Consolidated Financial Results
for the Fiscal Year Ended March 31, 2017
<under Japanese GAAP>

May 2, 2017

Company Name: Olympus Corporation
Code Number: 7733
(URL: http://www.olympus.co.jp/)
Stock Exchange Listing: First Section of Tokyo Stock Exchange
Representative: Hiroyuki Sasa, Representative Director, President
Contact: Takayuki Aoyagi, General Manager, Accounting Department
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Scheduled date of General Meeting of Shareholders:	June 28, 2017
Scheduled date to submit the Securities Report:	June 28, 2017
Scheduled date to commence dividend payments:	June 29, 2017
Presentation of supplementary material on financial results:	Yes
Holding of financial results presentation meeting:	Yes (for analysts and institutional investors)

(Figures are rounded off to the nearest million yen)

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2017 (From April 1, 2016 to March 31, 2017)

(1) Consolidated Results of Operations (% indicate changes from the previous fiscal year)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent	
Fiscal year ended	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%
March 31, 2017	748,050	(7.0)	76,487	(26.8)	62,149	(31.6)	78,191	24.9
March 31, 2016	804,578	5.2	104,464	14.8	90,898	24.9	62,594	–

Note: Comprehensive income: Fiscal year ended March 31, 2017: ¥51,994 million [71.3%]
Fiscal year ended March 31, 2016: ¥30,346 million [17.6%]

	Net income per share	Fully diluted net income per share	Return on equity	Ratio of ordinary income to total assets	Ratio of operating income to net sales
Fiscal year ended	(¥)	(¥)	%	%	%
March 31, 2017	228.47	228.38	19.3	6.2	10.2
March 31, 2016	182.90	182.84	17.0	8.7	13.0

Note: Equity in earnings (losses) of affiliated companies: Fiscal year ended March 31, 2017: ¥(1,254) million
Fiscal year ended March 31, 2016: ¥(2,675) million

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	(¥ million)	(¥ million)	%	(¥)
March 31, 2017	991,062	430,880	43.3	1,252.96
March 31, 2016	1,000,614	384,283	38.2	1,117.24

Note: Equity as of March 31, 2017: ¥428,807 million March 31, 2016: ¥382,359 million

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of year
Fiscal year ended	(¥ million)	(¥ million)	(¥ million)	(¥ million)
March 31, 2017	90,194	(8,305)	(44,244)	199,431
March 31, 2016	48,621	(52,897)	(33,870)	166,323

2. Dividends

	Annual dividends per share					Total amount of cash dividends	Payout ratio	Ratio of dividends to net assets
	First quarter	Second quarter	Third quarter	Year-end	Total	(Annual)	(Consolidated)	(Consolidated)
	(¥)	(¥)	(¥)	(¥)	(¥)	(¥ million)	%	%
Fiscal year ended March 31, 2016	–	0.00	–	17.00	17.00	5,818	9.3	1.6
Fiscal year ended March 31, 2017	–	0.00	–	28.00	28.00	9,583	12.3	2.4
Fiscal year ending March 31, 2018 (Forecast)	–	0.00	–	28.00	28.00		17.4	

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending March 31, 2018 (From April 1, 2017 to March 31, 2018)

	Revenue	Operating profit	Profit before tax	Profit attributable to owners of parent	Basic earnings per share
	(¥ million)	(¥ million)	(¥ million)	(¥ million)	(¥)
Six months	366,000	35,000	32,000	27,000	78.89
Full year	766,000	79,000	72,000	55,000	160.71

Note: The Company intends to voluntarily apply the International Financial Reporting Standards (IFRS) with respect to the consolidated financial statements beginning with the first quarter ending June 30, 2017 onward, and has accordingly prepared the forecast of consolidated financial results for the fiscal year ending March 31, 2018 on the basis of the IFRS.

* Notes

(1) Changes in significant subsidiaries during the fiscal year under review (changes in specified subsidiaries resulting in the changes in scope of consolidation): No

(2) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements after error corrections
1) Changes in accounting policies due to revisions to accounting standards, and other regulations: No
2) Changes in accounting policies due to other reasons: No
3) Changes in accounting estimates: No
4) Restatement of prior period financial statements after error corrections: No

(3) Total number of issued shares (common stock)

1) Total number of issued shares at the end of the period (including treasury stock)

As of March 31, 2017	342,671,508 shares
As of March 31, 2016	342,671,508 shares

2) Total number of treasury shares at the end of the period

As of March 31, 2017	435,289 shares
As of March 31, 2016	436,607 shares

3) Average number of shares during the period

Fiscal year ended March 31, 2017	342,236,163 shares
Fiscal year ended March 31, 2016	342,235,989 shares

Reference: Summary of Non-Consolidated Financial Results

Financial results for the Fiscal Year ended March 31, 2017 (From April 1, 2016 to March 31, 2017)

(1) Non-Consolidated Results of Operations (% indicate changes from the previous fiscal year)

	Net sales		Operating income		Ordinary income		Net income	
Fiscal year ended	(¥ million)	%	(¥ million)	%	(¥ million)	%	(¥ million)	%
March 31, 2017	367,111	(10.0)	32,965	(57.5)	78,543	18.3	99,375	(3.5)
March 31, 2016	407,776	360.6	77,583	804.2	66,386	68.0	102,968	201.3

	Net income per share	Fully diluted net income per share
Fiscal year ended	(¥)	(¥)
March 31, 2017	290.37	290.25
March 31, 2016	300.87	300.77

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	(¥ million)	(¥ million)	%	(¥)
March 31, 2017	805,327	450,993	55.9	1,316.17
March 31, 2016	787,249	372,642	47.3	1,087.60

Note: Equity as of March 31, 2017: ¥450,440 million March 31, 2016: ¥372,214 million

* Financial results reports are not required to be audited.

* Proper use of the forecast of financial results, and other special matters
The forward-looking statements, including forecast of financial results, contained in these materials include predictions about the future based on assumptions, forecasts and plans as of the date of release of these materials. Actual business and other results may differ substantially from the forecasts provided in these materials as a result of risks and uncertainties associated with the global economy, the competitive environment, exchange rate trends and other factors. For information on the forecast of financial results, please refer to page 5.

Attached Material

Contents

1. Overview of Operating Results and Others

(1) Analysis of Business Results

(Review of Operations)

Analysis of the overall operations

(Millions of yen)

	Net sales	Operating income	Ordinary income	Net income attributable to owners of the parent	Net income per share
Fiscal year ended March 31, 2017	748,050	76,487	62,149	78,191	¥228.47
Fiscal year ended March 31, 2016	804,578	104,464	90,898	62,594	¥182.90
Increase (Decrease) ratio (%)	(7.0)	(26.8)	(31.6)	24.9	24.9

Comparison Table of Average Exchange Rate (Yen)

	Current fiscal year	Previous fiscal year
Against the U.S. dollar	108.38	120.14
Against the euro	118.79	132.58

In the global economy during the fiscal year under review, the U.S. economy continued to recover amid gains in personal consumption and improvements in the employment situation, while the trend in both Europe and China has also been one of moderate improvement. However, the outlook remains uncertain due to factors that include policy developments following on the change of government in the U.S. and the decision in the United Kingdom to leave the EU. In the Japanese economy, the trend of moderate improvement has persisted amid recovery in corporate earnings due mainly to depreciation of the yen that has taken place since the presidential election in the U.S.

Amid this business environment, the Olympus Group newly formulated the 2016 Corporate Strategic Plan ("16CSP") to act as a five-year medium-term management plan which took effect in the fiscal year ended March 31, 2017, under which it has been pushing forward in developing a firmly grounded and aggressive business portfolio geared to achieving sustainable growth under its "Business to Specialist" Company and One Olympus basic policies.

