a company must have the desire to incorporate the opinions of these outside directors for the betterment of management. Olympus arrived at the current corporate governance system by reflecting on past scandals, and I therefore feel that there is little worry of management falling into this trap. Nonetheless, we must always be careful not to render this system institutional. Changing subjects, another important issue to be considered in the future is to what extent the Board of Directors can delegate matters related to daily management to the Executive Management Committee. When the new management team was instituted three years ago, it was necessary for these matters to be presented to the Board whenever possible. Today, however, I feel that the Board of Directors needs to consider increasing the amount of decisions delegated to the Executive Management Committee.

Response to Japan’s Corporate Governance Code

Olympus will steadily implement all of the code’s principles based on its Basic Policy for Corporate Governance.

Unotoro: We need to enhance its overall capabilities by cultivating new businesses with the potential to become pillars supporting its future operations.

Fujita: The competitiveness of the Medical Business is clearly apparent if you look at R&D or manufacturing sites. Conversely, Olympus has issues in terms of corporate functions. I feel that more resources should be devoted to strengthening these functions as this would enhance the company’s overall management capabilities, which in turn will help further grow the Medical Business as well as other business segments.

Future Issues for Olympus

To maintain growth capacity over the long term, Olympus will need to enhance its overall capabilities by cultivating new businesses and strengthening head office functions.

Unotoro: The presence of women in management is still quite low, and Olympus needs to address the issue of empowering female employees. I sometimes speak with women working at Olympus. Based on these interactions, I have come to feel that while the Company has a wide assortment of systems to help with work-life balance as well as the raising of children, there is still a need for more substantial systems to support their career development.

Another issue Olympus must address is cultivating new businesses. While the Company’s Medical Business is incredibly strong in the gastrointestinal endoscope field, there is no guarantee that it will be able to maintain this strength over the long term. If Olympus is to continue growing over the next 10 or 20 years, it is absolutely essential for the Company to steadily nurture new businesses with the potential to become pillars supporting its future operations.

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Olympus CSR

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

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

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

Realizing the “Social IN” Corporate Philosophy
As part of its efforts to put the “Social IN” corporate philosophy into practice, Olympus has adopted Corporate Conduct Charter as a guideline for the conduct of all members of the Olympus Group. We have also formulated CSR-related guidelines, charters, and ideals, which are being applied consistently throughout the Olympus Group.

Olympus’ Corporate Conduct Charter
Guided by the fundamental concept of “Social IN” and a keen awareness of our responsibilities as a corporate member of society, and as a company on which diverse people with different cultures and value systems depend, the Olympus Group continues to provide value to society by enhancing people’s lives through the products and solutions that we design and deliver.

At the Olympus Group, we are committed to conducting our affairs with a strong sense of ethics, and accordingly, will strictly comply with the related laws and regulations. We have revised Olympus’ Corporate Conduct Charter to serve as the basis for making appropriate decisions and taking responsible actions. All members of the management team and all employees of the Olympus Group hereby pledge to act in accordance with the new Corporate Conduct Charter in their global corporate activities.

CSR Concept of the Olympus Group

Realizing the “Social IN” Corporate Philosophy

From Corporate Philosophy to Policies / Plans / Actions

Foundations Necessary for Growth

Society

Business

Asia

Japan

Compliance Promotion Committee

Olympus Group Code of Conduct

Corporate Vision

Olympus Corporate Conduct Charter

CSR-related guidelines

Global Compliance Committees

Members: CCO, Regional Compliance Officers

Members: Outside directors, Non-Olympus members, CCO

Global Compliance Committees

Members: CCO, Regional Compliance Officers

Executive Management Committee

CSR Committee

Each Organization

Compliance Promotion Committee

Reports / Proposals

Instructions / Advice

Board of Directors

President

COO

Requests

Reports / Proposals

Global Compliance Committees

Members: CCO, Regional Compliance Officers

Europe

America

Asia

Japan

Actions undertaken by the compliance organization within each region

Establishment of a CSR Committee

Olympus established the CSR Committee under the Chairmanship of the president to strengthen its CSR activities and ensure the realization of its “Social IN” corporate philosophy. By assisting the president in his decision making and promoting and monitoring the implementation of decisions, the CSR Committee helps to disseminate and consolidate CSR within the Olympus Group.

Compliance Promotion Structure

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

Compliance Promotion System

Linkage between Olympus’ Corporate Conduct Charter and CSR Policies

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Olympus’ Corporate Conduct Charter

CSR-Related Basic Policies, Charters, and Philosophies

<table>
<thead>
<tr>
<th>Integrity in Society</th>
<th>Adherence to High Ethical Standards</th>
<th>Respect for Human Rights</th>
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Adherence to High Ethical Standards  
Respect for Human Rights

Practicing Stringent Compliance Suited to a Global Company

Our goal is to meet the expectations and demands of society and to demonstrate our “INtegrity in society.”

“INtegrity” (integrity in society) is one of the three INs that make up “Social INs,” the corporate philosophy presented by the Olympus Group. “INtegrity,” the term presented by the new organizational structure that was established in April 2012, is to be employed in the revision of Olympus’ Corporate Conduct Charter and Code of Ethics. The Company believes that it must realize the importance of this principle in exploring its policy direction. A particularly important application of INtegrity in actual practice is compliance. Olympus has focused great attention on reinforcing compliance as a top priority issue.

Global Compliance Promotion Structure and Our Initiative

Since the first Global Compliance Meeting was held in May 2012, the Committee met a total of 14 times as of June 2015. INtegrity in actual practice is compliance. Olympus has focused great attention on reinforcing compliance as a top priority issue.

Messages from the Regional Compliance Officers

Europe, the Middle East, and Africa

Our region, including Europe, the Middle East, and Africa, is a complex one with diverse cultures and languages, and each has different local legislative requirements. To have a compliance management system that is cohesive and efficient, we have introduced a matrix-style management approach that includes the appointment of dedicated sub-regional managers and investment in IT infrastructure.

Asia

Through our compliance activities in the Asia and Pacific region, a very strong message has been sent to our customers, and it acts as further assurance of our striving for excellence. According to the revised Common Compliance Management System (CCMS), in each country, we are making good use of the local languages and guidelines. As the region is growing very rapidly, we plan to provide more training and education to our employees.

Americas

Over the past few years, it has been very rewarding to see the way the diverse companies of Olympus have worked together to build a more unified culture of integrity throughout the world. There have been many positive changes in governance, communications, business methods, and management process. On a global scale, by cultivating integrity with patience and grit, Olympus has created many benefits for our employees, investors, and society as a whole.

INnovation

Delivering Innovative Value  
Working Environments with Vitality

Olympus Products Help Society—The Underlying Power of Training Programs in Manufacturing

Olympus contributes to society through its three business domains—medical, scientific solutions, and imaging—by producing a range of products including endoscopes used for gastrointestinal examinations and treatment, biological microscopes indispensable for leading-edge scientific research, and digital cameras that enrich people’s lives through photography. Such products are created using advanced manufacturing technologies unique to Olympus and the many human resources who support and operate this technology.

Manufacturing Technicians Training Program

Olympus regards manufacturing technicians as an important source of our added value. The skills of such technicians are categorized into six levels and staff are encouraged to improve their skill level in a planned manner. We group the technicians with skills of level 1 to 3 into “General Technicians” and those with skills of level 4 or greater as “Advanced Technicians.” Advanced Technicians are certified as a Manufacturing Advisor (MA) at level 4, Manufacturing Supervisor (MS) at level 5, and Manufacturing Master (MM) at the final level 6. Training is given according to each level, from newly joining staff members to MM technicians.

Case Studies

Case Study 1

Skill Dojo to Acquire Skill Acquisition and Develop Factory Technicians

In each of our factories, we plan and create training programs as required to suit the different level of skills of the technicians and the types of work carried out in the factory. Skill Dojo (Skill School) is a training program specializing in the skills required in different workplaces. In the Skill Dojo, Advanced Technicians play the role of Dojo-nushi (school master), Shihan (lecturer), and Shidanshi (assistant lecturer) and pass skills person-to-person to trainees. The individuals’ skill development at Skill Dojo also maintains the skill level in each workplace.

Case Study 2

Aiming to Become an Advanced Technician from a General Technician

An Advanced Technician is required to have a wide and deep understanding of technology. They are expected not only to continue to refine their acquired skills but also to have the ability to adapt to more complex work—such as a new product startup or process design for prototype production. Good communication skills and instructional abilities are also essential as they are responsible for training the next generation to ensure that skills are passed down for the future. Olympus trains such Advanced Technicians by (1) internal and external qualification systems, (2) participation in Companywide skill competitions and the National Skills Grand Prix, and (3) providing external training courses.
Medical Care Awareness Activities around the World

Olympus’ mission in the Medical Business is to continue contributing to a medical environment that care for both the physical and mental health of people around the world. We not only develop equipment for early detection of cancer and minimally invasive therapies that reduce the burden on patients but also engage in activities to promote awareness of citizens toward cancer screening and various other health awareness promotion activities around the world.

Activites in the United States

Olympus Corporation of America (OCA) designates March as “Colon Cancer Awareness Month” and organizes various awareness-raising activities. In addition to education and awareness efforts directed at employees, their families and friends, and their local communities, OCA makes contributions to such charitable organizations as the Colorectal Cancer Coalition. In fiscal 2015, the company raised funds totaling US$21,348.

Activities in Europe

Olympus participates in a variety of social activities in Europe. In Germany, Olympus Europe SE & Co. KG supports the media campaign for colon cancer screening organized every March by the Felix Burda Foundation. In the U.K., Olympus KeyMed Medical & Industrial Equipment Ltd. has been providing both financial and in-kind support for more than 15 years to the U.K. Beating Bowel Cancer charity to raise colon cancer awareness. In fiscal 2015, Olympus aided in the production of 48,000 leaflets and 17,000 posters on colon cancer.

Activites in Japan

In Japan, Olympus is an official supporter of the non-profit organization Brave Circle Steaming Committee, which organizes the Brave Circle Campaign to eradicate colorectal cancer. In fiscal 2015, the Committee supplied booklets promoting wider awareness of colorectal cancer screening and complete checkups to roughly 1,000 prefectural and municipal governments. Additionally, it provides management, materials, and know-how for organizing the “Colorectal Cancer Quiz Rally” to 210 prefectural and municipal governments to communicate the importance of such medical checkups to the citizens at large.

Approach to the Environment

Environmental Management

We are working under the Olympus Group Environmental Charter to maintain a healthy environment and contribute to the creation of a society capable of sustainable development by establishing environmental management systems and reducing environmental loads.

Product Initiatives

• CO2 Emissions Reduction

CO2 emissions volume decreased 3% year on year in fiscal 2015. The majority of the energy consumed by Olympus is in the form of electricity. In order to reduce electricity usage, we are promoting energy-saving activities in daily operations, introducing renewable energy, and developing manufacturing technologies that use less energy and resources. In this manner, the Company is working to reduce the environmental impact of its manufacturing operations.

• Water Resource Preservation

Water usage volume increased 2% year on year in fiscal 2015. Olympus uses water to wash product components. To reduce water usage, the Company is continually developing production methods that require less water and inspecting equipment to prevent leakage. We are also working to minimize environmental impacts by monitoring wastewater treatment facilities and conducting appropriate maintenance and by managing the quality of wastewater.

• Logistics-Related Initiatives

Volume of CO2 emissions from logistics increased 4% year on year in fiscal 2015. Olympus is working to reduce CO2 emissions from logistics by lowering transportation loads through the reduction of product and packaging weights, improving transportation efficiency, and accelerating the modal shift toward transportation methods that produce less CO2.

• Effective Utilization of Resources

Waste emissions volume reduced 1% year on year in fiscal 2015. Olympus continues to pursue higher resource productivity in its manufacturing activities through efforts on various levels. These efforts include the contraction of disposal at landfills, the improvement of recycling ratios, the reduction of processing losses, and the design of products to minimize waste.
Management Structure

As of June 26, 2015

Directors

- President and Representative Director
  Hiroyuki Sasa
  Date of Birth: September 19, 1957
  Apr. 1982 Joined the Company
  Apr. 2001 General Manager, Endoscope Business Planning Dept., Olympus
  Apr. 2005 Division Manager, NTKK Business Planning Dept., Olympus Medical Systems Corp.
  Jun. 2007 Executive Officer, Olympus Director, Olympus Medical Systems Corp.
  Apr. 2010 President and Representative Director, Olympus (Present)

- President and Executive Managing Officer
  Akihiro Taguchi
  Date of Birth: January 26, 1958
  Apr. 1980 Joined the Company
  Apr. 2001 Department Manager, Olympus (Present)
  Apr. 2015 Head of Manufacturing Group, Olympus (Present)

Directors

- Director, Senior Executive Managing Officer
  Yasuho Takeuchi
  Date of Birth: February 20, 1962
  Apr. 1981 Joined wh the Company
  Apr. 2001 General Division Manager, Olympus Medical Systems Corp.
  Apr. 2008 Director, Olympus Europa Holding GmbH
  Jun. 2010 Executive Officer, Olympus
  Jul. 2011 Director, Olympus
  Apr. 2012 Executive Managing Officer, Olympus (Present)

- Director, Executive Managing Officer
  Haruo Ogawa
  Date of Birth: August 21, 1961
  Apr. 1985 Joined the Company
  Apr. 1993 Department Manager, Olympus
  Jun. 2006 Executive Officer, Olympus
  Apr. 2010 Division Manager, Manufacturing Technology Dept., Corporate Monozukuri Innovation Center, Olympus
  Oct. 2011 Executive Officer, Olympus Director, Olympus Medical Systems Corp.
  Apr. 2012 Executive Managing Officer, Olympus (Present)
  Apr. 2015 Head of Manufacturing Group, Olympus (Present)

- Director, Executive Managing Officer
  Motoyoshi Nishikawa
  Date of Birth: January 1, 1968
  Apr. 1988 Joined the Company
  Jul. 2005 Department Manager, Olympus (Present)
  Apr. 2015 Department Manager, Olympus Imaging Corp.
  Jul. 2015 Executive Officer, Olympus (Present)
  Jul. 2015 Director, Olympus (Present)

- Director, Senior Executive Managing Officer
  Takuya Goto
  Date of Birth: August 19, 1961
  Apr. 1981 Joined the Company
  Jul. 1990 Director, Kao Corporation
  Jul. 1991 Director and Executive Vice President, Kao Corporation
  Jul. 1996 General Representative Director, Kao Corporation
  Jul. 1997 Executive Officer, Olympus Director, Olympus (Present)
  Apr. 2012 Executive Managing Officer, Olympus (Present)
  Jul. 2015 Director, Olympus (Present)

- Director
  Shiro Hiruta
  Date of Birth: December 24, 1945
  Apr. 1968 Joined ITOCHU Corporation
  Apr. 1998 Individuals Managing Director, ITOCHU Corporation
  Apr. 2005 Director, ITOCHU Corporation
  Jul. 2009 Chairman of the Audit and Supervisory Board, ITOCHU Corporation
  Apr. 2010 Director, NKSJ Holdings, Inc.
  Apr. 2012 Director, Olympus Corporation (Present)
  Jul. 2012 Director, Olympus (Present)
  Apr. 2015 Director, ORION ELECTRIC Co., LTD. (Present)
  [Important concurrent positions]
  Director, Bridgestone Corporation (Present)
  President, Toyo Gakuen University
  Director, JFTC (JFTC)
  Professor, Faculty of Modern Business Administration, Tokyo Gakugei University
  Director, Bridgestone Corporation (Present)

Foundations Necessary for Growth
Management Structure

Audit & Supervisory Board Members

**Takashi Saito**  
Date of Birth: February 11, 1952  
Apr. 1976 Joined the Company  
Jun. 2005 Executive Officer  
Apr. 2006 Division Manager, Business Support Div.  
Jun. 2007 President and Representative Director, Aizu Olympus Co., Ltd.  
Jun. 2010 Executive Managing Officer, Olympus  
Jun. 2014 President and Representative Director, Olympus Medical Science Sales Corp.  
Apr. 2012 Standing Audit & Supervisory Board Member, Olympus (present)

**Katsuya Natori**  
Date of Birth: May 15, 1959  
Apr. 1986 Joined Masuda and Ejiri Law Office (current Nishimura & Asahi)  
Jun. 1990 Joined Davis Wright Tremaine LLP  
Jul. 1992 Joined Wilmer, Cutler & Pickering  
Jul. 1993 Joined Esso Petroleum Corporation  
Mar. 2002 Senior Vice President, Fast Retailing Co., Ltd.  
Jan. 2004 Vice President, IBM Japan, Ltd.  
Apr. 2010 Executive Officer, IBM Japan, Ltd.  
Feb. 2012 Chief, Natori Law Office (present)  
Apr. 2012 Audit & Supervisory Board Member, Olympus (present)  
Jul. 2014 Director, 45Corporation Co., Ltd. (present)  
Mar. 2015 Director, MODEC, Inc. (present)

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

**Nobuo Nagoya**  
Date of Birth: January 30, 1945  
Oct. 1968 Joined Iwao Goto CPA Office  
Aug. 1970 Registered as certified public accountant  
Jun. 1971 Registered as certified public tax accountant  
Apr. 1976 Partner, Shinko Audit Corporation  
Feb. 1984 Managing Partner, Chuo Shinko Audit Corporation  
Jul. 1990 Managing Partner, Chuo Shinko Audit Corporation  
Oct. 2000 Auditor, Chuo Shinko Audit Corporation  
Jun. 2009 Auditor, Chuo Shinko Audit Corporation  
Apr. 2012 Audit & Supervisory Board Member, Olympus (present)

Outside Audit & Supervisory Board Members

**Katsuya Natori**  
Date of Birth: May 15, 1959  
Apr. 1986 Joined Masuda and Ejiri Law Office (current Nishimura & Asahi)  
Jun. 1990 Joined Davis Wright Tremaine LLP  
Jul. 1992 Joined Wilmer, Cutler & Pickering  
Jul. 1993 Joined Esso Petroleum Corporation  
Mar. 2002 Senior Vice President, Fast Retailing Co., Ltd.  
Jan. 2004 Vice President, IBM Japan, Ltd.  
Apr. 2010 Executive Officer, IBM Japan, Ltd.  
Feb. 2012 Chief, Natori Law Office (present)  
Apr. 2012 Audit & Supervisory Board Member, Olympus (present)  
Jul. 2014 Director, 45Corporation Co., Ltd. (present)  
Mar. 2015 Director, MODEC, Inc. (present)

**Chief, Nagoya CPA Office**

Financial Section
## Financial Summary

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

<table>
<thead>
<tr>
<th>Consolidated</th>
<th>2010/3</th>
<th>2011/3</th>
<th>2012/3</th>
<th>2013/3</th>
<th>2014/3</th>
<th>2015/3</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net sales</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic</td>
<td>373,163</td>
<td>386,502</td>
<td>398,237</td>
<td>287,005</td>
<td>172,583</td>
<td>161,432</td>
</tr>
<tr>
<td>Overseas</td>
<td>509,923</td>
<td>460,603</td>
<td>450,311</td>
<td>456,626</td>
<td>540,703</td>
<td>403,239</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>883,086</td>
<td>847,105</td>
<td>848,548</td>
<td>743,651</td>
<td>713,286</td>
<td>764,671</td>
</tr>
</tbody>
</table>

**Percentage change compared with previous year (%)**

- Domestic: (10.2) %, (4.1) %, 4.2 %, (12.3) %, (4.1) %, 7.2 %

**Operating income**

- 61,160, 38,379, 35,518, 35,077, 73,445, 90,062

**Net income (loss) per share (yen)**

- 194.90, 14.39, (183.54), 28.96, 41.05, (25.53)

**Net income (loss)**

- 52,527, 3,866, (48,985), 8,020, 13,627, (8,737)

**Total assets**

- 1,104,528, 1,019,160, 966,526, 960,239, 1,027,475, 1,081,551

**Balance Sheet, Cash Flows, and Financial Indicators**

- **Total assets ( yen)**
- **Total net assets ( yen)**
- **Equity ratio (%)**
- **Return on assets (ROA) (%)**
- **EBITDA margin (Medical Business) (%)**
- **EBITDA margin (Other Businesses) (%)**
- **Return on equity (ROE) (%)**
- **Return on assets (ROA) (%)**
- **Net income (loss) per share (yen)**
- **Price earnings ratio (PER)**
- **Price book-value ratio (PBV)**
- **Outstanding market value (Billions of yen)**
- **Cash dividends per share (yen)**
- **Total number of employees**
- **Average number of temporary employees**

**Financial Strategy: Improving Capital Efficiency**

Aiming to use capital more efficiently, return on invested capital (ROIC) was positioned as a key performance index under the medium-term vision (corporate strategic plan). This index displays the degree of efficiency with which we are able to create returns through the business by investing the capital procured from our shareholders and from financial institutions. As such, it is the metric that is most appropriate for gauging our progress toward the goals that we have set for our business. In this context, ROIC and, consequently, capital efficiency in management.

In addition to ROIC, the medium-term vision also positioned key performance indices, the operating margin, the equity ratio, and the net income as the critical success factors for the company.

**Message from the CFO**

Yasuo Takeuchi

Chief Financial Officer

We will conduct management emphasizing growth, maximizing value, capital efficiency, and financial soundness, as well as the balance between these points. Prioritizing investment on our central growth—Olympus Business—we will expand Olympus’ operations in order to realize ongoing investment returns and consistent shareholder returns.

**Average number of employees**

- 35,378, 34,391, 34,112, 30,972, 30,702, 31,748

**Average number of temporary employees**

- (5,336), 4,509, (2,249), (2,978), (3,897)

**Total number of employees**

- 883,086, 847,105, 848,548, 743,651, 713,286, 764,671

**Return on equity (ROE)**

- 40.6%, 33.3%, 33.8%, 37.6%, 42.1%, 42.5%

**Cash flows**

- Cash flows from operating activities
- Cash flows from investing activities
- Cash flows from financing activities

**Percentage of net sales (%)**

- 5.9%, 0.5%, —, 1.1%, 1.9%, —

**Percentage of net sales excluding Others (%)**

- 7.0%, 7.9%, 7.2%, 8.5%, 9.4%, 9.7%

**Percentage of net sales (%)**

- 14.1%, 11.0%, 4.6%, 15.5%, 32.1%, 32.9%

**Return on assets (ROA) (%)**

- 13.1%, 9.9%, 9.6%, 10.6%, 16.8%, 18.5%

**Net income (loss) per share (yen)**

- 6.9%, 4.5%, 4.2%, 10.3%, 11.9%, —

**Net income (loss)**

- 52,527, 3,866, (48,985), 8,020, 13,627, (8,737)

**Operating income**

- 61,160, 38,379, 35,518, 35,077, 73,445, 90,062

**Return on assets (ROA) (%)**

- 5.9%, 0.5%, —, 1.1%, 1.9%, —

**EBITDA margin (Other Businesses) (%)**

- 29.2%, 26.9%, 26.6%, 29.0%, 29.7%, 29.1%

**EBITDA margin (Medical Business) (%)**

- 4.9%, 0.4%, (4.9%), 0.8%, 1.4%, (0.8%)

**EBITDA (%)**

- 5.9%, 0.5%, —, 1.1%, 1.9%, —

**EBITDA (%)**

- 13.1%, 9.9%, 9.6%, 10.6%, 16.8%, 18.5%

**EBITDA (%)**

- 5.9%, 0.5%, —, 1.1%, 1.9%, —

**EBITDA (%)**

- 13.1%, 9.9%, 9.6%, 10.6%, 16.8%, 18.5%

**EBITDA (%)**

- 5.9%, 0.5%, —, 1.1%, 1.9%, —

**EBITDA (%)**

- 13.1%, 9.9%, 9.6%, 10.6%, 16.8%, 18.5%

**EBITDA (%)**

- 5.9%, 0.5%, —, 1.1%, 1.9%, —

**EBITDA (%)**

- 13.1%, 9.9%, 9.6%, 10.6%, 16.8%, 18.5%

**EBITDA (%)**

- 5.9%, 0.5%, —, 1.1%, 1.9%, —

**EBITDA (%)**

- 13.1%, 9.9%, 9.6%, 10.6%, 16.8%, 18.5%

**EBITDA (%)**

- 5.9%, 0.5%, —, 1.1%, 1.9%, —

**EBITDA (%)**

- 13.1%, 9.9%, 9.6%, 10.6%, 16.8%, 18.5%

**EBITDA (%)**

- 5.9%, 0.5%, —, 1.1%, 1.9%, —

**EBITDA (%)**

- 13.1%, 9.9%, 9.6%, 10.6%, 16.8%, 18.5%

**EBITDA (%)**

- 5.9%, 0.5%, —, 1.1%, 1.9%, —

**EBITDA (%)**

- 13.1%, 9.9%, 9.6%, 10.6%, 16.8%, 18.5%
We are currently in the process of formulating a new corporate strategic plan slated to begin in April 2016. This plan will focus on three key points—growth, capital efficiency, and financial soundness—and will place greater emphasis on ROE and other performance indices that incorporate shareholders’ perspective.

Performance Indices and Targets of the Medium-Term Vision

<table>
<thead>
<tr>
<th>2012/3 (Results)</th>
<th>2013/3 (Results)</th>
<th>2014/3 (Results)</th>
<th>2015/3 (Results)</th>
<th>2017/3 (Targets)</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROE (62.3%)</td>
<td>8.3%</td>
<td>5.7%</td>
<td>2.6%</td>
<td>—</td>
</tr>
<tr>
<td>Operating margin</td>
<td>2.7%</td>
<td>2.7%</td>
<td>5.9%</td>
<td>8.0%</td>
</tr>
<tr>
<td>Free cash flow</td>
<td>¥44.8 billion</td>
<td>¥58.7 billion</td>
<td>¥52.1 billion</td>
<td>¥27.2 billion</td>
</tr>
<tr>
<td>Equity ratio</td>
<td>4.6%</td>
<td>15.5%</td>
<td>32.1%</td>
<td>32.9%</td>
</tr>
</tbody>
</table>

* Return on invested capital (ROIC): At Olympus, ROIC is calculated using the following assumptions: Return (Operating income after taxes) / IC (Shareholders’ equity + Interest-bearing debt)

At Olympus, we are aware that corporate value is best improved by living up to the expectations of our shareholders and various other stakeholders and pursuing balanced increases in the different types of value relevant to shareholders, customers, employees, and business partners. To realize sustained increases in these values, it is crucial for Olympus to always be a company that can continue to grow its business over the medium to long term. Moreover, this growth must be achieved while ensuring financial soundness and consistency (generating the returns that our various stakeholders expect). Recognizing this fact, we believe it is vital to conduct management that emphasizes the plan’s three key points and places focus on the balance between these points.

Balance-Oriented Management and Cash Cycle

Resource Allocation and Shareholder Return Policies

At Olympus, we aim to respond to the expectations of our shareholders by generating the returns that our various stakeholders expect. Recognizing this fact, we believe it is vital to conduct management that emphasizes the plan’s three key points and places focus on the balance between these points.

Message from the CFO

Growth Investments in the Medical Business Conducted as a Top Priority

Three years ago, quickly recovering the Company’s financial reliability was one of the most important tasks for management. When planning medium- to long-term management resource allocations, the balance sheet is, of course, an important consideration. However, I believe that utilizing capital to fuel future growth is of even greater importance. Accordingly, I feel that conducting ongoing investments in the growth of the Medical Business should be a top priority for improving stakeholder value. In addition, M&A will be considered as a possible option for expanding these operations going forward.

Shareholder Returns

For fiscal 2015, we were able to issue dividend payments for the first time in four years. To date, there have been a number of concerns that have prevented us from resuming dividend payments, including securities litigations and deliberations with the U.S. Department of Justice. However, we have made notable progress toward resolving these issues, and have also secured an amount of monetary resources sufficient for issuing returns. Based on these facts, we judged that the Company was now capable of providing ongoing dividends, and thus decided to resume dividend payments in fiscal 2015.

Given the growth potential and profitability of the Medical Business, I am confident in our ability to secure sufficient cash flows even while conducting growth investments. Specific dividend policies, such as the target dividend payout ratio, will be developed as part of formulating the next corporate strategic plan. What I can say at the moment is this: we are committed to increasing dividends while improving business performance and maintaining a level of capital that can be deemed sound based on the characteristics of our business as a medical equipment manufacturer. By striking a balance between these concerns, we aim to respond to the expectations of our shareholders by issuing ongoing dividends in the future.

Emphasis on Constructive Communication with Shareholders

We recognize the importance of constructive communication with shareholders in realizing ongoing growth and medium- to long-term improvements in corporate value. For this reason, President Sasa and I take the lead in speaking with our shareholders in Japan and overseas. These interactions serve as opportunities for us to discuss a variety of topics, including circumstances regarding our business, measures to resolve management issues, and how we plan to realize the type of growth we promised when conducting the capital increase two years ago. In the past, a large number of shareholder inquiries voiced concerns for the Company’s corporate governance systems. Today, however, shareholders are increasingly asking us about growth strategies, and the fact that they are now looking forward to Olympus’ future with anticipation is unmistakably clear. Shareholder opinions will continue to be reflected in management decisions as we move forward and work to maintain a positive relationship with the market.
Analysis of Business Results, Financial Position, and Cash Flows

Company Overview

In the global economy during fiscal 2015, a gradual overall recovery continued, but uncertain factors remained. The U.S. economy showed signs of steady recovery on the back of improvements in the job market. In Europe, meanwhile, the sovereign debt issue continued. In Asia and other emerging markets, the speed of economic expansion decelerated even further, as indicated by such factors as economic slowdown in China. In Japan, economic recovery continued with yen depreciation and other factors helping to improve corporate earnings. However, the outlook remains uncertain due to such factors as a decline in consumer spending following the April 2014 consumption tax hike.

In this operating environment, the Olympus Group continued to advance the four basic strategies of the medium-term vision (corporate strategic plan) launched in fiscal 2013: “building of business portfolio / optimizing allocation of management resources,” “review and reduction of costs,” “restoration of financial health,” and “restructuring of corporate governance.” Acting in accordance with these strategies, the Olympus Group continued to steadily implement initiatives, such as accelerating growth through strategic investment in the Medical Business and developing a new operating structure after approving plans to reorganize the Group’s organizational structure.

In the Medical Business, sales of new products in our flagship gastrointestinal endoscope devices grew in Japan and overseas. In addition, we made investments targeting further growth in the surgical device field, which primarily included strengthening sales forces in North America. In the Scientific Solutions Business, we revised our strategies to move away from those based on product line-ups to those oriented toward customer groups, and continued to streamline our business through reforms such as integrating business sites. In the Imaging Business, we moved forward with a shift from compact digital cameras to mirrorless cameras, and invested in the expansion of Biotop operations. In fiscal 2015, R&D expenditures amounted to ¥74,101 million and capital expenditures totaled ¥47,743 million.

In regard to foreign exchange, the yen depreciated significantly against both the U.S. dollar and the euro in comparison with the previous fiscal year. The average exchange rate during fiscal 2015 was ¥109.93 against the U.S. dollar (¥102.24 in the previous fiscal year) and ¥138.77 against the euro (¥134.37 in the previous fiscal year). These rates increased net sales by ¥39,400 million year on year as the temporary slowdown in the execution of budgets by research institutions in Japan offset sales contribution from FUV/VP/MVE-RS, a new addition to our series of laser scanning microscopes for use in cutting edge life science research. In the industrial field, meanwhile, sales of various products were buoyed by stimulated capital expenditures among corporations. For example, sales were up for IXELX RX and IXELX RT—industrial videoscopes that offer the highest levels of resolution in their series—as well as for the Omnicam series of ultrasonic phased array flaw detectors, which are used in non-destructive testing of social infrastructure. As a result, the total sales for both fields increased year on year. Operating income in the Scientific Solutions Business rose as a result of the higher net sales and progress in efforts to reduce costs through means such as the integration of sales offices.

Performance by Segment

**Medical Business**

In the Medical Business, consolidated net sales totaled ¥588,348 million, up 13.4% year on year, and operating income was ¥124,894 million, up 10.8%.

In the gastrointestinal endoscope field, strong sales continued for mainstay gastrointestinal video endoscopy systems EVIS EXERA II and EVIS LUCERA ELITE. In the endoscopic device field, sales increases were once again achieved for the VITREA ELITE video laparoscopy surgical system—designed to support endoscopic surgery—as well as for videoscopes for use in clinical departments such as general surgery and urology, our 3D laparoscopic surgical system, and the THUNDERBEAT energy device. In the endotherapy device field, sales were up in all product areas due to sales contributions from VisGlue 2™, a new disposable guidewire product for use in endoscopic diagnostic and treatment devices to manage biliary and pancreatic ducts, and sales growth for QuickClip Pro, a disposable rotatable clip fixing device to stop bleeding of polyps and lesions. Operating income in the Medical Business increased due to the higher net sales.

**Scientific Solutions Business**

In the Scientific Solutions Business, consolidated net sales totaled ¥103,880 million, up 5.5% year on year, and operating income amounted to ¥6,837 million, up 38.5%.

In the life science field, sales were relatively unchanged year on year as the temporary slowdown in the execution of budgets by research institutions in Japan offset sales contributions from FUV/VP/MVE-RS, a new addition to our series of laser scanning microscopes for use in cutting edge life science research. In the industrial field, meanwhile, sales of various products were buoyed by stimulated capital expenditures among corporations. For example, sales were up for IXELX RX and IXELX RT—industrial videoscopes that offer the highest levels of resolution in their series—as well as for the Omnicam series of ultrasonic phased array flaw detectors, which are used in non-destructive testing of social infrastructure. As a result, the total sales for both fields increased year on year. Operating income in the Scientific Solutions Business rose as a result of the higher net sales and progress in efforts to reduce costs through means such as the integration of sales offices.

**Imaging Business**

In the Imaging Business, consolidated net sales came to ¥83,825 million, down 12.8% year on year, while operating loss amounted to ¥13,870 million, compared with ¥9,182 million in the previous fiscal year. In the digital single-lens camera field, sales of the OM-D series of mirrorless cameras were up in Europe. Sales of interchangeable lenses, such as the M.ZUKO DIGITAL ED 40-150mm F2.8 R PRO, were also favorable. However, overall sales in the Imaging Business declined because we limited compact digital camera sales volumes in response to the contraction of the market for these products. Operating income increased in this business reflecting, among others, a decrease in sales, write-downs on inventories as a result of strict revaluation, and investment carried out to expand Biotop operations.

**Others**

In the Others Business, consolidated net sales amounted to ¥18,618 million, down 29.4% year on year, and operating income was ¥1,190 million, compared with an operating loss of ¥5,356 million in the previous fiscal year. In order to allocate management resources to our business domains in a more concentrated manner, we reorganized our non-core business domains, and withdrew from the biologics business in the previous fiscal year. Although the aforementioned initiatives contributed to a decline in net sales for the Others Business, profitability was achieved on the operating income level.

Fiscal 2016 Outlook

Looking ahead, although the moderate recovery trend in the global economy driven by the United States continues, the risk of economic slowdown due to such factors as the slowing growth in China and other emerging countries. In Japan, economic recovery is set to continue on the back of improved corporate earnings, but there is still cause for concern due to such issues as the decline in consumer spending following the April 2014 consumption tax hike, and it is clear that we cannot become complacent.

Given this environment, the Olympus Group will steadily advance its medium-term vision, which was formulated in June 2012. Furthermore, the Group was reorganized in April 2015 in order to give rise to a new organizational structure. Under this structure, we will enhance our ability to respond to the fast-changing business environment and promote efficient resource allocation. We will also strengthen our business foundation and accelerate growth in preparation for the new five-year medium-term management plan, which is scheduled to be drafted in fiscal 2016.

In the Medical Business, we will pursue further growth by stepping up business expansion initiatives in each of the business units established as part of the new organizational structure; namely the GI (gastrointestinal) Business Unit, GS (general surgery) Business Unit, Uro/Gyn (urology / gynecology) Business Unit, ENT (ear, nose, and throat) Business Unit, and Medical Service Business Unit. In the Scientific Solutions Business, we will further improve business organization efficiency through structural reforms, build a system for strengthening points of contact through customer group-oriented strategies, and explore new markets. In the Imaging Business, we will push forward with structural reforms with breaking even as the top priority, and will accelerate cost-cutting efforts while streamlining operations by narrowing product lineups and limiting the range of sales focus regions.

To integrate business domains under the new organizational structure, cross-functional organizational functions have been established; namely, the Corporate Group, R&D Group, Manufacturing Group, Group-Sales, and Quality and Policy Regulatory Group, and sales resources will be distributed to each business in an optimal manner. In this way, we will build a structure that will allow management resources to be utilized efficiently and enable the Company to fully manifest its potential.

Furthermore, the Company will continue to enhance corporate governance systems while fostering compliance awareness to ensure sound management practices.
Financial Position

Total Assets
As of March 31, 2015, total assets stood at ¥1,081,551 million, up ¥54,076 million from a year earlier. Total current assets were up ¥1,216 million due mainly to an increase in notes and accounts receivable, and total non-current assets rose ¥53,060 million following capital expenditures.

Cash Flows

Cash Flows from Operating Activities
Cash provided by operating activities was ¥66,811 million, down ¥5,577 million from the previous fiscal year. Major factors decreasing cash included declines in loss of securities litigation of ¥10,440 million and loss on liquidation of business of ¥9,771 million, an increase in income taxes paid of ¥10,096 million, and the recording of an increase in accounts receivable of ¥13,020 million, compared with decrease in accounts receivable of ¥1,950 million in the previous fiscal year, and of increase in inventories of ¥7,214 million, compared with decrease in inventories of ¥2,880 million. Major factors increasing cash included the recording of loss related to the investigation under U.S. Anti-kickback Act and the related Act of ¥53,866 million.

Cash Flows from Investing Activities
Net cash used in investing activities was ¥39,612 million, up ¥19,329 million from the previous fiscal year. Major factors decreasing cash included an increase in purchases of property, plant and equipment of ¥6,613 million, a decrease in withdrawals from time deposits of ¥5,094 million, and a decrease in net increase from sales of investments in subsidiaries resulting in changes in scope of consolidation of ¥4,600 million. Major factors increasing cash included a decrease in deposits in time deposits of ¥2,458 million.

Cash Flows from Financing Activities
Net cash used in financing activities was ¥70,185 million, up ¥209,809 million from the previous year. Major factors decreasing cash included the absence of ¥101,094 million in proceeds from issuance of common stock and ¥11,067 million in proceeds from disposal of treasury shares recorded in the previous fiscal year. Major factors increasing cash included the absence of ¥35,000 million in redemption of bonds recorded in the previous fiscal year and the recording of increase in short-term borrowings of ¥7,977 million, compared with decrease in short-term borrowings of ¥24,714 million in the previous fiscal year.

Total Net Assets and Equity Ratio
Total net assets at the end of the fiscal year amounted to ¥97,259 billion, up ¥25,970 billion from the previous fiscal year-end. This rise was mainly due to an increase in total accumulated other comprehensive income of ¥34,604 million, which resulted from fluctuations in foreign exchange rates and stock prices. As a result of the above, the equity ratio increased from 32.1% at the end of the previous fiscal year to 32.9%.

Liabilities
As of March 31, 2015, total liabilities amounted to ¥724,297 million, up ¥28,106 million from a year earlier. This increase was mainly due to the recording of provision for loss related to the investigation under U.S. Anti-kickback Act and the related Act of ¥58,883 million and an increase in liabilities for retirement benefits of ¥11,114 million, which offset a decrease in borrowings (long- and short-term) of ¥24,714 million in the previous fiscal year and the recording of increase in short-term borrowings of ¥7,977 million, compared with decrease in borrowings of ¥7,977 million, compared with decrease in accounts receivable of ¥1,950 million in the previous fiscal year.

The following are the main factors, other than management decisions, and risks inherent to operations that may give rise to changes in the Group’s business performance. Forward-looking statements in this section are based on the Group’s judgment as of the end of the fiscal year under review.