In the Medical Business, we forged ahead with efforts geared to increasing numbers of employees needed to fortify production and maintenance systems and enhancing quality assurance (QA) and regulatory assurance (RA), while in the surgical field we promoted development of large-scale new products. In the Scientific Solutions Business, we moved forward with organizational development efforts which involved shifting toward strategies oriented to customer groups, and also released new products that included laser scanning confocal microscopes and industrial videoscopes. In the Imaging Business, in addition to introducing new products such as the flagship mirrorless camera "OLYMPUS OM-D E-M1 Mark II," we also streamlined operations by narrowing down our core sales areas and also moved a step further forward with cost cutting and other structural reforms.

The Olympus Group's overall consolidated net sales decreased to ¥748,050 million (down 7.0% year on year), due to appreciation of the yen and other factors that caused revenue to decline year on year in each of the three main businesses of Medical, Scientific Solutions and Imaging. Operating income was ¥76,487 million (down 26.8% year on year), due mainly to the decline in sales. Ordinary income was ¥62,149 million (down 31.6% year on year), due mainly to the decline in operating income. The Company posted extraordinary income of ¥27,757 million which included gain on sales of investment securities, and also incurred income taxes of ¥3,471 million. Consequently, net income attributable to owners of the parent was ¥78,191 million (up 24.9% year on year), a considerable improvement from the previous fiscal year.

During the fiscal year under review, the Olympus Group invested ¥79,178 million on research and development, and spent ¥49,347 million on capital investments.

With respect to foreign exchange, the yen appreciated against both the U.S. dollar and the euro in comparison with the previous fiscal year. The average exchange rate during the period was ¥108.38 against the U.S.

dollar (¥120.14 in the previous fiscal year) and ¥118.79 against the euro (¥132.58 in the previous fiscal year), which caused net sales and operating income to down by ¥74,281 million and ¥30,069 million, respectively, year on year.

Analysis of the performance by segment

(Millions of yen)

	Net sales			Operating income (loss)		
	Previous fiscal year	Current fiscal year	Increase (Decrease) ratio (%)	Previous fiscal year	Current fiscal year	Increase (Decrease) ratio (%)
Medical	608,927	575,285	(5.5)	140,220	115,482	(17.6)
Scientific Solutions	101,608	93,227	(8.2)	8,482	5,280	(37.8)
Imaging	78,284	65,574	(16.2)	(2,064)	498	–
Others	15,759	13,964	(11.4)	(5,800)	(4,621)	–
Subtotal	804,578	748,050	(7.0)	140,838	116,639	(17.2)
Elimination or Unallocation	–	–	–	(36,374)	(40,152)	–
Consolidated total	804,578	748,050	(7.0)	104,464	76,487	(26.8)

Note: Businesses are segmented by adding similarities of sales market to the business established based on line of products.

Medical Business

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	Increase (Decrease)	Increase (Decrease) ratio
Net sales	608,927	575,285	(33,642)	(5.5)%
Operating income/loss	140,220	115,482	(24,738)	(17.6)%

Consolidated net sales in the Medical Business amounted to ¥575,285 million (down 5.5% year on year), while operating income amounted to ¥115,482 million (down 17.6% year on year).

Net sales in the Medical Business fell as a result of the stronger yen, but increased by 4% year on year on a local currency basis which excludes the impact of the foreign exchange rate. In gastrointestinal endoscope field, both sales of the endoscopy platform systems “EVIS EXERA III” and “EVIS LUCERA ELITE,” which are our mainstay products, were strong. In the surgical field, surgical endoscopy systems equipped with 4K technologies and 3D laparoscopy systems generated firm results, while sales of the “THUNDERBEAT” integrated energy device with both advanced bipolar and ultrasonic energy continued to grow. In the therapeutic devices field, sales of “VisiGlide 2” disposable guidewire for use in endoscopic diagnosis and treatment of biliary and pancreatic ducts and others were strong.

Operating income in the Medical Business declined as a result of the stronger yen, but due to strong results in all fields rose by 1% year on year excluding the impact of the foreign exchange rate.

Scientific Solutions Business

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	Increase (Decrease)	Increase (Decrease) ratio
Net sales	101,608	93,227	(8,381)	(8.2)%
Operating income/loss	8,482	5,280	(3,202)	(37.8)%

Consolidated net sales in the Scientific Solutions Business amounted to ¥93,227 million (down 8.2% year on year), while operating income amounted to ¥5,280 million (down 37.8% year on year).

Net sales in the Scientific Solutions Business fell as a result of the stronger yen, but increased by 1% year on year on a local currency basis which excludes the impact of the foreign exchange rate. While sales of products for hospitals and life science research declined in Europe due to the impact of budget cuts and delays in budget execution, sales were strong in Japan, the U.S. and Asia. Non-destructive testing equipment was also strong, supported by the recovery of commodity prices in the second half of the year, despite having experienced slowdown in sales of industrial microscopes for universities and research institutions.

Operating income in the Medical Business declined as a result of the stronger yen, but rose by 3% year on year excluding the impact of the foreign exchange rate, as a result of controls placed on expenditures.

Imaging Business

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	Increase (Decrease)	Increase (Decrease) ratio
Net sales	78,284	65,574	(12,710)	(16.2)%
Operating income/loss	(2,064)	498	2,562	–

Consolidated net sales in the Imaging Business amounted to ¥65,574 million (down 16.2% year on year), while operating income amounted to ¥498 million (compared with an operating loss of ¥2,064 million in the previous fiscal year).

Ongoing moves to reduce the size of the Imaging Business to a scale more appropriate for the shrinking market and the impact of the Kumamoto earthquake of April 2016, which caused delays in the supply of some products, resulted in lower sales for the Imaging Business.

The Imaging Business returned to profitability after having recorded a loss in the previous fiscal year due to progress made in pushing down expenses combined with positive effects of introducing new products, including the flagship mirrorless camera “OLYMPUS OM-D E-M1 Mark II.”

Others

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	Increase (Decrease)	Increase (Decrease) ratio
Net sales	15,759	13,964	(1,795)	(11.4)%
Operating income/loss	(5,800)	(4,621)	1,179	–

Consolidated net sales for other businesses amounted to ¥13,964 million (down 11.4% year on year) and operating loss was ¥4,621 million (compared with an operating loss of ¥5,800 million in the previous fiscal year).

Net sales for other businesses declined as a result of having reorganized our non-core business domains through initiatives that included transferring shares in Nippon Outsourcing Corporation, a subsidiary of the Company, on October 31, 2016. Also, operating loss for other businesses decreased, reflecting a reduction of expenses.

(Forecast for the Fiscal Year Ending March 31, 2018)

Forecast for the overall business and analysis of its preconditions

Looking ahead with respect to the global economy, concerns of a downturn in business conditions are likely to intensify despite an overall trend of economic recovery, amid developments that include policy moves undertaken by the U.S. government and issues with respect to the United Kingdom’s decision to leave the EU. In the Japanese economy, despite the likelihood of ongoing recovery on the back of improved corporate earnings, prospects ahead remain uncertain amid negative factors that include growing uncertainties regarding the global economy and volatility in financial and capital markets.

Given this environment, the Olympus Group will steadily press forward with the 2016 Corporate Strategic Plan (“16CSP”), which is our five-year medium-term management plan drawn up during the fiscal year ended March 31, 2016.

In the Medical Business, we aim to expand the scale of our operations primarily by providing value in terms of both early diagnosis and minimally invasive therapies, by proactively investing in each of this segment’s business units, namely GI (gastrointestinal), Res (respiratory), GS (general surgery), Uro/Gyn (urology/gynecology), ENT (ear nose throat), and Medical Services. We will work to achieve dramatic growth in both the therapeutic devices and surgical fields while maintaining our overwhelming competitive strengths in the gastrointestinal endoscope field, while furthermore taking steps to improve profitability in the Medical Business also by strengthening business involving single-use devices. In the Scientific Solutions Business, we will establish an earnings platform by promoting strategies oriented to customer groups, while also taking steps geared to enhancing shared business functions and streamlining operations through globally integrated management. In the Imaging Business, we will establish a profitable operating structure by further boosting business efficiency, while also pursuing initiatives geared to improving our responsiveness to the changing market and further reducing inventory risks.