Business Risks

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

(2) Risks Associated with Production and Development Activities
1. In the Imaging Business, core production sites are located in China and Vietnam. Accordingly, fluctuations in foreign currency exchange rates could result in cost increases, which may affect earnings. In addition, the destabilization of conditions or the deterioration of public safety in China, or anti-Japan sentiment in this country among other factors, may affect production activities.
2. The Group depends on certain specific suppliers for processes from development to production of products and components that cannot be developed and produced within the Group. Accordingly, procurement constraints resulting from conditions impacting these suppliers may affect production and supply capacity.
3. Olympus products, including products consigned to outside suppliers, are manufactured in accordance with strict quality standards. Nevertheless, the occurrence of product defects may result in substantial costs, such as for product recalls, as well as loss of confidence in the Olympus Group, which may affect earnings.

(3) Risks Associated with Business Partnerships and Corporate Acquisitions
1. Olympus has formed long-term strategic partnerships related to technologies and product development with leading companies in the industry. Inability to maintain such partnerships due to the occurrence of financial or other business-related issues with strategic partners, changes in goals, or other reasons may hinder the Group’s business activities.
2. Olympus may acquire companies for the purpose of business expansion. Inability to integrate acquired businesses in accordance with the Group’s management strategies or inability to efficiently utilize the management resources of existing businesses or acquired businesses may affect the Group’s operations, business performance, or financial position for such reasons as the recording of impairment of goodwill, loss on sales of businesses associated with business reorganizations, or expenses for business liquidation.

3. As of March 31, 2015, the Olympus Group held listed stocks with a total value of ¥67,483 million and unlisted stocks with a total value of ¥2,069 million as investments for the purpose of facilitating business alliances. The stock price of listed stocks is determined based upon market principles. Accordingly, fluctuations in market trends could cause the value of these stocks to decline.

For unlisted stocks, it is possible that the estimated value of these stocks could decline due to changes in the financial position of the company in question. Such price fluctuations could force the Group to record loss on valuation of investment securities, and the Group’s earnings or financial position could be affected as a result.

(4) Risks Associated with Financing
The Group obtains financing by means of borrowings from financial institutions and other sources, and changes in conditions in financial markets may affect the Group’s financing. In addition, an increase in financing costs as a result of such factors as deterioration in the Group’s business performance may adversely affect the Group’s financing.
(5) Risks Associated with Leakage of Information
The Group possesses important confidential information, such as technical information and personal information of customers and other interested parties. The Group has taken various measures to prevent leakage of such information outside the Group, including the preparation of internal regulations related to the protection of personal information, employee education, and the strengthening of security systems. Nevertheless, leakage of such information due to unforeseen circumstances may affect the Group’s business performance and financial position as a result of such factors as damage to the Group’s corporate value, loss of public trust, or the payment of compensation to customers or other interested parties affected by the leakage.

(6) Risks Associated with Deferred Posting of Past Losses
A case is pending in the Tokyo District Court in which the Company is charged with violations of the Securities and Exchange Act with respect to the Company’s deferring of the posting of losses on investment securities, etc., since around the 1990s and the use, via multiple funds, of both the fees paid of losses on investment securities, etc., since around the Act with respect to the Company’s deferring of the posting of such losses on investment securities, etc., since around the Act with respect to the Company’s deferring of the posting of such losses on investment securities, etc., since around the Act with respect to the Company’s deferring of the posting of such losses on investment securities, etc., since around the Act with respect to the Company’s deferring of the posting of such losses on investment securities, etc., since around the Act with respect to the Company’s deferring of the posting of such losses on investment securities, etc., since around the Act with respect to the Company’s deferring of the posting of such losses on investment securities, etc., since around the Act with respect to the Company’s deferring of the posting of such losses on investment securities, etc., since around the Act with respect to the Company’s deferring of the posting of such losses on investment securities, etc., since around the Act with respect to the Company’s deferring of the posting of such losses on investment securities, etc., since around the Act with respect to the Company’s deferring of the posting of such losses on investment securities, etc., since around the Act with respect to the Company’s deferring of the posting of such losses on investment securities, etc., since around the Act with respect to the Company’s deferring of the posting of such losses on investment securities, etc., since around the Act with respect to the Company’s deferring of the posting of such losses on investment securities, etc., since around the Act with respect to the Company’s deferring of the posting of such losses on investment securities, etc., since around the Act with respect to the Company’s deferring of the posting of such losses on investment securities, etc., since around the Act with respect to the Company’s deferring of the posting of such losses on investment securities, etc., since around the Act with respect to the Company’s deferring of the posting of such losses on investment securities, etc., since around the Act with respect to the Company’s deferring of the posting of such losses on investment securities, etc., since around the Act with respect to the Company’s deferring of the posting of such losses on investment securities, etc., since around the Act with respect to the Company’s deferring of the posting of such losses on investment securities, etc., since around the Act with respect to the Company’s deferring of the posting of such losses on investment securities, etc., since around the Act with respect to the Company’s deferring of the posting of such losses on investment securities, etc., since around the Act with respect to the Company’s deferring of the posting of such losses on investment securities, etc., since around the Act with respect to the Company’s deferring of the posting of such losses on investment securities, etc., since around the Act with respect to the Company’s deferring of the posting of such losses on investment securities, etc., since around the Act with respect to the Company’s deferring of the posting of such losses on investment securities, etc., since around the Act with respect to the Company’s deferring of the posting of such losses on investment securities, etc., since around the Act with respect to the Company’s deferring of the posting of such losses on investment securities, etc., since around the Act with respect to the Company’s deferring of the posting of such losses on investment securities, etc., since around the Act with respect to the Company’s deferring of the posting of such losses on investment securities, etc., since around the Act with respect to the Company’s deferring of the posting of such losses on investment securities, etc., since around the Act with respect to the Company’s deferring of the posting of such losses on investment securities, etc., since around the Act with respect to the Company’s deferring of the posting of such losses on investment securities, etc., since around the Act with respect to the Company’s deferring of the posting of such losses on investment securities, etc., since around the Act with respect to the Company’s deferring of the posting of such losses on investment securities, etc., since around the Act with respect to the Company’s deferring of the posting of such losses on investment securities, etc., since around the Act with respect to the Company’s deferring of the posting of such losses on investment securities, etc., since around the Act with respect to the Company’s deferring of the posting of such losses on investment securities, etc., since around the Act with respect to the Company’s deferring of the posting of such losses on investment securities, etc.

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

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

In the Medical Business, government-sponsored healthcare systems are being developed around the world. Accordingly, Group companies and their distributors and suppliers often do business with government-affiliated entities, healthcare providers, and officials. In addition, some Group companies as well as their distributors and suppliers operate in countries or regions in which there has been governmental corruption in the past, and in certain circumstances strict compliance with anti-bribery laws, such as those mentioned above, may conflict with local business customs and practices. Furthermore, the various laws and regulations targeting fraud and abuse in the healthcare industry are wide-ranging and subject to changing interpretation and application, which could restrict the sales or marketing of products. Moreover, a violation of any of these laws or regulations may result in government investigations, civil suits, or other expenses. The Company may suffer an adverse impact on its business from a loss of social trust. Such events could have an adverse impact on the Company’s operating results.

(9) Risks Relating to Duodenoscopes
In March 2015, the U.S. Department of Justice issued a legal request to subsidiary Olympus Medical Systems Corp. seeking information related to duodenoscopes manufactured and sold by the Group. As of June 26, 2015, civil lawsuits have been filed in the United States against Company subsidiaries, on the basis that the Group had been harmed as a result of Olympus Group duodenoscopes. Depending on the developments in these matters, the Group’s performance and financial position may be affected.

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

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

Since November 2011, U.S. subsidiary Olympus Corporation of the Americas (OCA) has been under investigation by the U.S. Department of Justice in relation to potential violations of the Anti-kickback Act and the False Claims Act alleged to have occurred in this company’s U.S. Medical Business operations during the period from 2008 to 2011. OCA is currently engaged in ongoing discussions with the Department of Justice aimed at resolving this matter. Based on the progress of these discussions, the Company recorded a provision for loss related to the investigation under U.S. Anti-kickback Act and the related Act of ¥33,883 million during fiscal 2015 to prepare for future losses based on a rational estimate of the potential settlement value. The expected amount of losses may change in the future depending on developments in the aforementioned investigation or discussions.
### Consolidated Balance Sheets
Olympus Corporation and Consolidated Subsidiaries
As of March 31, 2014 and 2015

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>2014</th>
<th>2015</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>CURRENT ASSETS:</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Cash and deposits (Notes 4 and 25)</td>
<td>¥ 252,121</td>
<td>¥ 209,875</td>
<td>$ 1,748,958</td>
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<tr>
<td>Notes and accounts receivable (Note 4 and 6)</td>
<td>132,233</td>
<td>148,127</td>
<td>1,234,392</td>
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<tr>
<td>Allowance for doubtful accounts (3,386)</td>
<td>(4,269)</td>
<td>(35,575)</td>
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<tr>
<td>Lease receivables and leased investment assets (Notes 17 and 27)</td>
<td>23,454</td>
<td>31,683</td>
<td>264,025</td>
</tr>
<tr>
<td>Inventories (Note 7)</td>
<td>98,595</td>
<td>107,387</td>
<td>894,892</td>
</tr>
<tr>
<td>Deferred income taxes (Note 14)</td>
<td>35,925</td>
<td>40,341</td>
<td>336,175</td>
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<tr>
<td>Other current assets</td>
<td>37,570</td>
<td>44,384</td>
<td>369,866</td>
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<td>Total current assets</td>
<td>576,512</td>
<td>577,528</td>
<td>4,812,733</td>
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<td>PROPERTY, PLANT AND EQUIPMENT:</td>
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<td>Land</td>
<td>15,561</td>
<td>16,073</td>
<td>133,942</td>
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<tr>
<td>Buildings and structures</td>
<td>126,026</td>
<td>127,751</td>
<td>1,064,592</td>
</tr>
<tr>
<td>Machinery and equipment</td>
<td>244,330</td>
<td>258,832</td>
<td>2,156,933</td>
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<tr>
<td>Leased assets</td>
<td>13,086</td>
<td>16,703</td>
<td>139,192</td>
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<tr>
<td>Construction in progress</td>
<td>1,550</td>
<td>5,595</td>
<td>46,625</td>
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<td>Total property, plant and equipment</td>
<td>400,553</td>
<td>424,954</td>
<td>3,541,283</td>
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<td>Less–Accumulated depreciation</td>
<td>(265,113)</td>
<td>(274,809)</td>
<td>(2,290,075)</td>
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<tr>
<td>Net property, plant and equipment</td>
<td>135,440</td>
<td>150,145</td>
<td>1,251,208</td>
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<td>INVESTMENTS AND OTHER ASSETS:</td>
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<tr>
<td>Investment securities (Notes 4 and 5)</td>
<td>56,076</td>
<td>72,263</td>
<td>602,192</td>
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<tr>
<td>Deferred income taxes (Note 14)</td>
<td>12,247</td>
<td>9,480</td>
<td>70,000</td>
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<td>Goodwill</td>
<td>106,850</td>
<td>114,025</td>
<td>1,064,592</td>
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<td>Net defined benefit assets (Note 11)</td>
<td>28,217</td>
<td>36,547</td>
<td>304,558</td>
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<tr>
<td>Other assets (Notes 17 and 27)</td>
<td>122,086</td>
<td>131,119</td>
<td>1,064,592</td>
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<tr>
<td>Allowance for doubtful accounts (Note 12)</td>
<td>35,963</td>
<td>35,556</td>
<td>70,000</td>
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<td>Total investments and other assets</td>
<td>315,523</td>
<td>353,878</td>
<td>2,048,084</td>
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<td>Total assets</td>
<td>¥ 1,027,475</td>
<td>¥ 1,081,551</td>
<td>$ 9,012,925</td>
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<table>
<thead>
<tr>
<th>LIABILITIES AND NET ASSETS</th>
<th>2014</th>
<th>2015</th>
<th>2015</th>
</tr>
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<tbody>
<tr>
<td>CURRENT LIABILITIES:</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Short-term borrowings (Notes 4, 6 and 17)</td>
<td>¥ 16,966</td>
<td>¥ 29,118</td>
<td>$ 242,650</td>
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<tr>
<td>Current maturities of long-term debt (Notes 4, 9 and 17)</td>
<td>52,351</td>
<td>72,017</td>
<td>600,142</td>
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<tr>
<td>Notes and accounts payable (Notes 4 and 10)</td>
<td>45,409</td>
<td>39,155</td>
<td>326,292</td>
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<tr>
<td>Other payables</td>
<td>26,871</td>
<td>37,450</td>
<td>312,083</td>
</tr>
<tr>
<td>Accrued expenses</td>
<td>73,738</td>
<td>83,391</td>
<td>694,925</td>
</tr>
<tr>
<td>Provision for warranty costs</td>
<td>8,937</td>
<td>5,116</td>
<td>42,835</td>
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<tr>
<td>Income taxes payable (Note 14)</td>
<td>13,403</td>
<td>12,612</td>
<td>105,100</td>
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<tr>
<td>Provision for loss on business liquidation</td>
<td>4,883</td>
<td>401</td>
<td>4,006</td>
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<tr>
<td>Provision for loss on litigation</td>
<td>11,000</td>
<td>11,000</td>
<td>91,667</td>
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<tr>
<td>Provision for loss related to the investigation under U.S. Anti-Kickback Act and the related Act (Note 23)</td>
<td>—</td>
<td>58,883</td>
<td>400,652</td>
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<tr>
<td>Other current liabilities</td>
<td>21,248</td>
<td>25,570</td>
<td>703,774</td>
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<tr>
<td>Total current liabilities</td>
<td>276,306</td>
<td>374,793</td>
<td>3,123,274</td>
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<tr>
<td>NON-CURRENT LIABILITIES:</td>
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<tr>
<td>Long-term debt, less current maturities (Notes 4, 9 and 17)</td>
<td>346,814</td>
<td>253,286</td>
<td>2,110,717</td>
</tr>
<tr>
<td>Deferred income taxes (Note 14)</td>
<td>33,711</td>
<td>38,463</td>
<td>320,525</td>
</tr>
<tr>
<td>Liabilities for retirement benefits (Note 11)</td>
<td>27,349</td>
<td>38,463</td>
<td>320,525</td>
</tr>
<tr>
<td>Other non-current liabilities</td>
<td>12,211</td>
<td>18,595</td>
<td>154,959</td>
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<tr>
<td>Total non-current liabilities</td>
<td>419,885</td>
<td>349,909</td>
<td>2,110,717</td>
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<tr>
<td>Total liabilities</td>
<td>696,191</td>
<td>724,702</td>
<td>6,035,807</td>
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<tr>
<td>CONTINGENT LIABILITIES (Note 16)</td>
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<tr>
<td>NET ASSETS (Note 15):</td>
<td></td>
<td></td>
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<tr>
<td>Common stock:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Authorized—1,000,000,000 shares</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Issued—342,671,508 shares as of March 31, 2014 and 2015</td>
<td>124,520</td>
<td>124,520</td>
<td>1,037,667</td>
</tr>
<tr>
<td>Capital surplus</td>
<td>131,671</td>
<td>90,940</td>
<td>757,833</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>87,234</td>
<td>113,817</td>
<td>548,475</td>
</tr>
<tr>
<td>Treasury stock, at cost</td>
<td>(1,095)</td>
<td>(1,111)</td>
<td>(9,258)</td>
</tr>
<tr>
<td>Total shareholders’ equity</td>
<td>336,191</td>
<td>357,254</td>
<td>2,795,177</td>
</tr>
<tr>
<td>Net unrealized holding gains on available-for-sale securities, net of taxes</td>
<td>11,836</td>
<td>24,764</td>
<td>208,367</td>
</tr>
<tr>
<td>Net unrealized losses on hedging derivatives, net of taxes</td>
<td>(1)</td>
<td>(6)</td>
<td>(87)</td>
</tr>
<tr>
<td>Foreign currency translation adjustments</td>
<td>(13,411)</td>
<td>(15,285)</td>
<td>127,375</td>
</tr>
<tr>
<td>Retirement benefit liability adjustments</td>
<td>(5,730)</td>
<td>(12,745)</td>
<td>(106,208)</td>
</tr>
<tr>
<td>Total accumulated other comprehensive income (loss)</td>
<td>(7,336)</td>
<td>27,296</td>
<td>227,467</td>
</tr>
<tr>
<td>Stock acquisition rights</td>
<td>115</td>
<td>260</td>
<td>2,167</td>
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<tr>
<td>Minority interests</td>
<td>1,650</td>
<td>1,532</td>
<td>12,767</td>
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<tr>
<td>Total net assets</td>
<td>331,287</td>
<td>357,254</td>
<td>2,777,118</td>
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<tr>
<td>Total liabilities and net assets</td>
<td>¥ 1,027,475</td>
<td>¥ 1,081,551</td>
<td>$ 9,012,925</td>
</tr>
</tbody>
</table>

See accompanying notes to consolidated financial statements.

Consolidated Balance Sheets
Olympus Corporation and Consolidated Subsidiaries
As of March 31, 2014 and 2015
### Consolidated Statements of Operations

**Olympus Corporation and Consolidated Subsidiaries**

For the years ended March 31, 2014 and 2015

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars (Note 1)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2014</td>
<td>2015</td>
</tr>
<tr>
<td>Net sales</td>
<td>¥732,286</td>
<td>$6,372,258</td>
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<tr>
<td>Cost of sales (Note 7)</td>
<td>272,830</td>
<td>2,290,167</td>
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<tr>
<td>Gross profit</td>
<td>449,456</td>
<td>4,082,091</td>
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<tr>
<td>Selling, general and administrative expenses (Note 14)</td>
<td>367,211</td>
<td>3,324,274</td>
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<tr>
<td>Operating income</td>
<td>72,445</td>
<td>758,278</td>
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<td>Other income (expenses):</td>
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<tr>
<td>Interest expense, net</td>
<td>(10,496)</td>
<td>(68,950)</td>
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<tr>
<td>Gain on available-for-sale securities, net</td>
<td>1,331</td>
<td>9,342</td>
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<tr>
<td>Foreign currency exchange loss, net</td>
<td>(2,022)</td>
<td>(13,308)</td>
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<td>Equity in losses of affiliates, net</td>
<td>(1,401)</td>
<td>(33,258)</td>
</tr>
<tr>
<td>Gain on sales of non-current assets</td>
<td>102</td>
<td>117</td>
</tr>
<tr>
<td>Gain on sales of investment securities in subsidiaries and affiliates, net</td>
<td>287</td>
<td></td>
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<tr>
<td>Bank loan-related expenses in conjunction with repayment made prior to due date</td>
<td>(1,528)</td>
<td>(68,950)</td>
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<tr>
<td>Impairment loss on fixed assets (Note 10)</td>
<td>(4,871)</td>
<td>(955)</td>
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<tr>
<td>Loss on liquidation of business (Note 20)</td>
<td>(11,591)</td>
<td>(11,676)</td>
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<td>Penalty charges (Note 22)</td>
<td>770</td>
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<td>Loss related to securities litigation (Note 21)</td>
<td>(11,156)</td>
<td>(55,600)</td>
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<td>Soil improvement cost</td>
<td>(908)</td>
<td>(9,208)</td>
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<td>Loss related to the investigation under U.S. Anti-Kickback Act and the related Act (Note 23)</td>
<td>(53,866)</td>
<td>(445,863)</td>
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<tr>
<td>Other, net</td>
<td>(8,011)</td>
<td>(49,435)</td>
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<tr>
<td>Total income before income taxes and minority interests</td>
<td>(57,020)</td>
<td>(683,567)</td>
</tr>
<tr>
<td>Income taxes (Note 14):</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current</td>
<td>19,740</td>
<td>107,300</td>
</tr>
<tr>
<td>For prior periods (Note 24)</td>
<td>(205)</td>
<td></td>
</tr>
<tr>
<td>Deferred</td>
<td>(16,712)</td>
<td>(18,925)</td>
</tr>
<tr>
<td>Total income before income taxes and minority interests</td>
<td>(2,798)</td>
<td>148,375</td>
</tr>
<tr>
<td>Income (loss) before minority interests</td>
<td>13,827</td>
<td>(73,925)</td>
</tr>
<tr>
<td>Minority interests</td>
<td>0</td>
<td>134</td>
</tr>
<tr>
<td>Net income (loss)</td>
<td>¥ 13,827</td>
<td>$ (72,400)</td>
</tr>
</tbody>
</table>

See accompanying notes to consolidated financial statements.

### Consolidated Statements of Comprehensive Income

**Olympus Corporation and Consolidated Subsidiaries**

For the years ended March 31, 2014 and 2015

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars (Note 1)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2014</td>
<td>2015</td>
</tr>
<tr>
<td>Income (loss) before minority interests</td>
<td>¥13,827</td>
<td>$ (73,925)</td>
</tr>
<tr>
<td>Other comprehensive income (Note 28):</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net unrealized holding gains on available-for-sale securities, net of taxes</td>
<td>5,541</td>
<td>107,733</td>
</tr>
<tr>
<td>Net unrealized losses on hedging derivatives, net of taxes</td>
<td>(21)</td>
<td>(98)</td>
</tr>
<tr>
<td>Foreign currency translation adjustments</td>
<td>44,622</td>
<td>239,658</td>
</tr>
<tr>
<td>Pension liability adjustments of foreign subsidiaries</td>
<td>1,150</td>
<td></td>
</tr>
<tr>
<td>Retirement benefits liability adjustments</td>
<td>(7,013)</td>
<td>(58,442)</td>
</tr>
<tr>
<td>Share of other comprehensive income of affiliates accounted for by the equity method</td>
<td>77</td>
<td>34</td>
</tr>
<tr>
<td>Total other comprehensive income</td>
<td>51,369</td>
<td>288,925</td>
</tr>
<tr>
<td>Comprehensive income</td>
<td>¥64,996</td>
<td>$215,000</td>
</tr>
</tbody>
</table>

See accompanying notes to consolidated financial statements.
Consolidated Statements of Changes in Net Assets

Olympus Corporation and Consolidated Subsidiaries

For the years ended March 31, 2014 and 2015

Millions of yen

<table>
<thead>
<tr>
<th>Balance at April 1, 2013</th>
<th>$124,520</th>
<th>$ 90,940</th>
<th>$113,817</th>
<th>$(1,111)</th>
<th>$328,166</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issuance of common stock</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Net income</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Issuance of common stock</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Restated balance</td>
<td>124,520</td>
<td>90,940</td>
<td>113,817</td>
<td>(1,111)</td>
<td>328,166</td>
</tr>
<tr>
<td>in accounting policies</td>
<td>89</td>
<td>89</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Balance at March 31, 2013</td>
<td>$124,520</td>
<td>$ 90,940</td>
<td>$113,817</td>
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<td>$328,166</td>
</tr>
</tbody>
</table>

Millions of yen

<table>
<thead>
<tr>
<th>Balance at April 1, 2013</th>
<th>$124,520</th>
<th>$ 90,940</th>
<th>$113,817</th>
<th>(1,111)</th>
<th>$328,166</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issuance of common stock</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Net income</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Issuance of common stock</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
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<td>113,817</td>
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</tr>
<tr>
<td>in accounting policies</td>
<td>89</td>
<td>89</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
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<td>$ 90,940</td>
<td>$113,817</td>
<td>(1,111)</td>
<td>$328,166</td>
</tr>
</tbody>
</table>

For the years ended March 31, 2014 and 2015

Olympus Corporation and Consolidated Subsidiaries

Consolidated Statements of Changes in Net Assets

Millions of yen

<table>
<thead>
<tr>
<th>Balance at March 31, 2015</th>
<th>$206,367</th>
<th>$(67)</th>
<th>$127,375</th>
<th>$(9,258)</th>
<th>$2,734,717</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issuance of common stock</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Net income</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Issuance of common stock</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Restated balance</td>
<td>1,037,667</td>
<td>1,098,925</td>
<td>679,449</td>
<td>$(9,150)</td>
<td>2,806,891</td>
</tr>
<tr>
<td>in accounting policies</td>
<td>742</td>
<td>742</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Balance at March 31, 2015</td>
<td>$206,367</td>
<td>$(67)</td>
<td>$127,375</td>
<td>$(9,258)</td>
<td>$2,734,717</td>
</tr>
</tbody>
</table>

See accompanying notes to consolidated financial statements.

Thousands of U.S. dollars (Note 1)

<table>
<thead>
<tr>
<th>Balance at April 1, 2014</th>
<th>$98,833</th>
<th>$(111,715)</th>
<th>—</th>
<th>$(47,761)</th>
<th>$2,700,899</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issuance of common stock</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Net income</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Issuance of common stock</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Restated balance</td>
<td>98,833</td>
<td>(111,715)</td>
<td>—</td>
<td>(47,761)</td>
<td>2,700,899</td>
</tr>
<tr>
<td>in accounting policies</td>
<td>742</td>
<td>742</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Balance at April 1, 2014</td>
<td>$98,833</td>
<td>$(111,715)</td>
<td>—</td>
<td>$(47,761)</td>
<td>$2,700,899</td>
</tr>
</tbody>
</table>

See accompanying notes to consolidated financial statements.
Notes to the Consolidated Financial Statements
Olympus Corporation and Consolidated Subsidiaries

1. Summary of Significant Accounting Policies

(a) Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of Olympus Corporation (the “Company”) and its consolidated subsidiaries have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan (Japanese GAAP), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards (IFRS).

Effective April 1, 2008, the Company adopted the “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” (PITP No. 18). In accordance with PITP No. 18, the accompanying consolidated financial statements have been prepared by using the accounts of foreign consolidated subsidiaries prepared in accordance with other IFRS or accounting principles generally accepted in the United States as adjusted for certain items including those for goodwill, actuarial differences and capitalized development costs.

So far for the convenience of readers outside Japan, the accompanying consolidated financial statements have been reformed with some expanded descriptions and translated into English from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Act. Certain supplementary information included in the statutory Japanese-language consolidated financial statements is not presented in the accompanying consolidated financial statements.

On November 8, 2011, based on the findings of the independent Third-Party Committee, the Company announced that it had deferred recognition of losses on securities investments from around the 1990s and was using a number of non-consolidated funds (collectively, the “Funds”) for the acquisition transactions for three domestic subsidiaries (Altis Co., Ltd., NEWS CHEF, Inc. and Humalabo Co., Ltd., hereinafter, collectively, the “Three Domestic Subsidiaries”) and Dynus Group PLC (Dynus) to settle such losses.

Based on such findings of the investigation of the independent Third-Party Committee, it was determined that the Company substantially controlled the losses, which had losses on securities investments and had not previously been consolidated for the purpose of deferring recognition of losses.

The consequences of these findings were reflected in the current and prior year financial statements, including the following:

Upon discovery of the legitimate payments to external collaborators, the Company recorded a non-current receivable and offsetting allowance for doubtful accounts of the Funds (Note 12 “Allowance for doubtful accounts”).

As an indirect consequence of these events, the Company has been investigated by various authorities and received various claims in connection with various lawsuits brought against the Company (Note 16 “Contingent liabilities” and Note 35 “Supplemental information”). In addition, certain reclassifications have been made in the 2014 consolidated financial statements to conform to the classification used in the 2015 consolidated financial statements.

The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of readers outside Japan, using the exchange rate of ¥120 to US$1.00, the approximate rate of exchange prevailing at March 31, 2015. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been or could in the future be converted into U.S. dollars at this or any other rate of exchange.

Olympus Corporation and Consolidated Subsidiaries
For the years ended March 31, 2014 and 2015

Consolidated Statements of Cash Flows

Millions of yen

<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents at end of year (Note 25)</td>
<td>¥251,344</td>
<td>$2,094,533</td>
</tr>
<tr>
<td>Proceeds from issuance of common stock</td>
<td>101,594</td>
<td>881,167</td>
</tr>
<tr>
<td>Repayments of long-term borrowings</td>
<td>(90,274)</td>
<td>(346,125)</td>
</tr>
<tr>
<td>Cash and cash equivalents at beginning of year</td>
<td>225,782</td>
<td>556,758</td>
</tr>
<tr>
<td>Net increase (decrease) in cash and cash equivalents</td>
<td>25,562</td>
<td>313,100</td>
</tr>
<tr>
<td>Effect of exchange rate changes on cash and cash equivalents</td>
<td>13,140</td>
<td>(30,658)</td>
</tr>
<tr>
<td>Other, net</td>
<td>(2,187)</td>
<td>—</td>
</tr>
<tr>
<td>Proceeds from long-term borrowings</td>
<td>104</td>
<td>—</td>
</tr>
<tr>
<td>(Decrease) increase in short-term borrowings</td>
<td>(24,714)</td>
<td>—</td>
</tr>
<tr>
<td>Net cash used in investing activities</td>
<td>(20,273)</td>
<td>—</td>
</tr>
<tr>
<td>Payments for loans receivable</td>
<td>(45)</td>
<td>(31,433)</td>
</tr>
<tr>
<td>Other, net</td>
<td>965</td>
<td>—</td>
</tr>
<tr>
<td>Proceeds from loans receivable</td>
<td>2,559</td>
<td>—</td>
</tr>
<tr>
<td>Net increase from sales of investments in subsidiaries</td>
<td>—</td>
<td>(30,658)</td>
</tr>
<tr>
<td>Purchases of investment securities</td>
<td>(544)</td>
<td>—</td>
</tr>
<tr>
<td>Purchases of intangible assets</td>
<td>(5,242)</td>
<td>(39,308)</td>
</tr>
<tr>
<td>CASH FLOWS FROM INVESTING ACTIVITIES:</td>
<td>—</td>
<td>(39,308)</td>
</tr>
<tr>
<td>Income taxes paid</td>
<td>(16,192)</td>
<td>(42,858)</td>
</tr>
<tr>
<td>Penalty charges paid (Note 22)</td>
<td>(700)</td>
<td>—</td>
</tr>
<tr>
<td>Bank loans-related expenses in conjunction with repayment made prior to due date</td>
<td>(1,528)</td>
<td>—</td>
</tr>
<tr>
<td>Other, net</td>
<td>1,176</td>
<td>(9,308)</td>
</tr>
<tr>
<td>Net increase from sales of investments in subsidiaries resulting to net cash provided by operating activities:</td>
<td>—</td>
<td>(30,658)</td>
</tr>
<tr>
<td>Adjustments to reconcile income before income taxes and minority interests to cash flow from operating activities:</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Income before income taxes and minority interests</td>
<td>¥16,425</td>
<td>$1,748,408</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>1,820</td>
<td>(39,308)</td>
</tr>
<tr>
<td>Impairment loss on fixed assets (Note 19)</td>
<td>4,471</td>
<td>12,875</td>
</tr>
<tr>
<td>Amortization of goodwill</td>
<td>4,957</td>
<td>12,875</td>
</tr>
<tr>
<td>Bank loans-related expenses in conjunction with repayment made prior to due date</td>
<td>1,117</td>
<td>9,308</td>
</tr>
<tr>
<td>Loss related to the investigation under U.S. Anti-kickback Act and the related Act (Note 23)</td>
<td>—</td>
<td>(39,308)</td>
</tr>
<tr>
<td>Penalty charges</td>
<td>700</td>
<td>—</td>
</tr>
<tr>
<td>Loss on liquidation of businesses</td>
<td>11,591</td>
<td>(39,308)</td>
</tr>
<tr>
<td>Increase (decrease) in provisions for retirement benefits</td>
<td>(523)</td>
<td>—</td>
</tr>
<tr>
<td>Increase in prepaid pension cost</td>
<td>(1,888)</td>
<td>(39,308)</td>
</tr>
<tr>
<td>Amortization of goodwill</td>
<td>9,457</td>
<td>(39,308)</td>
</tr>
<tr>
<td>(Decrease) increase in other payables</td>
<td>(3,659)</td>
<td>(39,308)</td>
</tr>
<tr>
<td>Decrease (increase) in inventories</td>
<td>2,890</td>
<td>(39,308)</td>
</tr>
<tr>
<td>Decrease (increase) in accounts receivable</td>
<td>1,950</td>
<td>(39,308)</td>
</tr>
<tr>
<td>Gain on sales of investment securities in subsidiaries and affiliates, net</td>
<td>(2,247)</td>
<td>(39,308)</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>36,850</td>
<td>(39,308)</td>
</tr>
<tr>
<td>CASH FLOWS FROM OPERATING ACTIVITIES:</td>
<td>—</td>
<td>(39,308)</td>
</tr>
<tr>
<td>Gain on sales of investment securities in subsidiaries and affiliates, net</td>
<td>(287)</td>
<td>(39,308)</td>
</tr>
<tr>
<td>Income before income taxes and minority interests</td>
<td>¥16,425</td>
<td>$1,748,408</td>
</tr>
<tr>
<td>Income before income taxes and minority interests</td>
<td>¥16,425</td>
<td>$1,748,408</td>
</tr>
</tbody>
</table>

See accompanying notes to consolidated financial statements.
Notes to the Consolidated Financial Statements

(b) Principles of Consolidation and Accounting for Investments in Unconsolidated Subsidiaries and Affiliates
The company prepares consolidated financial statements of the company and its significant subsidiaries. For the year ended March 31, 2015, the accounts of 153 (153 in 2014) subsidiaries were included in the consolidated financial statements. The company prepared all significant subsidiaries which were controlled through substantial ownership of majority voting rights or existence of certain conditions.

The financial statements of some subsidiaries are consolidated by using their financial statements as of or for the year ended March 31, which are prepared solely for consolidation purposes. Some subsidiaries are consolidated by using their financial statements as of their respective fiscal year-end, which falls on December 31, and necessary adjustments are made to their financial statements to reflect any significant transactions from January 1 to March 31. All significant intercompany balances and transactions have been eliminated in consolidation.

Investments in certain unconsolidated subsidiaries and affiliated companies in which the company has significant influence, but less than a controlling interest, are accounted for by the equity method. For the year ended March 31, 2015, 4 (4 in 2014) affiliates were accounted for by the equity method. Investments in subsidiaries and affiliates which are not consolidated or accounted for by the equity method are carried at cost or less. Where there has been a significant decline in the value of such investments, the company has written down the investments.

The differences between acquisition cost and underlying net equity at the time of acquisition (goodwill) are amortized on the straight-line method in the range of mainly 5 to 20 years.

(c) Cash and Cash Equivalents
In preparing the consolidated statements of cash flows, cash on hand, readily-available deposits and short-term highly liquid investments with maturities not exceeding three months at the time of purchase and subject to insignificant risk of change in value are considered to be cash and cash equivalents.

(d) Securities
In accordance with the accounting standard for financial instruments, the company and its consolidated subsidiaries classified securities into two categories.

- Held-to-maturity debt securities are stated at amortized cost. Available-for-sale securities with fair values are stated at fair value and those with no fair values at cost. Unrealized gains and losses on available-for-sale securities are reported, net of applicable income taxes, as a separate component of net assets. Cost of securities sold is computed using the moving-average method.

(e) Derivative and Hedge Accounting
Accounting standards for financial instruments require companies to state derivative financial instruments at fair value and to recognize changes in the fair value as gains and losses unless derivative financial instruments meet the criteria for hedge accounting.

- When derivative financial instruments are used as hedges and meet hedging criteria, the company and consolidated subsidiaries defer recognition of gains and losses resulting from changes in fair value of derivative financial instruments until the related losses and gains on the hedged items are recognized.

(f) Inventories
Inventories are stated at the lower cost (first-in, first-out) or net realizable value.

(g) Property, Plant and Equipment
Property, plant and equipment are stated at cost. Depreciation is mainly computed by the declining balance method at rates based on the estimated useful lives of the relevant assets. The effective annual rates of depreciation for the years ended March 31, 2014 and 2015 were as follows:

<table>
<thead>
<tr>
<th>Category</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings and structures</td>
<td>9.3%</td>
<td>9.1%</td>
</tr>
<tr>
<td>Machinery and equipment</td>
<td>29.2%</td>
<td>32.7%</td>
</tr>
</tbody>
</table>

(h) Allowance for Doubtful Accounts
The company and its consolidated subsidiaries provide an allowance for doubtful accounts at an amount sufficient to cover probable losses on collection of receivables. It consists of the estimated uncollectible amount with respect to certain identified doubtful receivables and an amount calculated using the historical percentage of write-offs.

(i) Common Stock and Bond Issuance Expenses
Common stock and bond issuance expenses are charged to income as incurred.

(j) Provision for Warranty Costs
A provision for warranty costs is provided to cover the cost of all services anticipated to be incurred during the entire warranty period based on the warranty contracts and past experience.

(k) Retirement Benefits
The company and its consolidated subsidiaries provided an allowance for employees’ retirement benefits as of the balance sheet date based on the amounts of projected benefit obligation and the fair value of the plan assets at that date. Actuarial gain or loss is amortized in the year following the year in which the gain or loss is recognized primarily by the straight-line method over periods (mainly 5 years) which are shorter than the average remaining years of service of the employees.

- Prior service cost is being amortized by the straight-line method over periods (mainly 5 years) which are shorter than the average remaining years of service of the employees.

- The retirement allowance for directors and corporate auditors was recorded at an amount to be paid in accordance with the internal rules.

- If all eligible directors and corporate auditors were to have resigned their offices as of the balance sheet date, provision for retirement benefits presented in the non-current liabilities of the consolidated balance sheets included retirement allowance for directors and corporate auditors as of March 31, 2014 and 2015.

(l) Provision for Loss on Business Liquidation
Provision for loss on business liquidation is recorded for estimated losses arising from the business liquidations to be carried out by certain consolidated subsidiaries of the company.

(m) Provision for Loss on Litigation
Provision for loss on litigation is recorded for estimated losses on pending litigation.

(n) Provision for Loss Related to the Investigation under U.S. Anti-kickback Act and the Related Act
Provision for loss related to the investigation under U.S. Anti-kickback Act and the related Act is recorded for estimated losses arising from an investigation by the U.S. Department of Justice relating to potential issues concerning its medical business under the Anti-kickback Act and the False Claims Act in the United States.

(o) Research and Development
Expenses relating to research and development activities are charged to income as incurred.

(p) Lease Transactions
Non-cancelable lease transactions that transfer substantially all risks and rewards associated with the ownership of assets are accounted for as finance leases. All other lease transactions are accounted for as operating leases and related payments are charged to income as incurred.

- Leased assets are depreciated over the term of the lease based on the straight-line method with no residual value.

- The accounting treatment for finance lease contracts that do not transfer ownership to lessee which commenced on or before March 31, 2008 follows the same method as for operating lease transactions.

(q) Income Taxes
The company recognizes tax effects of temporary differences between the financial reporting and the tax bases of assets and liabilities by using the enacted tax rates and laws which will be in effect when differences are expected to reverse.

- The company and certain consolidated subsidiaries adopted the consolidated taxation system, which allows companies to make tax payments on the combined profits or losses of the parent company and its wholly owned domestic subsidiaries.

(r) Consumption Taxes
Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.
(s) Translation of Foreign Currency Financial Statements
In accordance with the accounting standards for foreign currency translations, the balance sheet accounts of the foreign consolidated subsidiaries are translated at exchange rates as of the balance sheet date. Net assets excluding minority interests are translated at historical exchange rates. Revenues and expenses are translated at average exchange rates for each corresponding fiscal year. Differences arising from translation are presented as “Foreign currency translation adjustments” in a separate component of net assets.

2. Changes in Accounting Policies

Changes in Accounting Standard for Retirement Benefits
The Company and its domestic subsidiaries adopted Paragraph 35 of “Accounting Standard for Retirement Benefits” (Accounting Standards Board of Japan (“ASBJ”) Statement No. 26 of May 17, 2012) and the main clause of Paragraph 67 of “Guidance on Accounting Standard for Retirement Benefits” (ASBJ-Guidance No. 25 of May 17, 2012) effective as of April 1, 2014. As a result, the methods for determining the retirement benefit obligations and current service costs have been revised in the following respects: the method for attributing expected benefit to periods has been changed from the straight-line method to the benefit formula method, and the method for determining this discount rate has been changed to use a single weighted-average discount rates reflecting the estimated timing and amount of benefit payment. The cumulative effect of changing the methods for determining the retirement benefit obligations and current service costs was recognized by adjusting retained earnings at April 1, 2014, in accordance with the transitional treatment provided in Paragraph 37 of Accounting Standard for Retirement Benefits.

As a result, liability for retirement benefits decreased ¥142 million and retained earnings increased ¥89 million at April 1, 2014. The effect of this application for the year ended March 31, 2015 is immaterial to the consolidated statement of operations. Also, the effect of this application on net assets per share and net loss per share as of and for the year ended March 31, 2015 is immaterial.