The forecast for consolidated financial results in the fiscal year ending March 31, 2018 is as follows.

(Millions of yen)

(IFRS)	Revenue	Operating profit	Profit before tax	Profit attributable to owners of parent
Fiscal year ending March 31, 2018	766,000	79,000	72,000	55,000

The Company intends to voluntarily apply the IFRS with respect to the consolidated financial statements beginning with the fiscal year ending March 31, 2018 onward, and has accordingly prepared the forecast of consolidated financial results on the basis of the IFRS.

Due to the transition to the IFRS, revenue is expected to decrease compared to net sales under Japanese GAAP applied through this fiscal year because part of the promotion expenses relating to sale of the products will be deemed as substantial discounts and deducted from revenue.

The operating profit under the IFRS, by its concept, includes non-operating income or loss, and part of extraordinary income or loss (non-financial transaction) on top of the operating income under the Japanese GAAP. Under the IFRS, suspension of amortization of goodwill will cause operating profit to increase while impacts of reclassification of items and depreciation of development cost that has been recognized as assets and also change of calculation method for expenses relating to defined benefit will lead to decrease, and therefore operating profit is likely to be around the same level compared with the relevant figures stated in accordance with the Japanese GAAP used hitherto.

Profit before tax and profit attributable to owners of parent are expected to be higher than the relevant figures stated in accordance with the Japanese GAAP used hitherto due mainly to the suspension of amortization of goodwill.

Foreign exchange rates for the fiscal year ending March 31, 2018, which are a precondition for the forecast, are expected to be ¥110 per U.S. dollar and ¥115 per euro.

(2) Analysis of Financial Position

(Analysis of the Status of Assets, Liabilities, Net Assets, and Cash Flows in the Current Fiscal Year)

Analysis of assets, liabilities and net assets

(Millions of yen)

	As of March 31, 2016	As of March 31, 2017	Increase (Decrease)	Increase (Decrease) ratio (%)
Total assets	1,000,614	991,062	(9,552)	(1.0)
Net assets	384,283	430,880	46,597	12.1
Equity ratio	38.2%	43.3%	5.1%	

As of the end of the fiscal year under review, total assets decreased ¥9,552 million compared to the end of the previous fiscal year to ¥991,062 million.

Current assets decreased ¥9,552 million compared to the end of the previous fiscal year to ¥991,062 million due mainly to an increase in cash and time deposits of ¥32,877 million and decreases in investment securities of ¥42,195 million and in goodwill of ¥10,526 million.

Total liabilities decreased ¥56,149 million compared to the end of the previous fiscal year to ¥560,182 million due mainly to an increase in short-term borrowings of ¥42,196 million and decreases in current maturities of bonds of ¥30,000 million and in long-term borrowings of ¥46,977 million.

Net assets increased ¥46,597 million compared to the end of the previous fiscal year to ¥430,880 million, primarily due to an increase in net income of ¥78,215 million and a decrease in accumulated other comprehensive income of ¥26,210 million arising from fluctuations in foreign exchange and stock prices.

As a result of the foregoing, equity ratio increased from 38.2% as of the end of the previous fiscal year to 43.3%.

Analysis of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	Increase (Decrease)
Cash flows from operating activities	48,621	90,194	41,573
Cash flows from investing activities	(52,897)	(8,305)	44,592
Cash flows from financing activities	(33,870)	(44,244)	(10,374)
Cash and cash equivalents at end of year	166,323	199,431	33,108

“Cash flows from operating activities” increased by ¥90,194 million due to the adjustments for noncash items mainly included the recordings of ¥81,686 million in income before provision for income taxes, ¥44,658 million in depreciation and amortization, ¥8,642 million in amortization of goodwill, and ¥6,922 million in loss related to securities litigation. Decreasing factors mainly included ¥23,879 million in gain on sales of investment securities and an increase in inventories of ¥14,801 million.

“Cash flows from investing activities” decreased by ¥8,305 million. Decreasing factors mainly included ¥43,542 million in purchase of property, plant and equipment and ¥7,358 million in payments for loans receivable. Increasing factors mainly included ¥42,239 million in sales and redemption of investment securities.

“Cash flows from financing activities” decreased by ¥44,244 million. Decreasing factors mainly included ¥30,000 million in redemption of bonds and ¥20,217 million in repayments of long-term debt. Increasing factors mainly included ¥20,000 million in proceeds from long-term debt.

As a result, cash and cash equivalents at the end of the current fiscal year reached ¥199,431 million, an increase of ¥33,108 million compared to the end of the previous fiscal year.

(Cash Flows Indicators)

	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Equity ratio	32.1	32.9	38.2	43.3
Market value equity ratio (%)	109.6	141.4	149.6	147.8
Interest-bearing debt to cash flows ratio (years)	5.7	5.3	6.6	3.0
Interest coverage ratio (times)	6.1	7.4	6.1	12.4

Notes: Equity ratio: Shareholders' equity/Total assets
Market value equity ratio: Total market capitalization/Total assets
Interest-bearing debt to cash flows ratio: Interest-bearing debt/Cash flow
Interest coverage ratio: Cash flow/Interest payment

1. Each index was calculated by financial index of consolidated basis.
2. Total market capitalization is calculated on the basis of the number of issued shares excluding treasury stock.
3. Cash flows from operating activities are used as "Cash flow" for calculation purposes.
4. Interest-bearing debts include all of those debts reported on the consolidated balance sheets on which interest is paid.

(3) Basic Strategy for Profit Sharing and Dividend for the Current Fiscal Year and Following Fiscal Year

Aiming to boost the corporate value, premised on securing stable financial base, the Company places priority on investing in growth fields, particularly the Medical Business. Based on this, our basic strategy is to implement dividend distribution in consideration of performance, in order to respond to the expectations of our shareholders.

In accordance with the above policy and in consideration of comprehensive factors that include our consolidated financial results for the fiscal year ended March 31, 2017, the Company's financial standing and future investment in operations, we intend to pay a year-end dividend of ¥28 per share for the fiscal year under review. The annual dividend will therefore amount to ¥28 per share, which is an increase of ¥11 per share in comparison with that of the previous fiscal year.

With respect to shareholder returns, our objective regarding the total return ratio has been bolstered to 30%. Accordingly, we intend to pay a dividend of ¥28 per share for the fiscal year ending March 31, 2018, unchanged from that of the fiscal year under review (year-end dividend of ¥28).

(4) Business Risks

The business performances of the Olympus Group may be materially influenced by various factors which may occur in the future. Listed below are principal business risk factors, aside from managerial decisions made by the Olympus Group, which may give rise to changes in Olympus Group's business performances. The Olympus Group is aware of the possibilities of these risks, will strive to prevent them from occurring, and will deal conscientiously and diligently with any risk that may occur.

The future events described below are based on the judgment of the Olympus Group made as of the end of the fiscal year under review.

(Risks Associated with Selling Activities)

(i) In the Medical Business, if healthcare policy is amended in an unforeseeable and material manner as a result of a healthcare system reform or another change occurs in relation to the medical sector, and the Olympus Group finds it difficult to adapt to such an environmental change, or if the Olympus Group is unable to obtain the licenses and approvals in various countries necessary for its business activities in a timely manner, the Olympus Group's ability to secure its earnings may be adversely affected.