3. Changes in Presentation

(1) Consolidated Statements of Operations
For the year ended March 31, 2015, “Settlement charge” and “Provision for loss on litigation,” which were presented separately under “Other income (expense)” for the year ended March 31, 2014, were presented in “Loss related to securities litigation” in aggregate, due to the similar nature.

As a result, ¥6,256 million presented as “Settlement charge” and ¥11,000 million presented as “Provision for loss on litigation” in the consolidated statement of operations for the year ended March 31, 2014 were combined and restated as “Loss related to securities litigation.”

(2) Consolidated Statements of Cash Flows
“Settlement charge” above “Sub-total” and “Kiosaia (iosiaia) in provision for loss on litigation” and “Settlement charge” under “Sub-total,” which were presented separately under “Cash flows from operating activities” for the year ended March 31, 2014, were presented in “Loss related to securities litigation” or “Loss related to securities litigation paid,” due to the similar nature.

As a result, ¥6,256 million presented as “Settlement charge” above “Sub-total” and ¥11,000 million presented as “Kiosaia (iosiaia) in provision for loss on litigation” under “Cash flows from operating activities” in the consolidated statement of cash flow for the year ended March 31, 2014 were combined and restated as “Loss related to securities litigation,” while ¥6,256 million presented as “Settlement charge” under “Sub-total” was restated as “Loss related to securities litigation paid.”

4. Financial Instruments

Overview
(1) Policy for financial instruments
In consideration of plans for capital investment, the Company and its consolidated subsidiaries (collectively, the “Group”) raise funds through bank borrowings and issuance of bonds. The Group manages temporary cash surpluses through low-risk financial assets. Furthermore, the Group raises short-term capital through bank borrowings. The Group uses derivatives for the purpose of reducing risk and does not enter into derivatives for speculative or trading purposes.

(2) Types of financial instruments and related risk
Trade receivables—notes and accounts receivable—are exposed to credit risk in relation to customers. In accordance with the internal policies of the Group for managing credit risk arising from receivables, each related division monitors the creditworthiness of their main customers periodically, and monitors due dates and outstanding balances by individual customer. In addition, the Group is exposed to foreign currency exchange risk arising from receivables denominated in foreign currencies. In principle, the foreign currency exchange risks deriving from the trade receivables denominated in foreign currencies are hedged by forward foreign exchange contracts.

Marketable securities and investment securities are exposed to market risk. Those securities are composed of mainly the shares of common stock of other companies with which the Group has business relationships or affiliated companies and the investment trust fund. Substantially all trade payables—notes and accounts payable—have payment due dates within one year. Although the Group is exposed to foreign currency exchange risk arising from those payables denominated in foreign currencies, forward foreign exchange contracts are arranged to reduce this risk.

Short-term borrowings, long-term debt, bonds and lease obligations are raised mainly in connection with business activities, and long-term debt is taken out principally for the purpose of making capital investments. The repayment dates of these debts extend up to 7 years and 2 months from the balance sheet date. The debt with variable interest rates is exposed to interest rate fluctuation risk. However, to reduce such risk and fix interest expense for certain debt-bearing interest at variable rates, the Group utilizes interest rate swap transactions as a hedging instrument.

Regarding derivatives, the Group enters into forward foreign exchange contracts to reduce the foreign currency exchange risk arising from the trade receivables and payables denominated in foreign currencies. The Group also enters into interest rate swap transactions to reduce fluctuation risk deriving from interest payable for short-term borrowings, long-term borrowings and bonds bearing interest at variable rates.

Information regarding the method of hedge accounting, hedging instruments and hedged items, hedging policy, and the assessment of the effectiveness of hedging activities is found in Note 29 “Derivative financial instruments.”

(3) Risk management for financial instruments
(a) Monitoring of credit risk (the risk that customers or counterparties may default)
In accordance with the internal policies of the Group for managing credit risk arising from receivables, each related division monitors the creditworthiness of their main customers periodically, and monitors due dates and outstanding balances by individual customer. In addition, the Group is making efforts to identify and mitigate risks of bad debts from customers who are having financial difficulties. As of March 31, 2014, the carrying values of the financial assets represent the maximum credit risk exposures of the Group.

(b) Monitoring of market risks (the risks arising from fluctuations in foreign exchange rates, interest rates and others)
For trade receivables and payables denominated in foreign currencies, the Group identifies the foreign currency exchange risk for each currency on a monthly basis and enters into forward foreign exchange contracts to hedge such risk. In order to mitigate the interest rate risk for bonds payable and bonds bearing interest at variable rates, the Group may also enter into interest rate swap transactions.

For marketable securities and investment securities, the Group periodically reviews the fair values of such financial instruments and the financial position of the issuers. In addition, the Group continuously evaluates whether securities other than those classified as held-to-maturity should be maintained by taking into account their fair values and relationships with the issuers.

In executing derivative transactions, the division in charge of each derivative transaction follows the internal policies, which set forth delegation of authority and maximum upper limit on positions. Monthly reports including actual transaction data are submitted to the director in charge of treasury function and the Board of Directors for their review.

(c) Monitoring of liquidity risk (the risk that the Group may not be able to meet its obligations on scheduled due dates)
Based on the report from each division, the Group prepares and updates its cash flow plans on a timely basis and keep its liquidity in hand over a certain ratio of consolidated sales, in order to manage liquidity risk.
(4) Supplementary explanation of the estimated fair value of financial instruments

The fair value of financial instruments is based on quoted market prices, if available. When there is no quoted market price available, fair value is reasonably estimated. Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in different fair values. In addition, the notional amounts of derivatives in Note 29 “Derivative financial instruments” are not necessarily indicative of the actual market risk involved in derivative transactions.

Estimated Fair Value of Financial Instruments

Carrying value of financial instruments on the consolidated balance sheets as of March 31, 2014 and 2015 and estimated fair value are shown in the following table. The following table does not include financial instruments for which it is extremely difficult to determine the fair value (refer to 2) below:

<table>
<thead>
<tr>
<th>As of March 31, 2014</th>
<th>Millions of yen</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Carring value</td>
<td>Estimated fair value</td>
<td>Difference</td>
<td></td>
</tr>
<tr>
<td>Assets:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1) Cash and deposits</td>
<td>¥2,252,658</td>
<td>¥2,252,658</td>
<td>¥ —</td>
<td></td>
</tr>
<tr>
<td>2) Notes and accounts receivable</td>
<td>132,233</td>
<td>132,233</td>
<td>¥ —</td>
<td></td>
</tr>
<tr>
<td>3) Investment securities</td>
<td>51,070</td>
<td>51,070</td>
<td>¥ —</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>¥2,436,961</td>
<td>¥2,436,961</td>
<td>¥ —</td>
<td></td>
</tr>
<tr>
<td>Liabilities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1) Notes and accounts payable</td>
<td>¥45,409</td>
<td>¥45,409</td>
<td>¥ —</td>
<td></td>
</tr>
<tr>
<td>2) Short-term borrowings</td>
<td>16,966</td>
<td>16,966</td>
<td>¥ —</td>
<td></td>
</tr>
<tr>
<td>3) Bonds, including current maturities</td>
<td>55,000</td>
<td>56,325</td>
<td>1,325</td>
<td></td>
</tr>
<tr>
<td>4) Long-term borrowings, including current maturities</td>
<td>343,885</td>
<td>353,484</td>
<td>9,629</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>¥461,746</td>
<td>¥472,194</td>
<td>¥10,454</td>
<td></td>
</tr>
<tr>
<td>Derivative*</td>
<td>¥ (115)</td>
<td>¥ (115)</td>
<td>¥ —</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>¥455,631</td>
<td>¥461,079</td>
<td>¥5,455</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>As of March 31, 2015</th>
<th>Millions of yen</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Carring value</td>
<td>Estimated fair value</td>
<td>Difference</td>
<td></td>
</tr>
<tr>
<td>Assets:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1) Cash and deposits</td>
<td>¥2,099,675</td>
<td>¥2,099,675</td>
<td>¥ —</td>
<td></td>
</tr>
<tr>
<td>2) Notes and accounts receivable</td>
<td>148,127</td>
<td>148,127</td>
<td>¥ —</td>
<td></td>
</tr>
<tr>
<td>3) Investment securities</td>
<td>67,463</td>
<td>67,463</td>
<td>¥ —</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>¥2,315,265</td>
<td>¥2,315,265</td>
<td>¥ —</td>
<td></td>
</tr>
<tr>
<td>Liabilities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1) Notes and accounts payable</td>
<td>¥39,155</td>
<td>¥39,155</td>
<td>¥ —</td>
<td></td>
</tr>
<tr>
<td>2) Short-term borrowings</td>
<td>29,116</td>
<td>29,116</td>
<td>¥ —</td>
<td></td>
</tr>
<tr>
<td>3) Bonds, including current maturities</td>
<td>55,000</td>
<td>56,069</td>
<td>699</td>
<td></td>
</tr>
<tr>
<td>4) Long-term borrowings, including current maturities</td>
<td>270,303</td>
<td>275,195</td>
<td>4,892</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>¥555,616</td>
<td>¥569,949</td>
<td>¥14,333</td>
<td></td>
</tr>
<tr>
<td>Derivative*</td>
<td>¥ (1,254)</td>
<td>¥ (1,254)</td>
<td>¥ —</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>¥554,362</td>
<td>¥568,695</td>
<td>¥14,333</td>
<td></td>
</tr>
</tbody>
</table>

Notes:
1) Methods to determine the estimated fair value of financial instruments and other matters related to securities and derivative transactions

Cash and deposits and Notes and accounts receivable

Since these items are settled in a short period of time, their carrying value approximates fair value.

Investment securities

The fair value of stocks is based on quoted market prices. The fair value of debt securities and investment trust fund is based on either quoted market prices or prices provided by the financial institutions making markets in these securities. For information on securities classified by holding purpose, please refer to Note 5 “Securities.”

Notes and accounts payable and short-term borrowings

Since these items are settled in a short period of time, their carrying value approximates fair value.

Bonds

The fair value of bonds is based on the present value of the total of principal and interest discounted by an interest rate determined by taking into account the remaining period of each bond and current credit risk.

Long-term borrowings

The fair value of long-term borrowings is based on the present value of the total of principal and interest discounted by the interest rate to be applied if similar new borrowings were entered into.

Derivatives transactions

Please refer to Note 29 “Derivative financial instruments.”

2) Financial instruments for which it is extremely difficult to determine the fair value as of March 31, 2014 and 2015

<table>
<thead>
<tr>
<th>As of March 31, 2014</th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Carring value</td>
<td>Estimated fair value</td>
</tr>
<tr>
<td>Assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1) National and local government bonds</td>
<td>¥1,748,958</td>
<td>¥1,748,958</td>
</tr>
<tr>
<td>2) Corporate bonds</td>
<td>¥562,358</td>
<td>¥562,358</td>
</tr>
<tr>
<td>Total</td>
<td>¥2,311,316</td>
<td>¥2,311,316</td>
</tr>
<tr>
<td>Liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1) Notes and accounts payable</td>
<td>¥306,202</td>
<td>¥306,202</td>
</tr>
<tr>
<td>2) Short-term borrowings</td>
<td>242,650</td>
<td>242,650</td>
</tr>
<tr>
<td>3) Bonds, including current maturities</td>
<td>403,308</td>
<td>403,906</td>
</tr>
<tr>
<td>4) Long-term borrowings, including current maturities</td>
<td>2,293,292</td>
<td>2,293,292</td>
</tr>
<tr>
<td>Total</td>
<td>¥3,279,860</td>
<td>¥3,279,860</td>
</tr>
<tr>
<td>Derivative*</td>
<td>¥ (15,455)</td>
<td>¥ (15,455)</td>
</tr>
</tbody>
</table>

Notes:
1) The value of assets and liabilities arising from derivatives is shown at not value, with the amount in parenthesis representing net liability position.
Notes to the Consolidated Financial Statements

5. Securities

The following tables summarize acquisition cost and book value of securities with fair value as of March 31, 2014 and 2015:

### Securities with book value exceeding acquisition cost

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Acquisition cost</td>
<td>Book value</td>
</tr>
<tr>
<td>Equity securities</td>
<td>¥32,898</td>
<td>¥48,850</td>
</tr>
<tr>
<td>Others</td>
<td>¥32,898</td>
<td>¥48,850</td>
</tr>
<tr>
<td>Total</td>
<td>¥65,796</td>
<td>¥97,650</td>
</tr>
</tbody>
</table>

### Securities with book value not exceeding acquisition cost

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Acquisition cost</td>
<td>Book value</td>
</tr>
<tr>
<td>Equity securities</td>
<td>¥1,234,392</td>
<td>¥901,708</td>
</tr>
<tr>
<td>Others</td>
<td>¥1,234,392</td>
<td>¥901,708</td>
</tr>
<tr>
<td>Total</td>
<td>¥1,234,392</td>
<td>¥901,708</td>
</tr>
</tbody>
</table>

6. Notes and Accounts Receivable

### Notes and accounts receivable

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Millions of yen</td>
<td>Thousands of U.S. dollars</td>
</tr>
<tr>
<td>Finished goods</td>
<td>¥418,392</td>
<td>¥545,587</td>
</tr>
<tr>
<td>Work in process and raw materials</td>
<td>¥793,408</td>
<td>¥1,064,316</td>
</tr>
<tr>
<td>Total</td>
<td>¥1,211,800</td>
<td>¥1,610,303</td>
</tr>
</tbody>
</table>

6. Notes and Accounts Receivable

### Notes and accounts receivable as of March 31, 2014 and 2015 consisted of the following:

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Millions of yen</td>
<td>Thousands of U.S. dollars</td>
</tr>
<tr>
<td>Finished goods</td>
<td>¥321,277</td>
<td>¥416,001</td>
</tr>
<tr>
<td>Work in process and raw materials</td>
<td>¥502,808</td>
<td>¥618,400</td>
</tr>
<tr>
<td>Total</td>
<td>¥824,085</td>
<td>¥1,034,401</td>
</tr>
</tbody>
</table>

7. Inventories

### Inventories as of March 31, 2014 and 2015 consisted of the following:

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Millions of yen</td>
<td>Thousands of U.S. dollars</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>¥4,221</td>
<td>¥5,883</td>
</tr>
</tbody>
</table>

OLYMPUS  Annual Report 2015

OLYMPUS  Annual Report 2015
8. Short-Term Borrowings

Long-term borrowings consisted principally of bank loans. The annual interest rates on these borrowings ranged from 0.50% to 5.04% as of March 31, 2014 and 2015, respectively.

9. Long-Term Debt

As of March 31, 2015, the aggregate annual maturities of long-term debt were as follows:

<table>
<thead>
<tr>
<th>Years ending March 31</th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>22,906</td>
<td>191,399</td>
</tr>
<tr>
<td>2015</td>
<td>24,055</td>
<td>202,898</td>
</tr>
<tr>
<td>2016</td>
<td>24,374</td>
<td>205,930</td>
</tr>
<tr>
<td>2017</td>
<td>26,000</td>
<td>220,000</td>
</tr>
<tr>
<td>2018</td>
<td>12,806</td>
<td>106,667</td>
</tr>
<tr>
<td>2019</td>
<td>10,000</td>
<td>83,333</td>
</tr>
<tr>
<td>2020</td>
<td>15,000</td>
<td>125,000</td>
</tr>
<tr>
<td>2021 and thereafter</td>
<td>15,000</td>
<td>125,000</td>
</tr>
</tbody>
</table>

10. Notes and Accounts Payable

Notes and accounts payable as of March 31, 2014 and 2015 consisted of the following:

<table>
<thead>
<tr>
<th>Years ending March 31</th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>72,017</td>
<td>600,142</td>
</tr>
<tr>
<td>2015</td>
<td>25,000</td>
<td>208,333</td>
</tr>
<tr>
<td>2016</td>
<td>12,618</td>
<td>105,149</td>
</tr>
<tr>
<td>2017</td>
<td>15,000</td>
<td>125,000</td>
</tr>
<tr>
<td>2018</td>
<td>15,000</td>
<td>125,000</td>
</tr>
<tr>
<td>2019</td>
<td>15,000</td>
<td>125,000</td>
</tr>
<tr>
<td>2020</td>
<td>15,000</td>
<td>125,000</td>
</tr>
<tr>
<td>2021 and thereafter</td>
<td>15,000</td>
<td>125,000</td>
</tr>
</tbody>
</table>

11. Retirement Benefit Plans

Employees of the Company and certain consolidated subsidiaries have defined fund pension plans, defined contribution plans and unfunded retirement allowance plans. The Company and certain consolidated subsidiaries have cash balance plans by applying a point pension system to defined contribution pension plans.

The changes in retirement benefit obligation during the years ended March 31, 2014 and 2015 were as follows (excluding retirement benefit obligation for the consolidated subsidiaries adopting the simplified method):

<table>
<thead>
<tr>
<th>Years ending March 31</th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>155,208</td>
<td>1,267,753</td>
</tr>
<tr>
<td>2015</td>
<td>171,637</td>
<td>1,395,360</td>
</tr>
<tr>
<td>2016</td>
<td>72,017</td>
<td>590,142</td>
</tr>
<tr>
<td>2017</td>
<td>25,000</td>
<td>208,333</td>
</tr>
<tr>
<td>2018</td>
<td>12,618</td>
<td>105,149</td>
</tr>
<tr>
<td>2019</td>
<td>15,000</td>
<td>125,000</td>
</tr>
<tr>
<td>2020</td>
<td>15,000</td>
<td>125,000</td>
</tr>
<tr>
<td>2021 and thereafter</td>
<td>15,000</td>
<td>125,000</td>
</tr>
</tbody>
</table>

As of March 31, 2015, the amounts of pension payments and retirement allowances are generally determined on the basis of length of service and basic salary at the time of termination of service.

Directors and corporate auditors of several domestic consolidated subsidiaries have unfunded retirement allowance plans.

The changes in plan assets during the years ended March 31, 2014 and 2015 were as follows:

<table>
<thead>
<tr>
<th>Years ending March 31</th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>72,017</td>
<td>600,142</td>
</tr>
<tr>
<td>2015</td>
<td>25,000</td>
<td>208,333</td>
</tr>
<tr>
<td>2016</td>
<td>12,618</td>
<td>105,149</td>
</tr>
<tr>
<td>2017</td>
<td>15,000</td>
<td>125,000</td>
</tr>
<tr>
<td>2018</td>
<td>15,000</td>
<td>125,000</td>
</tr>
<tr>
<td>2019</td>
<td>15,000</td>
<td>125,000</td>
</tr>
<tr>
<td>2020</td>
<td>15,000</td>
<td>125,000</td>
</tr>
<tr>
<td>2021 and thereafter</td>
<td>15,000</td>
<td>125,000</td>
</tr>
</tbody>
</table>

It is the Company’s policy to fund amounts required to maintain sufficient plan assets to provide for accrued benefits.

The changes in plan assets during the years ended March 31, 2014 and 2015 were as follows:

<table>
<thead>
<tr>
<th>Years ending March 31</th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>72,017</td>
<td>600,142</td>
</tr>
<tr>
<td>2015</td>
<td>25,000</td>
<td>208,333</td>
</tr>
<tr>
<td>2016</td>
<td>12,618</td>
<td>105,149</td>
</tr>
<tr>
<td>2017</td>
<td>15,000</td>
<td>125,000</td>
</tr>
<tr>
<td>2018</td>
<td>15,000</td>
<td>125,000</td>
</tr>
<tr>
<td>2019</td>
<td>15,000</td>
<td>125,000</td>
</tr>
<tr>
<td>2020</td>
<td>15,000</td>
<td>125,000</td>
</tr>
<tr>
<td>2021 and thereafter</td>
<td>15,000</td>
<td>125,000</td>
</tr>
</tbody>
</table>

It is the Company’s policy to fund amounts required to maintain sufficient plan assets to provide for accrued benefits.