(ii) In the Scientific Solutions Business, system provision to research activities funded by national budgets of countries accounts for a high proportion of earnings of the Olympus Group. Therefore, if such national budgets are curtailed in the wake of unfavorable macroeconomic fluctuations, the Olympus Group's ability to secure its earnings may be adversely affected.

(iii) In the digital camera field of the Imaging Business, market conditions are becoming harsher. If the market contracts more sharply than anticipated, the Olympus Group may be unable to adequately counter the resulting sales decline with the restructuring measures it is currently implementing, and this may adversely affect the Olympus Group's ability to secure its earnings.

(Risks Associated with Production/Development Activities)

(i) In the Imaging Business, core production bases center on China and Vietnam. Therefore, depending upon exchange rate trends and other factors, operating costs may increase substantially, and the Olympus Group's ability to secure its earnings may be adversely affected. Also, depending upon how serious or unstable the state of affairs including anti-Japanese activities may grow or how badly public safety may deteriorate in China, the Olympus Group's production activities may be adversely affected.

(ii) The Olympus Group relies on certain specific suppliers to consistently develop and produce those products and parts which it cannot develop or produce internally. Hence, if the Group is subjected to constraints on procurement of such products and parts according to the said suppliers' convenience, the Olympus Group's ability to produce and supply them may be adversely affected.

(iii) The Olympus Group and its manufacturing contractors manufacture their products in accordance with exacting quality standards. However, if any product deficiency occurs, not only substantial costs including those of a recall would be incurred but also the market's confidence in the Olympus Group would be undermined, and the Olympus Group's ability to secure its earnings may be adversely affected.

(iv) The Olympus Group is continuing to advance development of products using cutting-edge technologies. However, if technological progress occurs so fast and market changes cannot be predicted adequately, that the Group is unable to develop new products adequately meeting customers' needs in a timely manner, the Olympus Group's ability to secure its earnings may be adversely affected.

(v) The Olympus Group, in conducting R&D and production activities, uses various intellectual property rights, and believes that the Group lawfully owns or is licensed to use such rights. However, if any third party asserts that the Group has unknowingly infringed any of these intellectual property rights and if any litigation occurs, the Olympus Group's ability to secure its earnings may be adversely affected.

(Risks Associated with Business Collaborations and Corporate Acquisitions)

(i) The Olympus Group has built long-term strategic partnerships with advanced enterprises in the industry on technologies and product development. If the Group can no longer maintain such partnerships due to occurrence of a financial or any other business-related problem or change of its goals, the business activities of the Group may be adversely affected.

(ii) The Olympus Group may acquire a business enterprise in order to expand its business. If the Group is unable to integrate the acquired business in line with the Group's management strategy or utilize management resources in an efficient manner as to the existing business or the acquired business, the Group's business may be adversely affected or its business performances and financial position may be adversely affected due to impairment of goodwill, loss on business sale or liquidation resulting from business restructuring and the like, or other related expenses.

(iii) The Olympus Group holds investment securities and other such instruments for policy investment purposes which include facilitating business alliances. As such, the Group's business performance and financial position could be adversely affected under a situation involving considerable volatility with respect to stock prices and valuations of such investments brought about by developments that include market fluctuations and changes in the financial position of entities targeted for investment.

(Risks Associated with Financing)

Since the Olympus Group carries out financing by borrowing from financial institutions, etc., changes in the environment for the financial markets may have an impact on the Group's financing. Furthermore, if the Group's financing costs rise as a result of such factors as deterioration in its business performances, this may also have an adverse impact on the Group's financing.

(Risks Associated with Leakage of Information)

The Olympus Group possesses important confidential information regarding such matters as technology, as well as the personal information of its customers and other related parties. In order to prevent external leakages of this information, the Group takes various countermeasures including the establishment of internal regulations, the thorough promotion of employee training, and the strengthening of security systems. Even so, in the case that such information is leaked due to unanticipated circumstances, the Group's business performances and financial position may be adversely affected by such factors as damage to the Group's corporate value, loss of social credibility, and payment of compensation to customers and related parties affected by such information leakage.

(Risks Associated with Past Postponing of Recognition of Losses)

As a result of inappropriate financial reporting by the Company, the Company's shareholders and others claimed compensation for damages from the Company or filed lawsuits. These actions could have an adverse impact on the Olympus Group's business performance and financial position. The inappropriate financial reporting relates to the Company's postponing of recognition of losses on securities investments, etc. in past times since around the 1990s, and the Company's use, by means such as going through multiple funds, of both the fees paid to financial advisors and funds to buy back preferred stock in relation to the acquisition of Gyrus Group PLC, as well as the acquisition funds of three domestic companies (Altis Co., Ltd., NEWS CHEF, Inc. and Humalabo Co., Ltd.), partly to resolve unrealized losses on investment securities by such postponing of the recognition of these losses. The total amount of claims against the Company in pending lawsuits at the time of disclosure of the financial results report is ¥29,407 million. The following major lawsuits have been filed against the Company.

Out of the pending lawsuits in the fiscal year under review, the Company reported ¥217 million as provision for loss on litigation in current liabilities, considering the state of progress of the lawsuits.

On April 7, 2014 (the date of the service of the complaint was April 17, 2014), a total of six banks including Mitsubishi UFJ Trust and Banking Corporation and five other trust banks filed a lawsuit against the Company seeking compensation for damages by payment of ¥27,915 million and the interest accrued to the damages incurred relating to each of the shares at the rate of 5% per annum for the period from the day immediately following the share acquisition trade date of each of the shares that incurred losses up to the payment of the incurred losses of the shares.

(Risks Associated with Internal Control System)

The Olympus Group has developed a system for ensuring appropriate and reliable financial reporting and valid and efficient work processes, which it operates and continuously improves. However, it cannot be ignored that no matter how effective the internal control system constructed by the Group, actions arising from malicious intent or gross negligence on the part of employees, or changes in the business environment that were not envisaged at the time of the internal control system’s construction, or various other factors, could cause the system to fail. Therefore, there is the potential for an issue arises in the future with regard to violation of laws and regulations. If such an issue were to arise, the Company may be obliged to pay fines due to administrative action, penalties due to criminal proceedings, or damages and so forth due to civil lawsuits. Moreover, 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.

(Risks Relating to Laws and Regulations)

We operate our businesses globally, including our medical business, which is a regulated business. We are subject to various laws, including the Antimonopoly Act of Japan and the laws on medical care of Japan and similar laws in other countries and jurisdictions, as well as 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 jurisdictions. We are also subject to various laws targeting fraud and abuse in the healthcare industry, including the Act Against Unjustifiable Premiums and Misleading Representations in Japan and the Anti-Kickback Statute and the False Claims Act in the United States.

With respect to the medical business, because government-sponsored healthcare systems have developed around the world, our group companies and many of their distributors and suppliers do business with government affiliated entities, healthcare providers and officials. Our group companies and their distributors and suppliers operate in countries or jurisdictions where there has been governmental corruption in the past, and in certain circumstances strict compliance with anti-bribery laws may conflict with local customs and practices. In addition, 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 our sales or marketing practices.

Violations of these laws may be punishable by criminal or civil fines, imprisonment and/or exclusion from participation in certain national healthcare programs. Furthermore, since many of our customers rely on reimbursement from public health insurance and other government programs to subsidize their medical expenditures, if our participation in such programs would be restricted as a result of a violation of these laws, that could adversely affect the demand for our products and the number of procedures performed using our devices.

We strive to fully comply with these laws, but if we engaged in conduct that violated them, regardless of whether we intentionally violated them or not, that may affect our business, financial condition, results of operations and cash flows as well as the price of shares of our common stock.

Furthermore, an overseas subsidiary of the Company, in February 2016, agreed to enter into a Deferred Prosecution Agreement with the DOJ in connection with suspicion of violation of the Anti-Kickback Statute, the U.S. False Claims Act, and the FCPA, concerning past activities related to the Medical Business. Moving forward, if we engage in conduct that violates these laws, we will not only receive sanctions related to said violation, but also prosecution will be carried out related to the past case in which the Company was subject to deferred prosecution, and this may affect our business, financial condition, results of operations and cash flows as well as the price of shares of our common stock.

(Risks Relating to Duodenoscopes)

In March and August 2015, a subpoena was issued to Olympus Medical Systems Corp., a subsidiary of ours by the U.S. Department of Justice, seeking information relating to duodenoscopes that the Olympus Group manufactures and sells, and the Department continues investigation of the facts. In addition, the Olympus Group has been named as defendants in civil lawsuits in the United States alleging that the plaintiffs were harmed by our group’s duodenoscopes at the time of disclosure of the financial results report. Depending on the developments in these matters, our consolidated results of operations and financial condition may be affected.

(Other Comprehensive Risks)

Through its domestic and overseas subsidiaries and affiliates, etc., the Company operates its various businesses globally. These may be the subject of various investigations, as needed, by domestic and overseas authorities, and may have consultations with or report to authorities with respect to compliance with laws and regulations (for example in response to the examination regarding compliance with antimonopoly acts and acts related to pharmaceutical and medical device or in voluntary disclosure to the U.S. Department of Justice regarding compliance with the Foreign Corrupt Practices Act). As such, the Company’s ability to secure its earnings may be adversely affected depending upon the results of such investigations and consultations. In addition, if any natural disaster, disease, war, or terrorist attack occurs, or if interest rates rise or exchange rates fluctuate beyond its expectations, the Olympus Group’s ability to secure its earnings may be adversely affected.

2. Basic Rationale for Selecting the Accounting Standards

The Olympus Group intends to voluntarily apply the International Financial Reporting Standards (IFRS) beginning with the first quarter ending March 31, 2018 onward, with the aim of improving the international comparability of financial information in the capital market, improving the effectiveness of corporate management by applying one unified accounting rule in the Group, and reinforcing governance.

3. Consolidated Financial Statements and Significant Notes Thereto

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2016	As of March 31, 2017
ASSETS		
Current assets		
Cash and time deposits	166,554	199,431
Notes and accounts receivable	140,666	137,924
Lease receivables and lease investment assets	33,565	35,338
Merchandise and finished goods	54,245	51,257
Work in process	21,993	21,830
Raw materials and supplies	35,320	50,977
Deferred income taxes	38,461	36,729
Other current assets	36,478	25,226
Allowance for doubtful accounts	(6,590)	(5,720)
Total current assets	520,692	552,992
Fixed assets		
Property, plant and equipment		
Buildings and structures	136,344	149,131
Accumulated depreciation	(79,864)	(84,267)
Buildings and structures, net	56,480	64,864
Machinery and equipment	54,804	55,986
Accumulated depreciation	(42,521)	(41,588)
Machinery and equipment, net	12,283	14,398
Tools, furniture and fixtures	205,084	202,339
Accumulated depreciation	(149,996)	(147,270)
Tools, furniture and fixtures, net	55,088	55,069
Land	22,832	22,966
Lease assets	19,200	21,133
Accumulated depreciation	(9,618)	(11,839)
Lease assets, net	9,582	9,294
Construction in progress	9,799	4,761
Net property, plant and equipment	166,064	171,352
Intangible assets		
Goodwill	97,190	86,664
Others	53,607	44,426
Total intangible assets	150,797	131,090
Investments and other assets		
Investment securities	71,141	28,946
Deferred income taxes	11,421	24,942
Net defined benefit asset	24,749	24,762
Other assets	64,804	66,994
Allowance for doubtful accounts	(9,054)	(10,016)
Total investments and other assets	163,061	135,628
Total fixed assets	479,922	438,070
Total assets	1,000,614	991,062

(Millions of yen)

	As of March 31, 2016	As of March 31, 2017
LIABILITIES		
Current liabilities		
Notes and accounts payable	40,597	41,596
Short-term borrowings	26,656	68,852
Current maturities of bonds	30,000	–
Other payable	36,762	32,595
Accrued expenses	90,438	80,944
Income taxes payable	9,120	11,657
Provision for product warranties	6,314	8,474
Provision for points	207	223
Provision for loss on business liquidation	298	190
Provision for loss on litigation	567	217
Other current liabilities	25,666	29,981
Total current liabilities	266,625	274,729
Non-current liabilities		
Long-term bonds, less current maturities	25,000	25,000
Long-term borrowings, less current maturities	239,482	192,505
Deferred income taxes	28,386	18,895
Net defined benefit liability	38,645	37,737
Provision for retirement benefits for directors and audit & supervisory board members	38	21
Other non-current liabilities	18,155	11,295
Total non-current liabilities	349,706	285,453
Total liabilities	616,331	560,182
NET ASSETS		
Shareholders’ equity		
Common stock	124,520	124,520
Capital surplus	90,940	91,225
Retained earnings	172,989	245,362
Treasury stock, at cost	(1,122)	(1,122)
Total shareholders’ equity	387,327	459,985
Accumulated other comprehensive income		
Net unrealized holding gains (losses) on available-for-sale securities, net of taxes	24,947	9,556
Net unrealized gains (losses) on hedging derivatives, net of taxes	(7)	–
Foreign currency translation adjustments	(8,686)	(20,681)
Remeasurements of defined benefit plans	(21,222)	(20,053)
Total accumulated other comprehensive income	(4,968)	(31,178)
Subscription rights to shares	428	554
Non-controlling interests	1,496	1,519
Total net assets	384,283	430,880
Total liabilities and net assets	1,000,614	991,062

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Consolidated Statements of Income

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Net sales	804,578	748,050
Costs of sales	269,341	256,708
Gross profit	535,237	491,342
Selling, general and administrative expenses	430,773	414,855
Operating income	104,464	76,487
Non-operating income		
Interest income	1,085	774
Dividends income	1,277	1,178
Others	3,178	2,046
Total non-operating income	5,540	3,998
Non-operating expenses		
Interest expense	7,892	7,610
Foreign currency exchange loss	3,704	2,480
Net loss of investment in affiliated companies carried on the equity method	2,675	1,254
Others	4,835	6,992
Total non-operating expenses	19,106	18,336
Ordinary income	90,898	62,149
Extraordinary income		
Gain on sales of investment securities	2,297	23,879
Gain on sales of investments in subsidiaries and affiliates	–	3,844
Legal settlement compensation	72	34
Total extraordinary income	2,369	27,757
Extraordinary losses		
Impairment loss on fixed assets	–	230
Loss on sales of investment securities	183	–
Loss on sales of investments in subsidiaries and affiliates	–	760
Loss on liquidation of business	189	–
Business restructuring expenses	1,209	–
Loss related to securities litigation	2,072	6,922
Loss related to the U.S. Anti-kickback Statute	18,814	–
Loss on step acquisitions	–	308
Total extraordinary losses	22,467	8,220

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Income before provision for income taxes	70,800	81,686
Income taxes, current	10,944	16,992
Income taxes for prior periods	3,172	1,332
Income taxes, deferred	(5,967)	(14,853)
Total	8,149	3,471
Net income	62,651	78,215
Net income attributable to non-controlling interests	57	24
Net income attributable to owners of the parent	62,594	78,191

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Net income	62,651	78,215
Other comprehensive income		
Net unrealized holding gains (losses) on available-for-sale securities, net of taxes	183	(15,391)
Net unrealized gains (losses) on hedging derivatives, net of taxes	1	7
Foreign currency translation adjustments	(24,008)	(12,020)
Remeasurements of defined benefit plans, net of taxes	(8,477)	(1,169)
Share of other comprehensive income of associates accounted for using equity method	(4)	14
Total other comprehensive income	(32,305)	(26,221)
Comprehensive income	30,346	51,994
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	30,330	51,981
Comprehensive income attributable to non-controlling interests	16	13