The changes in plan assets during the years ended March 31, 2014 and 2015 were as follows:

<table>
<thead>
<tr>
<th>Years ending March 31</th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>72,017</td>
<td>600,142</td>
</tr>
<tr>
<td>2015</td>
<td>25,000</td>
<td>208,333</td>
</tr>
<tr>
<td>2016</td>
<td>12,618</td>
<td>105,149</td>
</tr>
<tr>
<td>2017</td>
<td>15,000</td>
<td>125,000</td>
</tr>
<tr>
<td>2018</td>
<td>15,000</td>
<td>125,000</td>
</tr>
<tr>
<td>2019</td>
<td>15,000</td>
<td>125,000</td>
</tr>
<tr>
<td>2020</td>
<td>15,000</td>
<td>125,000</td>
</tr>
<tr>
<td>2021 and thereafter</td>
<td>15,000</td>
<td>125,000</td>
</tr>
</tbody>
</table>
The changes in retirement benefit obligation for the consolidated subsidiaries adopting the simplified method were as follows:

<table>
<thead>
<tr>
<th>Millions of U.S. dollars</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Projected for retirement benefits at April 1</td>
<td>¥ 6,816</td>
<td>¥ 6,816</td>
</tr>
<tr>
<td>Retirement benefit expense</td>
<td>339</td>
<td>242</td>
</tr>
<tr>
<td>Retirement benefit paid</td>
<td>(223)</td>
<td>(186)</td>
</tr>
<tr>
<td>Effect of changing from simplified method to standard method</td>
<td>—</td>
<td>(1,676)</td>
</tr>
<tr>
<td>Other</td>
<td>(102)</td>
<td>(92)</td>
</tr>
<tr>
<td>Liability for retirement benefits at March 31</td>
<td>¥ 9,633</td>
<td>¥ 9,513</td>
</tr>
</tbody>
</table>

The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheets as of March 31, 2014 and 2015 for the Company’s and the consolidated subsidiaries’ defined benefit plans:

<table>
<thead>
<tr>
<th>Millions of yen</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Funded retirement benefit obligation</td>
<td>¥ 182,827</td>
<td>¥ 181,425</td>
</tr>
<tr>
<td>Plan assets at fair value</td>
<td>(175,129)</td>
<td>(171,300)</td>
</tr>
<tr>
<td>Liability for retirement benefits in the balance sheet</td>
<td>11,643</td>
<td>11,825</td>
</tr>
<tr>
<td>Liability for retirement benefits</td>
<td>27,291</td>
<td>38,429</td>
</tr>
<tr>
<td>Net defined benefit assets</td>
<td>(39,277)</td>
<td>(39,547)</td>
</tr>
<tr>
<td>Net amount</td>
<td>¥ 1,682</td>
<td>¥ 15,663</td>
</tr>
</tbody>
</table>

The components of retirement benefit expense for the years ended March 31, 2014 and 2015 were as follows:

<table>
<thead>
<tr>
<th>Millions of yen</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service cost</td>
<td>¥ 6,003</td>
<td>¥ 6,230</td>
</tr>
<tr>
<td>Interest cost on projected benefit obligation</td>
<td>4,854</td>
<td>4,713</td>
</tr>
<tr>
<td>Expected return on plan assets</td>
<td>(7,106)</td>
<td>(7,795)</td>
</tr>
<tr>
<td>Amortization of actual loss</td>
<td>4,506</td>
<td>427</td>
</tr>
<tr>
<td>Amortization of prior service cost</td>
<td>(1,868)</td>
<td>(1,607)</td>
</tr>
<tr>
<td>Retirement benefit expense for consolidated subsidiaries adopting the simplified method</td>
<td>339</td>
<td>211</td>
</tr>
<tr>
<td>Amortization of change from simplified method to standard method</td>
<td>—</td>
<td>211</td>
</tr>
<tr>
<td>Other</td>
<td>73</td>
<td>94</td>
</tr>
<tr>
<td>Retirement benefit expense</td>
<td>¥ 6,783</td>
<td>¥ 2,195</td>
</tr>
</tbody>
</table>

The components of retirement benefits liability adjustments included in other comprehensive income (before tax effect) for the years ended March 31, 2014 and 2015 were as follows:

<table>
<thead>
<tr>
<th>Millions of yen</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prior service cost</td>
<td>¥ 4,530</td>
<td>¥ 516,063</td>
</tr>
<tr>
<td>Actuarial loss</td>
<td>—</td>
<td>2,245</td>
</tr>
<tr>
<td>Total</td>
<td>¥ 4,775</td>
<td>¥ 518,308</td>
</tr>
</tbody>
</table>

The components of retirement benefit liability adjustments included in accumulated other comprehensive income (before tax effect) as of March 31, 2014 and 2015 were as follows:

<table>
<thead>
<tr>
<th>Millions of yen</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrecognized prior service cost</td>
<td>¥ (27,731)</td>
<td>¥ (793)</td>
</tr>
<tr>
<td>Unrecognized actuarial loss</td>
<td>10,826</td>
<td>13,103</td>
</tr>
<tr>
<td>Total</td>
<td>¥ (9,177)</td>
<td>¥ 912,372</td>
</tr>
</tbody>
</table>

The fair value of plan assets, by major category, as a percentage of total plan assets as of March 31, 2014 and 2015 were as follows:

<table>
<thead>
<tr>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bonds</td>
<td>41%</td>
</tr>
<tr>
<td>Stocks</td>
<td>28%</td>
</tr>
<tr>
<td>General accounts</td>
<td>27%</td>
</tr>
<tr>
<td>Other</td>
<td>5%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
</tr>
</tbody>
</table>

The expected return on assets has been estimated based on the current and anticipated allocation to each asset class and the expected long-term returns on assets held in each category.

The assumptions used in accounting for the above plans were as follows:

<table>
<thead>
<tr>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discount rate</td>
<td>mainly 1.5%</td>
</tr>
<tr>
<td>Expected rate of return on plan assets</td>
<td>mainly 4.0%</td>
</tr>
</tbody>
</table>

The contributions to the defined contribution plans by the Company and its consolidated subsidiaries were ¥3,498 million and ¥4,638 million ($38,650 thousand) in the years ended March 31, 2014 and 2015, respectively.

12. Allowance for Doubtful Accounts

The non-current allowance for doubtful accounts primarily represents an allowance recorded upon restatement and consolidation of the Funds as discussed in Note 1 “Summary of significant accounting policies” (the “Presentation of consolidated financial statements.”) Legitimate payments for fees to external collaborators of ¥7,211 million and ¥7,211 million ($80,092 thousand) were recorded as non-current receivable and included in non-current other assets on the balance sheets as of March 31, 2014 and 2015, respectively. The Company did not agree to the fees and is seeking collection of the amounts paid, however, collection of such amounts was determined to be doubtful and a full allowance was recorded against the non-current receivable.

13. Stock Option Plans

A summary of information regarding the consolidated subsidiaries’ stock option plans for the years ended March 31, 2014 and 2015 were as follows:

<table>
<thead>
<tr>
<th>First series of stock subscription rights</th>
<th>Second series of stock subscription rights</th>
</tr>
</thead>
<tbody>
<tr>
<td>Class and number of shares for which new subscription rights were offered</td>
<td>Common stock</td>
</tr>
<tr>
<td>As of March 31, 2014</td>
<td>41,100</td>
</tr>
<tr>
<td>As of March 31, 2015</td>
<td>From August 26, 2013</td>
</tr>
<tr>
<td>Number of unvested stock options:</td>
<td></td>
</tr>
<tr>
<td>As of March 31, 2014</td>
<td>—</td>
</tr>
<tr>
<td>As of March 31, 2015</td>
<td>—</td>
</tr>
<tr>
<td>Number of vested stock options:</td>
<td></td>
</tr>
<tr>
<td>As of March 31, 2014</td>
<td>39,100</td>
</tr>
<tr>
<td>As of March 31, 2015</td>
<td>39,100</td>
</tr>
<tr>
<td>Number of stock options exercised during the year:</td>
<td></td>
</tr>
<tr>
<td>As of March 31, 2014</td>
<td>¥1</td>
</tr>
<tr>
<td>As of March 31, 2015</td>
<td>¥1</td>
</tr>
<tr>
<td>Fair value per share at the grant date:</td>
<td>¥2,040</td>
</tr>
</tbody>
</table>

No stock options were exercised during the years ended March 31, 2014 and 2015.
The assumptions used to measure the fair value of stock options granted for the years ended March 31, 2014 and 2015 were as follows:

<table>
<thead>
<tr>
<th></th>
<th>First series of stock subscription rights</th>
<th>Second series of stock subscription rights</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Estimate method</td>
<td>Black-Scholes option pricing model</td>
</tr>
<tr>
<td>Expected volatility (Note 1)</td>
<td>49.53%</td>
<td>48.61%</td>
</tr>
<tr>
<td>Expected life (Note 2)</td>
<td>15 years</td>
<td>15 years</td>
</tr>
<tr>
<td>Expected dividends (Note 3)</td>
<td>VO per share</td>
<td>VO per share</td>
</tr>
<tr>
<td>Risk-free interest rate (Note 4)</td>
<td>1.28%</td>
<td>0.00%</td>
</tr>
</tbody>
</table>

Notes:
1. Expected volatility for First series of stock subscription rights was estimated based on the stock price data of the Company for 15 years from August 1998 to August 2013. Expected volatility for Second series of stock subscription rights was estimated based on the stock price data of the Company for 15 years from August 1999 to August 2015.
2. Because of the insufficient data and difficulty in making a reasonable estimate, the expected life was based on the assumption that the stock subscription rights would have been exercised at the midpoint of the exercise period.
3. Expected dividend for First series of stock subscription rights was based on the dividend paid during the year ended March 31, 2013. Expected dividend for Second series of stock subscription rights was based on the dividend paid over the last two terms.
4. Risk-free interest rate was the interest rate of Japanese Government Bonds (JGB) corresponding to the expected life of the options.

14. Income Taxes

Income taxes applicable to the Company and its domestic consolidated subsidiaries consist of corporate tax, inhabitants' tax and enterprise tax, which in the aggregate resulted in normal statutory tax rates of approximately 38.0% and 35.6% for the years ended March 31, 2014 and 2015, respectively. Income taxes of foreign consolidated subsidiaries are based generally on tax rates applicable in their countries of incorporation.

The following table summarizes the reconciliation between the statutory tax rates and the Company’s effective tax rates for consolidated financial statement purposes for the years ended March 31, 2014 and 2015:

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Normal statutory tax rates</td>
<td>38.0%</td>
<td>35.6%</td>
</tr>
<tr>
<td>Non-deductible expenses</td>
<td>4.9</td>
<td>247.8</td>
</tr>
<tr>
<td>Non-taxable income</td>
<td>(14.3)</td>
<td>(2.8)</td>
</tr>
<tr>
<td>ETR tax credits</td>
<td>(4.9)</td>
<td>(13.8)</td>
</tr>
<tr>
<td>Effect of lower tax rates applied for foreign subsidiaries</td>
<td>(0.6)</td>
<td>(43.9)</td>
</tr>
<tr>
<td>Decrease in valuation allowance</td>
<td>(28.7)</td>
<td>(88.7)</td>
</tr>
<tr>
<td>Amortization of goodwill</td>
<td>21.7</td>
<td>37.4</td>
</tr>
<tr>
<td>Effect of reorganization of Group structure</td>
<td>(13.1)</td>
<td>–</td>
</tr>
<tr>
<td>Decrease in deferred tax assets due to tax rate change</td>
<td>12.3</td>
<td>23.3</td>
</tr>
<tr>
<td>Other net</td>
<td>1.1</td>
<td>4.1</td>
</tr>
<tr>
<td>Effective tax rates</td>
<td>17.0%</td>
<td>193.3%</td>
</tr>
</tbody>
</table>

Changes in presentation

Due to its increased materiality, “R&D tax credits,” which was included in “Other, net” for the year ended March 31, 2014, was presented separately in the year ended March 31, 2015. As a result, 4.8% corresponding to “R&D tax credits” presented as “Other, net” for the year ended March 31, 2014 was restated as “R&D tax credits.”

15. Net Assets

Under the Japanese Corporate Law (the “Law”), the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of its board of directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Law, in cases where a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.
16. Contingent Liabilities

The Company and its consolidated subsidiaries were contingently liable for notes and bills discounted of ¥331 million and ¥209 million ($1,742 thousand) as of March 31, 2014 and 2015, respectively. The Company and its consolidated subsidiaries were also contingently liable as guarantors of borrowings, primarily for housing loans to employees, amounting to ¥65 million and ¥49 million ($408 thousand), respectively, and as guarantors of borrowings from banks to third parties, amounting to ¥943 million and ¥5,788 million ($31,650 thousand), respectively, as of March 31, 2014 and 2015.

Concerning the Company’s deferral of recognition of losses on securities investments, etc., the Company has damage claim or lawsuits filed against it mainly by shareholders. A provision for loss on litigation was provided as of March 31, 2015 at an amount considered necessary, however, there is a risk that the outcome may adversely affect the consolidated financial results in the future and an additional provision for loss on litigation may be necessary depending on the progress of the lawsuit and the damage claim.

The provision for loss on litigation amounting to ¥11,000 million as of March 31, 2014 and 2015, respectively, which was presented as the current liabilities in the consolidated balance sheets, was provided in connection with the lawsuits which were filed against the Company by the Teachers’ Retirement System of the State of Illinois, etc. on June 28, 2012 and California State Teachers’ Retirement System, etc. on June 27, 2013.

Since November 2011, Olympus Corporation of the Americas, which is the Company’s Americas regional headquarters, has been under investigation by the U.S. Department of Justice relating to the U.S. Anti-kickback Act and the U.S. False Claims Act, and is currently continuing discussions with the Department of Justice to resolve this matter: A provision related to the U.S. Anti-kickback Act was provided for the year ended March 31, 2015 (Note 23 “Loss related to the investigation under U.S. Anti-kickback Act and the related Act”) at an amount considered necessary, however, there is a risk that the outcome may adversely affect the consolidated financial results in the future and an additional provision for loss on litigation may be necessary depending on the progress of the investigation.

The Company recorded ¥56,883 million ($461,650 thousand) for “Provision for loss related to the investigation under U.S. Anti-kickback Act and the related Act.”

17. Pledged Assets

The following assets were pledged as collateral for long-term debt, current maturities of long-term debt and short-term borrowings as of March 31, 2014 and 2015:

<table>
<thead>
<tr>
<th>Type of Asset</th>
<th>2014 (Millions of yen)</th>
<th>2015 (Millions of yen)</th>
<th>2014 (Thousands of U.S. dollars)</th>
<th>2015 (Thousands of U.S. dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lease receivables and leased investment assets</td>
<td>¥ 8,593</td>
<td>¥14,781</td>
<td>$123,175</td>
<td>$176,250</td>
</tr>
<tr>
<td>Other assets</td>
<td>¥ 6,369</td>
<td>¥21,150</td>
<td>$178,250</td>
<td></td>
</tr>
<tr>
<td></td>
<td>¥15,072</td>
<td>$221,675</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The obligations secured by such collateral were as follows:

<table>
<thead>
<tr>
<th>Type of Obligation</th>
<th>2014 (Millions of yen)</th>
<th>2015 (Millions of yen)</th>
<th>2014 (Thousands of U.S. dollars)</th>
<th>2015 (Thousands of U.S. dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long-term debt</td>
<td>¥ 8,593</td>
<td>¥ 14,781</td>
<td>$123,175</td>
<td>$176,250</td>
</tr>
<tr>
<td>Short-term borrowings</td>
<td>¥ 8,593</td>
<td>¥ 14,781</td>
<td>$123,175</td>
<td>$176,250</td>
</tr>
<tr>
<td></td>
<td>¥15,072</td>
<td>$221,675</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
18. Selling, General and Administrative Expenses

The following table summarizes the major components of selling, general and administrative expenses for the years ended March 31, 2014 and 2015:

<table>
<thead>
<tr>
<th>Category</th>
<th>2014</th>
<th>2015</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Research and development expenses</td>
<td>29,174</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amortization of goodwill</td>
<td>9,457</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retirement benefit expenses</td>
<td>8,650</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bonuses</td>
<td>26,085</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>¥4,871</td>
<td></td>
<td>$416,808</td>
</tr>
</tbody>
</table>

19. Impairment Loss on Fixed Assets

The losses on impairment of fixed assets that the Company and its consolidated subsidiaries recorded for the years ended March 31, 2014 and 2015 were as follows:

For the year ended March 31, 2014

<table>
<thead>
<tr>
<th>Use</th>
<th>Type of assets</th>
<th>Location</th>
<th>Millions of yen</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings and structures</td>
<td>Tokyo, Japan</td>
<td>¥2,394</td>
<td></td>
</tr>
<tr>
<td>Trade, furniture and fixtures</td>
<td>Massachusetts, U.S.</td>
<td>¥157</td>
<td></td>
</tr>
<tr>
<td>Machinery and equipment</td>
<td>in America and others</td>
<td>¥906</td>
<td></td>
</tr>
<tr>
<td>Construction in process</td>
<td></td>
<td>¥340</td>
<td></td>
</tr>
<tr>
<td>Goodwill</td>
<td></td>
<td>¥174</td>
<td></td>
</tr>
<tr>
<td>Long-term prepaid expenses</td>
<td></td>
<td>¥400</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>Total</strong></td>
<td><strong>¥4,971</strong></td>
<td></td>
</tr>
</tbody>
</table>

For the year ended March 31, 2015

<table>
<thead>
<tr>
<th>Use</th>
<th>Type of assets</th>
<th>Location</th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings and structures</td>
<td>Acron, U.S.</td>
<td>¥110</td>
<td>$55</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>Total</strong></td>
<td><strong>¥110</strong></td>
<td><strong>$55</strong></td>
<td></td>
</tr>
</tbody>
</table>

The Company and its consolidated subsidiaries mainly classify their assets for business use into groups based on business segment. However, assets to be disposed of and idle assets are classified as respective independent groups of assets. Some assets for business use were not expected to make a profit constantly because of the deterioration in the business environment. As a result, carrying amounts for assets for business use were written down to their recoverable amounts. The recoverable amount is measured according to the value in use or net selling price based on real estate appraisal. When the value in use based on future cash flows is estimated to be negative, the assets are assumed to have no recoverable value. With regard to assets scheduled for disposal, a decision has been made to dispose of an in-house system for supporting operational efficiency improvement. As a result, the book value of these assets is considered to be zero.

20. Loss on Liquidation of Business

1) March 31, 2014

Loss on liquidation of business of ¥11,591 million recorded in the consolidated statement of operations for the year ended March 31, 2014 stems mainly from the liquidation of the consolidated subsidiaries which conducted the biologics business.

2) March 31, 2015

Loss on liquidation of business of ¥1,820 million ($15,167 thousand) recorded in the consolidated statement of operations for the year ended March 31, 2015 stems mainly from losses incurred due to the withdrawal from the business concerning E-Globakodo Corporation, which is a consolidated subsidiary.

21. 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, Tami-Annual Securities Reports and Quarterly Securities Reports for the period from the year ended March 31, 2001 through the first quarter of the year ended March 31, 2012. “Loss related to securities litigation” represents losses relating to these claims for compensation for damages. A breakdown of the losses is as follows:

<table>
<thead>
<tr>
<th>Settlement charge</th>
<th>¥6.756</th>
<th>$56,333</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compensation for damage</td>
<td>—</td>
<td>467</td>
</tr>
<tr>
<td><strong>Provision for loss on litigation</strong></td>
<td>¥7.256</td>
<td>$56,800</td>
</tr>
</tbody>
</table>

Compensation for damage included the amount of settlements paid for some of the claims for damages and damages and interest on delayed payment based on a court judgment. Provision for loss on litigation is a rational estimate of the amount considered likely to be required to prepare for losses related to litigation, etc., in light of the status of litigation proceedings.

22. Penalty Charges

In a case that was pending in the Tokyo District Court where the Company was accused of being in violation of the Securities and Exchange Act and the Financial Instruments and Exchange Act, the Company was fined ¥700 million which was presented as “Penalty charges” in the consolidated statement of operations for the year ended March 31, 2014. The judgment for the case was settled after the lapse of the period allowed for appeal.

23. Loss Related to the Investigation under U.S. Anti-Kickback Act and the Related Act

The Company’s U.S. subsidiary, Olympus Corporation of the Americas, has been the subject of an investigation by the U.S. Department of Justice relating to potential issues concerning its medical business under the Anti-kickback Act and the False Claims Act in the United States. The Company recorded ¥53,866 million ($448,883 thousand) as "Loss related to the investigation under U.S. Anti-kickback Act and the related Act" for the estimated loss based on the current statuses of the investigation.
24. Income Taxes for Prior Periods

Income taxes for prior periods in the consolidated statement of operations for the year ended March 31, 2014 were recorded for the reassessment of the prior year tax returns of the consolidated subsidiary.