(3) Consolidated Statements of Changes in Net Assets

Fiscal year ended March 31, 2016 (April 1, 2015 - March 31, 2016)

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at the beginning of the year	124,520	90,940	113,817	(1,111)	328,166
Changes during the year					
Dividends from Surplus			(3,422)		(3,422)
Net income attributable to owners of the parent			62,594		62,594
Acquisition of treasury stock				(12)	(12)
Disposal of treasury stock		0		1	1
Change in ownership interest of parent due to transactions with non-controlling interests					–
Net changes in items other than shareholders' equity					
Net changes during the year	–	0	59,172	(11)	59,161
Balance at the end of the year	124,520	90,940	172,989	(1,122)	387,327

	Accumulated other comprehensive income					Subscription rights to shares	Non-controlling interests	Total net assets
	Net unrealized holding gains (losses) on available-for-sale securities, net of taxes	Net unrealized gains (losses) on hedging derivatives, net of taxes	Foreign currency translation adjustments	Remeasure-ments of defined benefit plans	Total accumulated other comprehen-sive income			
Balance at the beginning of the year	24,764	(8)	15,285	(12,745)	27,296	260	1,532	357,254
Changes during the year								
Dividends from Surplus								(3,422)
Net income attributable to owners of the parent								62,594
Acquisition of treasury stock								(12)
Disposal of treasury stock								1
Change in ownership interest of parent due to transactions with non-controlling interests								–
Net changes in items other than shareholders' equity	183	1	(23,971)	(8,477)	(32,264)	168	(36)	(32,132)
Net changes during the year	183	1	(23,971)	(8,477)	(32,264)	168	(36)	27,029
Balance at the end of the year	24,947	(7)	(8,686)	(21,222)	(4,968)	428	1,496	384,283

Fiscal year ended March 31, 2017 (April 1, 2016 - March 31, 2017)

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at the beginning of the year	124,520	90,940	172,989	(1,122)	387,327
Changes during the year					
Dividends from Surplus			(5,818)		(5,818)
Net income attributable to owners of the parent			78,191		78,191
Acquisition of treasury stock				(8)	(8)
Disposal of treasury stock		3		8	11
Change in ownership interest of parent due to transactions with non-controlling interests		282			282
Net changes in items other than shareholders' equity					
Net changes during the year	–	285	72,373	0	72,658
Balance at the end of the year	124,520	91,225	245,362	(1,122)	459,985

	Accumulated other comprehensive income					Subscription rights to shares	Non-controlling interests	Total net assets
	Net unrealized holding gains (losses) on available-for-sale securities, net of taxes	Net unrealized gains (losses) on hedging derivatives, net of taxes	Foreign currency translation adjustments	Remeasure-ments of defined benefit plans	Total accumulated other comprehen-sive income			
Balance at the beginning of the year	24,947	(7)	(8,686)	(21,222)	(4,968)	428	1,496	384,283
Changes during the year								
Dividends from Surplus								(5,818)
Net income attributable to owners of the parent								78,191
Acquisition of treasury stock								(8)
Disposal of treasury stock								11
Change in ownership interest of parent due to transactions with non-controlling interests								282
Net changes in items other than shareholders' equity	(15,391)	7	(11,995)	1,169	(26,210)	126	23	(26,061)
Net changes during the year	(15,391)	7	(11,995)	1,169	(26,210)	126	23	46,597
Balance at the end of the year	9,556	–	(20,681)	(20,053)	(31,178)	554	1,519	430,880

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Cash flows from operating activities		
Income before provision for income taxes	70,800	81,686
Depreciation and amortization	39,912	44,658
Impairment loss on fixed assets	–	230
Amortization of goodwill	9,867	8,642
Loss (gain) on step acquisitions	–	308
Legal settlement compensation	–	(34)
Loss related to securities litigation	2,072	6,922
Loss related to the U.S. Anti-kickback Statute	18,814	–
Increase (decrease) in net defined benefit liabilities	2,712	(511)
Decrease (increase) in net defined benefit assets	(5,500)	798
Increase (decrease) in provision for product warranties	1,420	2,438
Interest and dividend income	(2,362)	(1,952)
Interest expense	7,892	7,610
Net loss (gain) of investment in affiliated companies carried equity method	2,675	1,254
Increase (decrease) in provision for loss on business liquidation	(177)	(107)
Loss (gain) on sales of investments in subsidiaries and affiliates	–	(3,084)
Loss (gain) on sales of investment securities	(2,114)	(23,879)
Decrease (increase) in accounts receivable	2,006	(660)
Decrease (increase) in inventories	(7,008)	(14,801)
Increase (decrease) in accounts payable	1,965	1,204
Increase (decrease) in other payable	(1,572)	(353)
Increase (decrease) in accrued expense	5,179	(2,904)
Decrease (increase) in fixed lease receivables	(5,083)	(1,517)
Other	12,011	9,615
Sub-total	153,509	115,563
Interest and dividend received	2,362	1,952
Interest payments	(7,987)	(7,648)
Legal settlement compensation received	–	106
Loss related to securities litigation paid	(13,975)	(7,902)
Loss related to the US Anti-kickback Statute paid	(72,455)	(4,714)
Income taxes paid	(12,833)	(7,163)
Net cash provided by operating activities	48,621	90,194

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Cash flows from investing activities		
Deposits in time deposits	(217)	(46)
Withdrawals from time deposits	35	192
Purchase of property, plant and equipment	(50,422)	(43,542)
Purchases of intangible assets	(5,987)	(3,708)
Purchases of investment securities	(271)	(8)
Sales and redemption of investment securities	3,214	42,239
Purchase of shares of subsidiaries resulting in change in scope of consolidation	–	(41)
Net increase from sales of investment in subsidiaries related to changes in scope of consolidation	–	3,443
Payments for loans receivable	–	(7,358)
Proceeds from loans receivable	25	19
Other	726	505
Net cash used in investing activities	(52,897)	(8,305)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings	(23,820)	(3,933)
Proceeds from long-term debt	73,886	20,000
Repayments of long-term debt	(78,240)	(20,217)
Redemption of bonds	–	(30,000)
Purchase of treasury stock	(13)	(8)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	–	(86)
Dividends paid	(3,422)	(5,818)
Dividends paid to non-controlling interests	(53)	(59)
Other	(2,208)	(4,123)
Net cash used in financing activities	(33,870)	(44,244)
Effect of exchange rate changes on cash and cash equivalents	(5,340)	(4,537)
Net increase (decrease) in cash and cash equivalents	(43,486)	33,108
Cash and cash equivalents at beginning of year	209,809	166,323
Cash and cash equivalents at end of year	166,323	199,431

(5) Notes Regarding Consolidated Financial Statements

(Notes on Premise of Going Concern)

No items to report

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

1. Scope of consolidation

(1) Number of consolidated subsidiaries: 105

All the shares held in Nippon Outsourcing Corporation, which was a subsidiary of the Company, have been sold during the fiscal year under review, leading to said company being excluded from the scope of consolidation.

OLYMPUS-RMS CORP., previously an affiliated company accounted for under the equity method, has been included as a consolidated subsidiary due to the Company's additional acquisition of its shares during the fiscal year ended March 31, 2017.

(2) Name of non-consolidated subsidiaries

Non-consolidated subsidiaries are as follows:

Olympus-Supportmate Corp. and another company

Reason of excluding from the scope of consolidation

The 2 non-consolidated subsidiaries are all small and not material when measured by the impact of total amounts of assets, net sales, net income, and retained earnings (based on the Company's ownership percentage) of those companies on consolidated financial statements. They have therefore been excluded from the scope of consolidation.

2. Application of the equity method

(1) Number of affiliated companies accounted for under the equity method: 2

Olympus Opto Systems India Private Limited

Sony Olympus Medical Solutions Inc.

All the shares held in Adachi Co., Ltd., which was an affiliated company accounted for under the equity method, have been sold during the fiscal year under review, leading to said company being excluded from the scope of the equity method.

(2) Olympus-Supportmate Corp. and another non-consolidated subsidiary have not been accounted for under the equity method because the impact of all those companies on consolidated net income/loss and retained earnings is not material.

(Additional Information)

(Application of ASBJ Guidance on Recoverability of Deferred Tax Assets)

Effective from the fiscal year ended March 31, 2017, the Company has applied the "Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, March 28, 2016).

(Consolidated Statements of Income)

*1. Major items and amounts of selling, general and administrative expenses are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2016 (April 1, 2015 - March 31, 2016)	Fiscal year ended March 31, 2017 (April 1, 2016 - March 31, 2017)
Advertising and promotion expenses	40,945	30,087
Salaries and allowance	135,247	133,825
Bonuses	30,826	30,202
Retirement benefit expenses	7,130	9,823
Amortization of goodwill	9,867	8,642
Experiment and research expenses	41,753	39,784
Depreciation	30,550	31,436

*2. Legal settlement compensation

Fiscal year ended March 31, 2016 (April 1, 2015 - March 31, 2016)

With respect to the issue involving deferred recognition of past losses, the Company previously filed lawsuits against 19 former directors who were then serving as directors, and in the fiscal year ended March 31, 2016, settlement was reached with 13 of the former directors. Accordingly, the Company has recorded "legal settlement compensation" of ¥72 million as monetary settlement in the case.

Fiscal year ended March 31, 2017 (April 1, 2016 - March 31, 2017)

With respect to the issue involving deferred recognition of past losses, the Company previously filed lawsuits against five former audit & supervisory board members who were then serving as audit & supervisory board members, and in the fiscal year ended March 31, 2017, settlement was reached with all five of the audit & supervisory board members. Accordingly, the Company has recorded "legal settlement compensation" of ¥34 million as monetary settlement in the case.

*3. Impairment loss on fixed assets

Fiscal year ended March 31, 2017 (April 1, 2016 - March 31, 2017)

The Group accounted for impairment losses with respect to the following asset groups.

(Millions of yen)

Application	Type	Location	Impairment loss on fixed assets
Assets scheduled for disposal	Other intangible assets	Tokyo	230
Total			230

In principle, the Group's business assets are grouped mainly by segment, assets scheduled for disposal are grouped by assets to be disposed of by abandonment, sale, etc., and idle assets are grouped by individual asset.

During the fiscal year ended March 31, 2017, a decision with respect to assets scheduled for disposal has been made to dispose. As a result, the book value of these assets is considered to be zero.

*4. Loss on liquidation of business

Fiscal year ended March 31, 2016 (April 1, 2015 - March 31, 2016)

The "loss on liquidation of business" of ¥189 million recorded under extraordinary losses represents losses incurred in relation to the liquidation of business operations of Olympus Asset Management Limited, a consolidated subsidiary of the Company.

*5. Business restructuring expenses

Fiscal year ended March 31, 2016 (April 1, 2015 - March 31, 2016)

The “business restructuring expenses” of ¥1,209 million represents expenses incurred in restructuring operations in order to better cope with the shrinking market in which the Imaging Business operates, and other changes in that regard.

*6. Loss related to securities litigation

The Company has received claims for compensation for damages from several individual and institutional investors, for losses sustained as a result of the Company’s false statements for the purpose of postponing recognition of losses in the Annual Securities Reports, Semi-Annual Securities Reports and Quarterly Securities Reports for the period from the fiscal year ended March 31, 2001 through the first quarter of the fiscal year ended March 31, 2012. “Loss related to securities litigation” represents losses relating to these claims for compensation for damages. A breakdown of the losses is presented below.

(Millions of yen)

	Fiscal year ended March 31, 2016 (April 1, 2015 - March 31, 2016)	Fiscal year ended March 31, 2017 (April 1, 2016 - March 31, 2017)
Settlement package	2,072	6,705
Provision for loss on litigation	–	217
Total	2,072	6,922

“Settlement package” included the amount of settlements paid for some of the claims for damages.

“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.

*7. Loss related to the U.S. Anti-kickback Statute

Fiscal year ended March 31, 2016 (April 1, 2015 - March 31, 2016)

Olympus Corporation of the Americas (“OCA”) had been the subject of an investigation by the DOJ relating to potential issues concerning its medical business over the years 2006 to 2011, under the Anti-kickback Statute and the U.S. False Claims Act. On February 29, 2016, Olympus Corporation of the Americas entered into a Deferred Prosecution Agreement and a Civil Settlement Agreement in that regard with the DOJ.

Moreover, beginning in October 2011, OCA had also been the subject of an investigation by the DOJ relating to alleged violations of the U.S. Foreign Corrupt Practices Act (“FCPA”) concerning the medical business of Olympus Latin America, Inc. (“OLA”), an indirect U.S. subsidiary of Olympus Corporation, and Olympus Optical do Brasil, Ltda., a Brazilian subsidiary of OLA (“OBL”). On February 29, 2016, OLA and subsidiaries of Olympus Corporation (including OCA) entered into a Deferred Prosecution Agreement with the DOJ in that regard.

The Company recorded ¥18,814 million for “Loss related to the U.S. Anti-kickback Statute” to reflect criminal penalties, civil fines and interest in that regard in light of the agreements.

*8. Income taxes for prior periods

Fiscal year ended March 31, 2016 (April 1, 2015 - March 31, 2016)

When a consolidated subsidiary of the Company transacts business with the Company or other consolidated subsidiaries, the Company records anticipated amounts of additional payment for corporate tax and other such obligations in “income taxes for prior periods,” on the basis of prior applications submitted for approval regarding transfer price taxation.

Fiscal year ended March 31, 2017 (April 1, 2016 - March 31, 2017)

When a consolidated subsidiary of the Company transacts business with the Company or other consolidated subsidiaries, the Company records anticipated amounts of additional payment for corporate tax and other such obligations in “income taxes for prior periods,” on the basis of prior applications submitted for approval regarding transfer price taxation.

(Segment Information, etc.)

[Segment Information]

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 the performance.

Each business division of the Olympus Group 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 gastrointestinal endoscopes, surgical endoscopes, endo-therapy devices, ultrasound endoscopes 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, and conducts system development and other business activities.

2. Method of calculating amounts of net sales, income/loss, assets, liabilities and other items

The accounting methods for the reportable business segments are generally the same as the methods described in “Important Items That Form the Basis for Preparing the Consolidated Financial Statements.” Profits of reportable segments are values on an operating income base. The internal sales or transfer among segments are based on actual market prices.

3. Information regarding net sales, income/loss, assets, liabilities, and other items by reportable segment

Fiscal year ended March 31, 2016 (April 1, 2015 - March 31, 2016)

(Millions of yen)

	Reportable Segment					Adjustment (Note 1)	Amount on consolidated financial statements (Note 2)
	Medical	Scientific Solutions	Imaging	Others	Total		
Sales							
Sales to outside customers	608,927	101,608	78,284	15,759	804,578	―	804,578
Internal sales or transfer among segments	0	74	10	445	529	(529)	―
Total	608,927	101,682	78,294	16,204	805,107	(529)	804,578
Segment income (loss)	140,220	8,482	(2,064)	(5,800)	140,838	(36,374)	104,464
Segment assets	642,788	80,865	65,741	13,282	802,676	197,938	1,000,614
Other items							
Depreciation cost	30,416	4,472	1,685	517	37,090	2,822	39,912
Amortization of goodwill	9,252	598	–	17	9,867	–	9,867
Increase in property, plant and equipment and intangible assets	46,430	5,645	3,091	888	56,054	8,391	64,445

Notes:

1. The adjustments are as follows:

(1) The deduction of ¥529 million in internal sales or transfer among segments is elimination of transactions among segments.