Concerning the transactions over five years from the year ended March 31, 2007 to the year ended March 31, 2011 between the domestic consolidated subsidiary and the consolidated subsidiary in England, the Company received the written notice of reassessment on July 30, 2013 based on transfer pricing taxation. The Company disagreed with the reassessment and filed a notice of appeal for objection with the Tokyo Regional Taxation Bureau and entered into the procedure for a mutual agreement with the bureau based on a tax treaty to avoid double taxation. Considering the estimated effect on the possible mutual agreement, a net amount of ¥1,476 million, or the difference between the reassessed tax amount and the estimated tax refund amount based on the mutual agreement, was recorded as income taxes for prior periods in the consolidated statement of operations for the year ended March 31, 2014.

25. Cash and Cash Equivalents

Reconciliations of cash and deposits shown in the consolidated balance sheets and cash and cash equivalents shown in the consolidated statements of cash flows for the years ended March 31, 2014 and 2015 were as follows:

<table>
<thead>
<tr>
<th>Period</th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and deposits</td>
<td>¥229,121</td>
<td>¥2,117</td>
</tr>
<tr>
<td>Less: Time deposits with maturities over three months</td>
<td>(717)</td>
<td>(6)</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>¥228,404</td>
<td>¥2,090</td>
</tr>
</tbody>
</table>

26. Cash Flow from Sales of Investments in Subsidiaries Resulting in Changes in Scope of Consolidation

Details of assets and liabilities, and the reconciliation between the transaction price and proceeds from Japan Medical Data Center Co., Ltd. and 8 other companies, which have been excluded from consolidated subsidiaries due to the sale of shares during the year ended March 31, 2014 were as follows:

<table>
<thead>
<tr>
<th>Period</th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>¥230,875</td>
<td>¥2,117</td>
</tr>
</tbody>
</table>

27. Lease Transactions

Finance Lease Transactions (Lessee): The Company and its consolidated subsidiaries lease certain machinery and equipment under the non-cancelable finance and operating leases. Finance leases that do not transfer ownership to lessees whose contract commenced on or before March 31, 2008 are not capitalized and are accounted for in the same manner as operating leases. Certain information for such non-cancelable finance leases as of or for the years ended March 31, 2014 and 2015 were as follows:

<table>
<thead>
<tr>
<th>Period</th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Due within one year</td>
<td>¥2,207</td>
<td>$13,925</td>
</tr>
<tr>
<td>Due after one year</td>
<td>¥87</td>
<td>$568</td>
</tr>
<tr>
<td>Total minimum lease payments</td>
<td>¥2,294</td>
<td>$14,493</td>
</tr>
</tbody>
</table>

Equivalent of interest expense is computed using the straight-line method over the lease terms assuming no residual value. Equivalent of interest expense is computed using the interest rate method over the lease terms for the difference between acquisition cost and total lease payments.

Operating Lease Transactions (Lessee): Future minimum lease payments under the non-cancelable operating leases subsequent to March 31, 2014 and 2015 were as follows:

<table>
<thead>
<tr>
<th>Period</th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Due within one year</td>
<td>¥2,071</td>
<td>$12,925</td>
</tr>
<tr>
<td>Due after one year</td>
<td>¥2,207</td>
<td>$14,493</td>
</tr>
<tr>
<td>Total minimum lease payments</td>
<td>¥4,278</td>
<td>$27,417</td>
</tr>
</tbody>
</table>

Details of assets and liabilities, and the reconciliation between the transaction price and proceeds from 6 Globalkide and 3 other companies, which have been excluded from consolidated subsidiaries due to the sale of shares during the year ended March 31, 2015 were as follows:

<table>
<thead>
<tr>
<th>Period</th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>¥231,544</td>
<td>¥2,090</td>
</tr>
</tbody>
</table>

Future minimum lease payments under the non-cancelable operating leases subsequent to March 31, 2014 and 2015 were as follows:

<table>
<thead>
<tr>
<th>Period</th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Due within one year</td>
<td>¥2,207</td>
<td>$13,925</td>
</tr>
<tr>
<td>Due after one year</td>
<td>¥87</td>
<td>$568</td>
</tr>
<tr>
<td>Total minimum lease payments</td>
<td>¥2,294</td>
<td>$14,493</td>
</tr>
</tbody>
</table>
### Finance Lease Transactions (Lessor):

Leased investment assets recognized in the consolidated balance sheets as of March 31, 2014 and 2015 were as follows:

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lease receivables and leased investment assets:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lease receivables</td>
<td>$23,786</td>
<td>$25,600</td>
<td>$212,417</td>
</tr>
<tr>
<td>Estimated residual value</td>
<td>7,347</td>
<td>3,083</td>
<td>25,402</td>
</tr>
<tr>
<td>Interest income</td>
<td>(2,614)</td>
<td>(2,924)</td>
<td>(34,526)</td>
</tr>
<tr>
<td>Leased investment assets</td>
<td>17,519</td>
<td>19,610</td>
<td>191,493</td>
</tr>
</tbody>
</table>

The following table sets forth amounts of lease receivables and leased investment assets to be collected subsequent to March 31, 2014 and 2015:

<table>
<thead>
<tr>
<th></th>
<th>As of March 31, 2014</th>
<th>Due within one year</th>
<th>Due after one year through two years</th>
<th>Due after three years through four years</th>
<th>Due after four years through five years</th>
<th>Due after five years</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Millions of yen</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lease receivables</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lease receivables</td>
<td>¥ 8,934</td>
<td>¥ —</td>
<td>¥ —</td>
<td>¥ —</td>
<td>¥ —</td>
<td>¥ —</td>
</tr>
<tr>
<td>Lease receivables components of leased assets</td>
<td>¥ 23,786</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>¥ 23,786</td>
</tr>
<tr>
<td>Other assets</td>
<td>¥ 171</td>
<td>¥ 344</td>
<td>¥ 552</td>
<td>¥ 66</td>
<td>¥ 24</td>
<td>¥ 2</td>
</tr>
<tr>
<td>Lease receivables</td>
<td>—</td>
<td>¥ 14,393</td>
<td>¥ 9,425</td>
<td>¥ 5,003</td>
<td>¥ 1,583</td>
<td>¥ 3,774</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>As of March 31, 2015</th>
<th>Due within one year</th>
<th>Due after one year through two years</th>
<th>Due after three years through four years</th>
<th>Due after four years through five years</th>
<th>Due after five years</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Millions of yen</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lease receivables</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lease receivables</td>
<td>¥ 6,053</td>
<td>¥ —</td>
<td>¥ —</td>
<td>¥ —</td>
<td>¥ —</td>
<td>¥ —</td>
</tr>
<tr>
<td>Lease receivables components of leased assets</td>
<td>¥ 25,990</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>¥ 25,990</td>
</tr>
<tr>
<td>Other assets</td>
<td>¥ 3,713</td>
<td>¥ 2,485</td>
<td>¥ 1,322</td>
<td>¥ 527</td>
<td>¥ 26</td>
<td>¥ 527</td>
</tr>
<tr>
<td>Lease receivables</td>
<td>—</td>
<td>¥ 16,998</td>
<td>¥ 12,102</td>
<td>¥ 7,337</td>
<td>¥ 1,076</td>
<td>¥ 101</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>As of March 31, 2015</th>
<th>Due within one year</th>
<th>Due after one year through two years</th>
<th>Due after three years through four years</th>
<th>Due after four years through five years</th>
<th>Due after five years</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Millions of yen</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lease receivables</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lease receivables</td>
<td>¥ 50,642</td>
<td>¥ —</td>
<td>¥ —</td>
<td>¥ —</td>
<td>¥ —</td>
<td>¥ —</td>
</tr>
<tr>
<td>Lease receivables components of leased assets</td>
<td>¥ 212,417</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>¥ 212,417</td>
</tr>
<tr>
<td>Other assets</td>
<td>¥ 30,042</td>
<td>¥ 20,458</td>
<td>¥ 11,017</td>
<td>¥ 4,552</td>
<td>¥ 217</td>
<td>¥ 217</td>
</tr>
<tr>
<td>Lease receivables</td>
<td>—</td>
<td>¥ 141,650</td>
<td>¥ 105,850</td>
<td>¥ 61,142</td>
<td>¥ 8,967</td>
<td>¥ 842</td>
</tr>
</tbody>
</table>

**Operating Lease Transactions (Lessor):**

Future minimum lease payments under the non-cancelable operating leases having remaining terms in excess of one year were as follows:

<table>
<thead>
<tr>
<th></th>
<th>As of March 31, 2014</th>
<th>Due within one year</th>
<th>Due after one year through two years</th>
<th>Due after three years through four years</th>
<th>Due after four years through five years</th>
<th>Due after five years</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Millions of yen</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lease receivables</td>
<td>¥ 23,745</td>
<td>¥ 23,312</td>
<td>¥ 23,377</td>
<td>¥ 842</td>
<td>¥ 842</td>
<td>¥ 842</td>
</tr>
</tbody>
</table>

**28. Other Comprehensive Income:**

The following table presents reclassification adjustments and corresponding tax effects allocated to each component of other comprehensive income for the years ended March 31, 2014 and 2015:

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Millions of yen</td>
<td>Millions of yen</td>
<td>Thousands of $</td>
</tr>
<tr>
<td>Net unrealized holding gains (losses) on available-for-sale securities, net of taxes:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amount arising during the year:</td>
<td>¥ 6,306</td>
<td>¥17,085</td>
<td>$142,363</td>
</tr>
<tr>
<td>Reclassification adjustments for gains and losses included in net income:</td>
<td>(480)</td>
<td>505</td>
<td>4,209</td>
</tr>
<tr>
<td>Interest income:</td>
<td>(1,470)</td>
<td>(1,532)</td>
<td>(38,459)</td>
</tr>
<tr>
<td>Reclassification adjustments for gains and losses included in net income:</td>
<td>(28)</td>
<td>(7)</td>
<td>(58)</td>
</tr>
<tr>
<td>Amount arising during the year:</td>
<td>¥ 7</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Net unrealized gains (losses) on hedging derivatives, net of taxes:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amount arising during the year:</td>
<td>¥ 17,591</td>
<td>146,592</td>
<td></td>
</tr>
<tr>
<td>Foreign currency translation adjustments:</td>
<td>42,102</td>
<td>28,759</td>
<td></td>
</tr>
<tr>
<td>Reclassification adjustments for gains and losses included in net income:</td>
<td>1,348</td>
<td>1,218</td>
<td>2,566</td>
</tr>
<tr>
<td>Amount arising during the year:</td>
<td>¥ 8,967</td>
<td>6,694</td>
<td>55,783</td>
</tr>
<tr>
<td>Pension liability adjustments of foreign subsidiaries:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reclassification adjustments for gains and losses included in net income:</td>
<td>(1,418)</td>
<td>(1,418)</td>
<td>(1,418)</td>
</tr>
<tr>
<td>Amount arising during the year:</td>
<td>¥ 1,150</td>
<td>¥ 1,150</td>
<td>¥ 1,150</td>
</tr>
<tr>
<td>Amount before tax effect:</td>
<td>(1,072)</td>
<td>(1,072)</td>
<td>(1,072)</td>
</tr>
<tr>
<td>Share of other comprehensive income of companies accounted for by the equity method:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amount arising during the year:</td>
<td>¥ 77</td>
<td>4</td>
<td>34</td>
</tr>
<tr>
<td>Share of other comprehensive income of companies accounted for by the equity method:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total other comprehensive income:</td>
<td>¥ 15,369</td>
<td>¥34,071</td>
<td>$268,925</td>
</tr>
</tbody>
</table>

**Notes to the Consolidated Financial Statements:**

OLYMPUS  Annual Report 2015
29. Derivative Financial Instruments

The Company and its consolidated subsidiaries use derivative financial instruments in the normal course of their business to manage the exposure to fluctuations in foreign exchange rates and interest rates. The primary classes of derivatives used by the Company and its consolidated subsidiaries are forward foreign exchange contracts, currency options, currency swaps and interest rate swaps. Almost all derivative transactions are used to hedge interest rates and foreign currency positions in connection with their business. Accordingly, market risk in these derivatives is largely offset by opposite movements in the underlying positions. Management assesses derivative transactions and market risks surrounding these transactions according to the Company's policy regarding derivative transactions. Contracts of derivative financial instruments are executed by finance departments of the Company or its subsidiaries.

The Company’s and its consolidated subsidiaries’ trade payables that are denominated in foreign currencies which meet specific matching criteria and have been hedged by forward foreign exchange contracts are translated at the foreign exchange rate stipulated in the contracts (special hedge accounting for forward foreign exchange contracts).

Interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential to be paid or received under the swap agreements are accrued and included in interest expense or income (special hedge accounting shortcut method for interest rate swaps).

The counterparties to the derivative financial instruments of the Company and its consolidated subsidiaries are substantial and credit worthy multinational commercial banks or other financial institutions that are recognized market makers. Neither the risks of counterparty non-performance nor the economic consequences of counterparty non-performance associated with these contracts are considered by the Company to be material.

The following table summarizes the underlying notional transaction amounts, fair values and unrealized gain (loss) for outstanding derivative financial instruments by risk category and instrument type as of March 31, 2014 and 2015:

<table>
<thead>
<tr>
<th>Derivatives for which the hedge accounting is not applied</th>
<th>Millions of yen</th>
<th>Unrealized gain (loss)</th>
</tr>
</thead>
<tbody>
<tr>
<td>As of March 31, 2014</td>
<td>Notional amount</td>
<td>Fair value</td>
</tr>
<tr>
<td>Forward foreign exchange contracts:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>To buy U.S. dollars</td>
<td>¥ 396</td>
<td>¥ 9</td>
</tr>
<tr>
<td>To buy other currencies</td>
<td>¥ 20,103</td>
<td>(26)</td>
</tr>
<tr>
<td>To buy U.S. dollars</td>
<td>3,121</td>
<td>(31)</td>
</tr>
<tr>
<td>To sell other currencies</td>
<td>3,129</td>
<td>6</td>
</tr>
<tr>
<td>Foreign exchange option contracts:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Put option</td>
<td>¥ 3,584</td>
<td>154</td>
</tr>
<tr>
<td>Foreign currency swap contracts:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receive British pounds / pay Euros</td>
<td>¥ 1,418</td>
<td>0</td>
</tr>
<tr>
<td>Receive other currencies / pay other currencies</td>
<td>¥ 7,295</td>
<td>16</td>
</tr>
</tbody>
</table>

| As of March 31, 2015 | Notional amount | Fair value | Unrealized gain (loss) |
|----------------------------------------------------------|-----------------|-----------------------|
| Forward foreign exchange contracts: | | | |
| To buy U.S. dollars | ¥ 39,008 | ¥ 124 | ¥ 124 |
| To buy other currencies | ¥ 6,872 | (23) | (23) |
| To sell U.S. dollars | ¥ 8,548 | (1,349) | (1,349) |
| To sell other currencies | ¥ 5,056 | (220) | (220) |
| Foreign exchange option contracts: | | | |
| Put option | ¥ 7,630 | 208 | 208 |
| Foreign currency swap contracts: | | | |
| Receive British pounds / pay Euros | ¥ 5,491 | 11 | 11 |
| Receive other currencies / pay other currencies | ¥ 45,758 | 92 | 92 |

The fair values of foreign exchange option contracts and currency swap contracts are estimated by obtaining quotes from financial institutions. The fair value of forward foreign exchange contracts is estimated based on market prices for contracts with similar terms.

Derivatives for which the hedge accounting is applied

<table>
<thead>
<tr>
<th>As of March 31, 2014</th>
<th>Notional amount</th>
<th>Fair value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Forward foreign exchange contracts, accounted for by special hedge accounting:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>To buy U.S. dollars</td>
<td>¥ 11,243</td>
<td>¥ 11,243</td>
</tr>
<tr>
<td>To buy other currencies</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>To sell U.S. dollars</td>
<td>30,785</td>
<td>30,785</td>
</tr>
<tr>
<td>To sell other currencies</td>
<td>15,480</td>
<td>15,480</td>
</tr>
<tr>
<td>Interest rate swap contracts, accounted for by special hedge accounting shortcut method:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receive floating / pay fixed</td>
<td>¥ 284,300</td>
<td>¥ 284,300</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>As of March 31, 2015</th>
<th>Notional amount</th>
<th>Fair value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Forward foreign exchange contracts, accounted for by special hedge accounting:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>To buy U.S. dollars</td>
<td>¥ 5,399</td>
<td>¥ 5,399</td>
</tr>
<tr>
<td>To buy other currencies</td>
<td>296</td>
<td>296</td>
</tr>
<tr>
<td>To sell U.S. dollars</td>
<td>43,588</td>
<td>43,588</td>
</tr>
<tr>
<td>To sell other currencies</td>
<td>26,728</td>
<td>26,728</td>
</tr>
<tr>
<td>Interest rate swap contracts, accounted for by special hedge accounting shortcut method:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receive floating / pay fixed</td>
<td>¥ 205,000</td>
<td>¥ 205,000</td>
</tr>
</tbody>
</table>

The fair value of forward foreign exchange contracts is estimated based on market prices for contracts with similar terms. The fair value of interest rate swap contracts is estimated by obtaining quotes from financial institutions.

(1) Overview of reportable segments

The reportable segments of the Olympus Group are components of the Company whose separate financial information is available. These segments are periodically evaluated by the Board of Directors in deciding how to allocate management resources and in assessing performance. The Olympus Group has established business divisions at the Company, Olympus Medical Systems Corp. and Olympus Imaging Corp. Each business division formulates comprehensive strategies for Japan and abroad with respect to products and services handled and deploys business activities. Accordingly, being composed of segments, based on these business divisions, that are categorized according to products and services, the Olympus Group has the following four reportable segments: Medical Business, Scientific Solutions Business, Imaging Business and Others.

The Medical Business manufactures and sells medical endoscopes, surgical endoscopes, endotherapy devices and other products. The Scientific Solutions Business manufactures and sells biological microscopes, industrial microscopes, industrial endoscopes, non-destructive testing equipment and other products. The Imaging Business manufactures and sells digital cameras, voice recorders and other products. The Others Business manufactures and sells biomedical materials, conducts system development and other business activities. Effective from the year ended March 31, 2015, the name of this reportable segment previously known as the Life Science and Industrial Business has been changed to the Scientific Solutions Business. This change has no impact on segment information.

(2) Method of calculating amounts of net sales, profit (loss), assets and other items

The accounting policies of the segments are basically the same as those described in the significant accounting policies in Note 1 “Summary of significant accounting policies.” Segment profit or loss corresponds to operating income on the consolidated statements of operations. The internal sales or transfer among segments are based on actual market prices.
(3) Information concerning net sales, profit (loss), assets and other items by reportable segment

<table>
<thead>
<tr>
<th>Million of yen</th>
<th>Year ended March 31, 2015</th>
<th>Year ended March 31, 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Third parties</td>
<td>¥4,092,206</td>
<td>¥3,510,510</td>
</tr>
<tr>
<td>Intersegment</td>
<td>108</td>
<td>13</td>
</tr>
<tr>
<td>Total</td>
<td>4,093,294</td>
<td>3,511,621</td>
</tr>
</tbody>
</table>

Adjustments and eliminations:

<table>
<thead>
<tr>
<th>Million of yen</th>
<th>Year ended March 31, 2015</th>
<th>Year ended March 31, 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(4) Related information

(a) Sales by destination

Net sales to third parties by countries or areas grouped according to geographic classification for the years ended March 31, 2014 and 2015 are summarized as follows:

<table>
<thead>
<tr>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>2015</td>
</tr>
<tr>
<td>Japan</td>
<td>¥172,583</td>
</tr>
<tr>
<td>North America</td>
<td>216,086</td>
</tr>
<tr>
<td>Europe</td>
<td>184,012</td>
</tr>
<tr>
<td>Asia</td>
<td>114,717</td>
</tr>
<tr>
<td>Other areas</td>
<td>21,876</td>
</tr>
<tr>
<td>Total</td>
<td>¥712,386</td>
</tr>
</tbody>
</table>

Note:
Each destination is determined by geographic adjacency. North America includes the United States and Canada. Europe includes Germany, the United Kingdom, France and other countries. Asia includes Singapore, Hong Kong, China, South Korea, Australia and other countries. Other areas include Central and South America, Africa and others.