(2) The deduction of ¥36,374 million listed as an adjustment to segment profit includes corporate expenses of ¥36,374 million not allocated to any reportable segment. These corporate expenses mostly consisted of expenses related to the Corporate Group (management departments such as the Administrative Department) and R&D Group of the parent company.

(3) The ¥197,938 million listed as an adjustment of segment assets mainly consists of corporate assets not allocated to any reportable segment.

(4) The ¥2,822 million listed as a segment depreciation cost mainly consists of depreciation cost relating to corporate assets not allocated to any reportable segment.

(5) The ¥8,391 million listed as an increase in segment property, plant and equipment and intangible assets mainly consists of increase in fixed assets relating to corporate assets not allocated to any reportable segment.

2. Segment profits are adjusted to agree with operating income on the consolidated financial statements.

Fiscal year ended March 31, 2017 (April 1, 2016 - March 31, 2017)

(Millions of yen)

	Reportable Segment					Adjustment (Note 1)	Amount on consolidated financial statements (Note 2)
	Medical	Scientific Solutions	Imaging	Others	Total		
Sales							
Sales to outside customers	575,285	93,227	65,574	13,964	748,050	–	748,050
Internal sales or transfer among segments	0	52	3	767	822	(822)	–
Total	575,285	93,279	65,577	14,731	748,872	(822)	748,050
Segment income (loss)	115,482	5,280	498	(4,621)	116,639	(40,152)	76,487
Segment assets	621,297	79,371	51,075	11,748	763,491	227,571	991,062
Other items							
Depreciation cost	33,999	4,323	1,930	854	41,106	3,552	44,658
Amortization of goodwill	8,124	508	–	10	8,642	–	8,642
Increase in property, plant and equipment and intangible assets	32,877	5,726	2,805	1,176	42,584	6,763	49,347

Notes:

1. The adjustments are as follows:

(1) The deduction of ¥822 million in internal sales or transfer among segments is elimination of transactions among segments.

(2) The deduction of ¥40,152 million listed as an adjustment to segment income (loss) includes corporate expenses of ¥40,152 million not allocated to any reportable segment. These corporate expenses mostly consisted of expenses related to the Corporate Group (management departments such as the Administrative Department) and R&D Group of the parent company.

(3) The ¥227,571 million listed as an adjustment of segment assets mainly consists of corporate assets not allocated to any reportable segment.

(4) The ¥3,552 million listed as a segment depreciation cost mainly consists of depreciation cost relating to corporate assets not allocated to any reportable segment.

(5) The ¥6,763 million listed as an increase in segment property, plant and equipment and intangible assets mainly consists of increase in fixed assets relating to corporate assets not allocated to any reportable segment.

2. Segment profits are adjusted to agree with operating income on the consolidated financial statements.

[Related Information]

The fiscal year ended March 31, 2016 (April 1, 2015 - March 31, 2016)

1. Information by product and service

Since similar information is disclosed in segment information, information by product and service has been omitted.

2. Information by region

(i) Net sales

(Millions of yen)

Japan	North America	Europe	Asia	Others	Total
163,070	282,108	195,606	145,986	17,808	804,578

Notes: 1. Net sales are based on the location of the customer, and are classified by country or region.

2. Major countries and regions other than Japan are as follows:

(1) North America USA, Canada

(2) Europe Germany, UK, France, etc.

(3) Asia Singapore, Hong Kong, China, Korea, Australia, etc.

(4) Others Central and South America, Africa, etc.

The fiscal year ended March 31, 2017 (April 1, 2016 - March 31, 2017)

1. Information by product and service

Since similar information is disclosed in segment information, information by product and service has been omitted.

2. Information by region

(i) Net sales

(Millions of yen)

Japan	North America	Europe	Asia	Others	Total
159,610	255,651	174,859	143,542	14,388	748,050

Notes: 1. Net sales are based on the location of the customer, and are classified by country or region.

2. Major countries and regions other than Japan are as follows:

(1) North America USA, Canada

(2) Europe Germany, UK, France, etc.

(3) Asia Singapore, Hong Kong, China, Korea, Australia, etc.

(4) Others Central and South America, Africa, etc.

(Per-Share Data)

	The fiscal year ended March 31, 2016 (April 1, 2015 - March 31, 2016)	The fiscal year ended March 31, 2017 (April 1, 2016 - March 31, 2017)
Net assets per share	¥1,117.24	¥1,252.96
Net income (loss) per share	¥182.90	¥228.47
Fully diluted net income per share	182.84	¥228.38

Note: The basis for calculating net income (loss) per share and fully diluted net income per share is as follows:

(Millions of yen)

	The fiscal year ended March 31, 2016 (April 1, 2015 - March 31, 2016)	The fiscal year ended March 31, 2017 (April 1, 2016 - March 31, 2017)
Net income per share		
Amount of net income (loss) attributable to owners of the parent	62,594	78,191
Amount not attributable to common shareholder	–	–
Net income (loss) attributable to owners of the parent concerning common stock	62,594	78,191
Average number of shares of common stock during the year	342,235,989 shares	342,236,163 shares
Fully diluted net income per share		
Adjustment for amount of net income attributable to owners of the parent	–	–
Increase in number of shares of common stock	107,775 shares	144,296 shares
(Subscription rights to shares included therein)	(107,775 shares)	(144,296 shares)
Outline of the residual securities excluded from the calculation of the fully diluted net income per share because they have no dilutive effects	—	—

(Important Subsequent Event)

Corporate acquisition through share acquisition

The Company resolved at the Board of Directors meeting held on April 28, 2017, regarding the acquisition of 100% shares of Image Stream Medical, Inc. (Headquartered: Massachusetts, USA; CEO: Eddie Mitchell) (“ISM”), a U.S. operating room imaging systems integrator, through its wholly owned subsidiary, Olympus Corporation of the Americas (“OCA”). Through the use of a special purpose vehicle (the “MergerSub”) and the subsequent merger between the MergerSub and ISM, OCA will acquire the shares of surviving corporation ISM, resulting in ISM becoming a wholly owned subsidiary of OCA (the “Transaction”). After the resolution, OCA, ISM and the MergerSub entered into a mutual agreement for the Transaction on the same day.

1. Purpose of equity acquisition

As outlined within the 2016 Corporate Strategic Plan (“16CSP”) announced on March 30, 2016, the Company aims to improve corporate value by strengthening the company’s foundations and developing an aggressive business portfolio for sustainable future growth.

Through this acquisition, Olympus seeks to acquire ISM’s technology and know-how, and consequently strengthen its operating room systems integration business as described in the 16CSP, with the aim to provide better medical environments, and thereby contributing to society by making the lives of people around the world healthier, safer and more fulfilling.

2. Name of the company to be acquired, description of business, and size

(1) Name: Image Stream Medical, Inc.

(2) Description of business: Proposing, selling, delivery and maintenance services for video management equipment and system integration solutions for operating rooms

(3) Turnover: Approx. US$31 million (fiscal year ended December 2016)

3. Schedule of equity acquisition

Early June, 2017 (provisional schedule)

4. Acquisition price and equity ratio after acquisition

(1) Shares acquired: 100 shares

(2) Acquisition price: US$ 78 million (maximum of US$ 87 million)

The acquisition price mentioned above is the valuation amount of the enterprise value of ISM. The actual acquisition price is subject to certain adjustments, based on items (for example, net debt, net working capital and others) of ISM as at the closing date of this Transaction. In addition, additional consideration may be paid in the future up to this maximum amount, based on the performance, progress of development and sales activities of ISM.

(3) Equity ratio after acquisition: 100%

5. Method of procurement of payment funds and payment

Funded by cash reserve