(b) Property, plant and equipment by geographic location

Property, plant and equipment by countries or geographic areas as of March 31, 2014 and 2015 are summarized as follows:

<table>
<thead>
<tr>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>2015</td>
</tr>
<tr>
<td>Japan</td>
<td>¥135,440</td>
</tr>
<tr>
<td>North America</td>
<td>195,223</td>
</tr>
<tr>
<td>Europe</td>
<td>249,896</td>
</tr>
<tr>
<td>Asia</td>
<td>201,961</td>
</tr>
<tr>
<td>Other areas</td>
<td>28,024</td>
</tr>
<tr>
<td>Total</td>
<td>¥710,410</td>
</tr>
</tbody>
</table>

Note:
Each geographic location is determined by geographic adjacency. North America includes the United States and Canada. Europe includes Germany, the United Kingdom, France and other countries. Asia includes Singapore, Hong Kong, China, South Korea, Australia and other countries. Other areas include Central and South America, Africa and others.

(c) Sales by major customer

Sales by major customer for the years ended March 31, 2014 and 2015 have been omitted due to the absence of a customer with sales volume which exceeds 10% of consolidated net sales.

(d) An impairment loss on fixed assets of ¥4,351 million for the year ended March 31, 2014, was attributed to "Other" segment. Impairment losses on fixed assets of ¥220 million and ¥119 million ($902 thousand) for the years ended March 31, 2014 and 2015, respectively, were attributed to Corporate as "Adjustments and eliminations."
31. Amounts per Share

Net income (loss) per share is computed by dividing income available to common shareholders by the average number of common shares outstanding for each fiscal year. Diluted income (loss) per share is similar to basic net income per share except that the average of common shares outstanding is increased by the number of additional common shares that would have been outstanding if the potentially dilutive common shares had been issued. For the year ended March 31, 2015, although there were dilutive potential common shares, diluted net income per share was not presented due to the recording of a net loss.

Net assets per share are computed based on the net assets excluding share subscription rights and minority interests and the number of shares of common stock outstanding at the year-end.

32. Related-Party Transactions

(1) Related-party transactions

There were no related-party transactions to be disclosed for the years ended March 31, 2014 and 2015.

(2) Note about significant related party

A summary of financial statements regarding all affiliated companies accounted for by the equity method, including Sony Olympic Medical Solutions Inc., for the year ended March 31, 2015 was as follows:

33. Business Combinations

There were no material business combinations to be disclosed during the years ended March 31, 2014 and 2015.

34. Subsequent Events

(1) Transactions under Common Control

On April 1, 2015, the Company succeeded to the medical systems business of its wholly owned subsidiary Olympus Medical Systems Corp. (except for part of the manufacturing functions and part of the functions for responding to the laws and regulations for medical devices in the operating countries) based on an absorption-type company split, and merged its wholly owned subsidiary Olympus Imaging Corp. based on an absorption-type merger. In addition to the above reorganization, the Company also conducted an absorption-type merger with its wholly owned subsidiary Olympus Intellectual Property Services Co., Ltd. These actions were in accordance with resolutions of a Board of Directors’ meeting held on December 19, 2014.

1. Overview of transactions

(1) Absorption-type company split

(i) Name and description of business involved in combination

- Name of business: Medical systems business
- Description of business: Manufacture and sales of medical endoscopes and other medical devices (except for part of the manufacturing functions and part of the functions for responding to the laws and regulations for medical devices in the operating countries)

(ii) Date of business combination

April 1, 2015

(iii) Legal form of business combination

Absorption-type company split in which Olympus Medical Systems Corp. becomes a splitting company and the Company becomes a succeeding company

(iv) Name of company after combination

Olympus Corporation

Notes to the Consolidated Financial Statements
2. Outline of accounting treatment applied
These transactions were treated as transactions under common control in accordance with the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, September 13, 2013) and "Guidance on Accounting Standard for Business Combinations and Business Divestitures" (ASBJ Guidance No. 10, September 13, 2013).

3. Description of transaction including purpose of the transaction
The Company seeks to promote its medium-term vision, further advance One Olympus to achieve further growth under its next medium- and long-term management plan, and achieve optimal allocation and maximum utilization of Companywide management resources. To this end, the Company reviewed its business unit structure and other aspects in the Medical Business and Imaging business, and consequently conducted a reorganization between itself and two companies: namely the medical systems business unit, Olympus Medical Systems Corp., and the Imaging business unit, Olympus Imaging Corp. Moreover, in addition to the above reorganization, the Company also took steps to streamline the Group's intellectual property operations, and strengthen their functions, by conducting an absorption-type merger with its wholly owned subsidiary Olympus Intellectual Property Services Co., Ltd. at the same time.

2. Outline of accounting treatment applied
These transactions were treated as transactions under common control in accordance with the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, September 13, 2013) and "Guidance on Accounting Standard for Business Combinations and Business Divestitures" (ASBJ Guidance No. 10, September 13, 2013).

2. Granting of Share-Based Compensation Stock Options
The Company made a resolution at its Board of Directors’ meeting held on June 26, 2015 to allot stock acquisition rights (The third series of stock acquisition rights of Olympus Corporation) as share-based compensation stock options to Directors (excluding Outside Directors) and Executive Officers for the purpose of incentivizing them to work for medium- to long-term performance improvement and corporate value enhancement.

(2) Number of stock acquisition rights to be issued

<table>
<thead>
<tr>
<th>Description</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Directors (excluding Outside Directors)</td>
<td>119</td>
</tr>
<tr>
<td>Executive Officers</td>
<td>268</td>
</tr>
<tr>
<td>Total</td>
<td>387</td>
</tr>
</tbody>
</table>

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<tr>
<td>Executive Officers</td>
<td>268</td>
</tr>
<tr>
<td>Total</td>
<td>387</td>
</tr>
</tbody>
</table>

Future Circumstance
Following the Company’s announcement on November 8, 2011 concerning its deferral of recognition of losses on securities investments, etc., investigations by overseas investigative authorities, supervisory bodies and other public bodies (including those in the United Kingdom and the United States) remain ongoing. The consolidated financial statements may be corrected if any further material facts come to light during such investigations in the future.

In addition, in conjunction with the Company’s deferral of recognition of losses mentioned above, the investigation by the UK Serious Fraud Office that had been ongoing is now completed and on September 3, 2013 prosecution was brought against the Company and its subsidiary Gyrus Group Limited (“GGL”) on charges of breaching Section 501 of the UK Companies Act of 2006 in relation to the explanation made to the auditors of GGL subsidiaries concerning the documents related to GGL’s financial accounts. The trial of this case is currently ongoing in the UK courts.

The effect of this prosecution on the financial results of the Company is uncertain since its financial impact is not estimable at this stage.

35. Supplemental Information

Future Circumstance
Following the Company’s announcement on November 8, 2011 concerning its deferral of recognition of losses on securities investments, etc., investigations by overseas investigative authorities, supervisory bodies and other public bodies (including those in the United Kingdom and the United States) remain ongoing. The consolidated financial statements may be corrected if any further material facts come to light during such investigations in the future.

In addition, in conjunction with the Company’s deferral of recognition of losses mentioned above, the investigation by the UK Serious Fraud Office that had been ongoing is now completed and on September 3, 2013 prosecution was brought against the Company and its subsidiary Gyrus Group Limited (“GGL”) on charges of breaching Section 501 of the UK Companies Act of 2006 in relation to the explanation made to the auditors of GGL subsidiaries concerning the documents related to GGL’s financial accounts. The trial of this case is currently ongoing in the UK courts.

The effect of this prosecution on the financial results of the Company is uncertain since its financial impact is not estimable at this stage.
Independent Auditor’s Report

The Board of Directors
Olympus Corporation

We have audited the accompanying consolidated financial statements of Olympus Corporation and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2015, and the consolidated statements of operations, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management’s Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is to express an opinion on the effectiveness of the entity’s internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity’s preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Olympus Corporation and its consolidated subsidiaries as at March 31, 2015, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.
### Net Sales by Region

<table>
<thead>
<tr>
<th>Region</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asia and Oceania</td>
<td>174,924</td>
<td>197,958</td>
<td>197,958</td>
<td>197,958</td>
<td>197,958</td>
</tr>
<tr>
<td>Europe</td>
<td>131,417</td>
<td>128,561</td>
<td>107,638</td>
<td>96,111</td>
<td>86,580</td>
</tr>
<tr>
<td>North America</td>
<td>125,869</td>
<td>137,334</td>
<td>137,334</td>
<td>137,334</td>
<td>137,334</td>
</tr>
<tr>
<td>Others</td>
<td>256,953</td>
<td>231,376</td>
<td>231,376</td>
<td>231,376</td>
<td>231,376</td>
</tr>
</tbody>
</table>

#### Total

| Region          | 764,671 | 603,239 | 161,432 | 105,918 | 309,032 |

### Net Sales by Product

#### Endoscopes

<table>
<thead>
<tr>
<th>Category</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic</td>
<td>123,723</td>
<td>112,906</td>
<td>124,703</td>
<td>124,703</td>
<td>124,703</td>
</tr>
<tr>
<td>Overseas</td>
<td>303,766</td>
<td>274,318</td>
<td>274,318</td>
<td>274,318</td>
<td>274,318</td>
</tr>
<tr>
<td>Total</td>
<td>427,489</td>
<td>387,224</td>
<td>449,021</td>
<td>449,021</td>
<td>449,021</td>
</tr>
</tbody>
</table>

#### Surgical

<table>
<thead>
<tr>
<th>Category</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic</td>
<td>71,811</td>
<td>67,672</td>
<td>67,672</td>
<td>67,672</td>
<td>67,672</td>
</tr>
<tr>
<td>Overseas</td>
<td>280,947</td>
<td>262,780</td>
<td>262,780</td>
<td>262,780</td>
<td>262,780</td>
</tr>
<tr>
<td>Total</td>
<td>352,758</td>
<td>320,452</td>
<td>320,452</td>
<td>320,452</td>
<td>320,452</td>
</tr>
</tbody>
</table>

#### Other Financial Data

<table>
<thead>
<tr>
<th>Category</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic</td>
<td>105,859</td>
<td>99,184</td>
<td>99,184</td>
<td>99,184</td>
<td>99,184</td>
</tr>
<tr>
<td>Overseas</td>
<td>227,612</td>
<td>218,872</td>
<td>218,872</td>
<td>218,872</td>
<td>218,872</td>
</tr>
<tr>
<td>Total</td>
<td>333,471</td>
<td>318,056</td>
<td>318,056</td>
<td>318,056</td>
<td>318,056</td>
</tr>
</tbody>
</table>
Principal Business Bases
Olympus Corporation
Shinjuku Minatomachi, 3-1 Nishi-Shinjuku 2-chome, Shinjuku-ku, Tokyo 160-0024, Japan
Tel: +81-3-3340-2111
Fax: +81-3-3340-2392
http://www.olympus-global.com/en/

Olympus Corporation of the Americas
Olympus America Inc.
3520 Corporate Parkway, P.O. Box 610, Center Valley, PA 18034-0810, U.S.A.
Tel: +1-484-886-5500
http://www.olympusamerica.com/

Olympus Group Companies
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Consolidated Subsidiaries and Affiliated Companies

<table>
<thead>
<tr>
<th>Domestic</th>
<th>Overseas</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Domestic</strong></td>
<td><strong>Overseas</strong></td>
</tr>
</tbody>
</table>
| **Olympus Medical Systems Corp.**
(Tokyo)
Some management of the medical products | **Olympus Corporation of the Americas**
(Pennsylvania, U.S.A.)
Regional business center in the U.S., Canada, and Latin America |
| **Olympus Medical Science Sales Corp.**
(Tokyo)
Sales and service of optical and medical equipment | **Olympus America Inc.**
(Pennsylvania, U.S.A.)
Head office operations in the U.S. |
| **Nagano Olympus Co., Ltd.**
(Nagano)
Development and manufacturing of life science products and industrial products | **Olympus Latin America, Inc.**
(Florida, U.S.A.)
Sales and service of medical endoscopes and microscopes in Latin America |
| **Aizu Olympus Co., Ltd.**
(Fukushima)
Development and manufacture of medical and industrial endoscopes | **Gyn ACO, Inc.**
(Massachusetts, U.S.A.)
Development, manufacture, and sales of medical devices |
| **Aomori Olympus Co., Ltd.**
(Aomori)
Development and manufacture of medical devices related products | **Olympus Canada Inc.**
(Ontario, Canada)
Sales of product lines except imaging products and UT and ECT instruments for human and veterinary use |
| **Shirakawa Olympus Co., Ltd.**
(Fukushima)
Development and manufacture of medical endoscope systems | **Olympus NDT Canada Inc.**
(Quibieux, Canada)
Manufacturer and service of advanced UT and ECT Instruments and systems |
| **TmeDI Corporation**
(Tokyo)
Offering of procedure-based financial programs Management consultation of medical professionals in the endoscopy field Development, manufacturing, and sales of medical products Sales and leasing of specially controlled medical devices | **Olympus Europa SE & Co. KG**
(Hamburg, Germany)
Regional business center, and marketing and sales of all product lines in Europe |
| **Sony Olympus Medical Solutions Inc.**
(Tokyo)
Manufacture and sales of medical products | **Olympus Winter & Ibe GmbH**
(Hamburg, Germany)
Development, manufacture, and sales of medical rigid endoscopes and peripheral instruments |
| **Olympus Software Technology Corp.**
(Tokyo)
Development of software for Olympus products | **Olympus Soft Imaging Solution GmbH**
(Munich, Germany)
Development, manufacture, and sales of complete microscope system solutions |
| **Olympus Digital System Design Corp.**
(Tokyo)
Research and development of sophisticated digital system design technology | **Olympus Deutschland GmbH**
(Hamburg, Germany)
Sales of all product lines in Germany |
| **Olympus Terumo Biomaterials Corp.**
(Tokyo)
Research and development and manufacture and sales in the biomaterials field | **Olympus KeyMed (Medical & Industrial Equipment Ltd.)**
(Edensor, U.K.)
Sales of all product lines, and development and manufacture of endoscopes and related equipment |
| **Olympus Memory Works Corp.**
(Tokyo)
Planning, production, and sales of network-related products and services | **Olympus Imaging Singapore Pte Ltd.**
(Singapore)
Sales and service of imaging products in Singapore |

Total number of companies: 134 (129 subsidiaries and 4 affiliates)

(As of June 30, 2015)
Corporate Information

Company Outline
(As of March 31, 2015)

- **Company Name:** Olympus Corporation
- **Established:** October 12, 1919
- **President and Representative Director:** Hiroyuki Sasa
- **Head Office:** Shinjuku Monolith, 3-1 Nishi-Shinjuku 2-chome, Shinjuku-ku, Tokyo 163-0814, Japan
- **Capital:** ¥214,520 million
- **Consolidated Headcount:** 31,540 (Excludes temporary employees, average of 1,374 for fiscal 2015)
- **Non-Consolidated Headcount:** 2,790
- **Website:** http://www.olympus-global.com/en/

Director, Senior Executive Managing Officers

- **Directors, Senior Executive Managing Officers:**
  - Yasuo Takeuchi
  - Akihiro Taguchi

Director, Executive Managing Officers

- **Directors, Executive Managing Officers:**
  - Shigeo Hayashi
  - Haruo Ogawa

Outside Directors

- **Outside Directors:**
  - Takuya Goto
  - Shiro Hiruta
  - Sumitaka Fujita
  - Motoyoshi Nishikawa
  - Kaei Uchimoto

Executive Officers

- **Executive Officers:**
  - Shinichi Nishigaki
  - Hiroshi Kawada
  - Nashiko Kawamata
  - Nobuyuki Koga
  - Hisao Yabe
  - Makamori Handa
  - Ken Yoshimura
  - Masahito Kitamura
  - Tetsuo Kobayashi
  - Kichi Hirita
  - Toshihiko Okubo
  - Mitsuhiro Hikosaka
  - Yoshihito Shimizu
  - Katsuhiko Inadomi
  - Hiromasa Tsuchiya
  - Yoshihiko Satoh

Board of Directors, Audit & Supervisory Board Members, and Executive Officers
(As of June 26, 2015)

- **President and Representative Director:**
  - Hiroyuki Sasa

- **Directors, Audit & Supervisory Board Members:**
  - Takashi Saito
  - Masahiro Shimizu

- **Outside Audit & Supervisory Board Members:**
  - Nobuo Nagoya
  - Katsuya Nakai

- **Standing Audit & Supervisory Board Members:**
  - Takashi Saito
  - Masahiro Shimizu

- **Executive Managing Officers:**
  - Masayoshi Ageki
  - Kenjiro Yamaoka

- **Outside Directors:**
  - Takuya Goto
  - Shiro Hiruta
  - Sumitaka Fujita
  - Motoyoshi Nishikawa
  - Kaei Uchimoto

Stock Information
(As of March 31, 2015)

- **Securities Identification Code:** 7733
- **Stock Exchange Listing:** Tokyo Stock Exchange
- **Fiscal Year:** From April 1 to March 31
- **General Meeting of Shareholders:** June
- **Number of Shares Issued:** 342,671,508
- **Number of Shareholders:** 25,696

- **Transfer Agent for Common Stock:** Sumitomo Mitsui Trust Bank, Limited
  - 4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8233, Japan

- **Directors, Audit & Supervisory Board Members, and Executive Officers:**
  - Sony Corporation
  - The Master Trust Bank of Japan, Ltd. (trust accounts)
  - State Street Bank and Trust Company
  - Nippon Life Insurance Company
  - The Bank of Tokyo-Mitsubishi UFJ, Ltd.
  - Japan Trustee Services Bank, Ltd. (trust accounts)
  - Japan Trustee Services Bank, Ltd. (The Sumitomo Trust and Banking Corporation Pension Trust)
  - State Street Bank and Trust Company
  - (The Sumitomo Trust and Banking Company Retrust Portfolio, Sumitomo Mitsui Banking Corporation Pension Trust)
  - Terumo Corporation

- **Number of shares held**
  - 34,487,900
  - 16,560,900
  - 14,941,547
  - 13,286,618
  - 13,286,586
  - 11,610,300
  - 11,404,000
  - 11,404,000
  - 8,590,648
  - 5,581,000

- **Percentage of shares outstanding (%)**
  - 10.06
  - 4.83
  - 4.36
  - 3.88
  - 3.88
  - 3.39
  - 3.33
  - 2.66
  - 2.59

- **Notes:**
  - 1. In April 2015, Sony Corporation disclosed that it will sell a portion of its shares in the Company (17,243,950 shares).
  - 2. On August 25, 2014, the Company received a copy of a notification of changes in the large shareholding report submitted by Natsui Associates LLP, with regards to its holding in the Company. This notification stated that the company held 15,044,750 shares of the Company's stock (10.06% of shares outstanding) as of December 15, 2014. However, this entity is not included among principal shareholders as the Company was unable to confirm its holdings as of March 31, 2015.
  - 3. On February 5, 2015, the Company received a copy of a notification of changes in the large shareholding report submitted by Ono Enterprises, with regards to its holding in the Company. This notification stated that the company held 15,044,750 shares of the Company's stock (10.06% of shares outstanding) as of December 15, 2014. However, this entity is not included among principal shareholders as the Company was unable to confirm its holdings as of March 31, 2015.
  - 4. On March 2, 2015, the Company received a copy of a notification of changes in the large shareholding report submitted by The Bank of Tokyo-Mitsubishi UFJ, Ltd., and three other entities with regards to their joint holding in the Company. This notification stated that these entities held 25,837,640 shares of the Company's stock (7.64% of shares outstanding) as of February 25, 2015. However, these entities are not included among principal shareholders as the Company was unable to confirm their holdings as of March 31, 2015.

Shareholder Distribution

- **Japanese financial institutions:** 35.26%
- **Japanese securities firms:** 9.68%
- **Other Japanese corporations:** 16.30%
- **Foreign institutions and individuals:** 42.55%
- **Japanese individuals and others:** 4.94%
- **Treasury stock:** 0.13%