

OLYMPUS

Integrated Report
2019



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OLYMPUS

OUR PURPOSE

Making people's lives healthier, safer and more fulfilling



On October 12, 2019, Olympus celebrated its 100th anniversary. To continue realizing sustainable growth going forward, we aim to grow into a truly global medical technology company. By providing innovative value, we will keep contributing to Our Purpose of “making people’s lives healthier, safer and more fulfilling.”

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Editorial Policy

The Olympus Group strives to conduct disclosure in a manner that meets the information needs of its stakeholders. As of 2018, its annual reports are being compiled as an integrated report. With the foremost aim of deepening understanding with regard to the Olympus Group, this report contains the management strategy, business activity, financial, and other information traditionally disclosed in our annual reports while also including non-financial information on social contribution, environmental, and other activities necessary to explaining the Group’s efforts to create value. In constructing this year’s report, we referenced the International Integrated Reporting Framework of the International Integrated Reporting Council (IIRC). We continue to provide detailed accounts of social contribution and environmental activities in our CSR reports, while the Company’s corporate website provides up-to-date information on a variety of topics.

Forward-Looking Statements

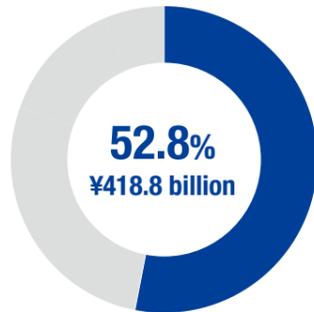
This integrated report contains forward-looking statements concerning the Company’s future plans, strategies, and performance. These forward-looking statements are not historical facts. Rather, they represent assumptions and beliefs based on economic, financial, and competitive data currently available. 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 rules, regulations, and other factors. Olympus therefore wishes to caution readers that actual results may differ materially from its expectations.

At a Glance

Olympus develops its operations in four core domains. The Scientific Solutions Division continues to refine the optical technologies Olympus has treasured since its founding. The Imaging Division drives advanced research on electronic imaging technologies. Meanwhile, the Endoscopic Solutions Division has continued to grow by leveraging these technologies and the Therapeutic Solutions Division has evolved from image diagnosis into treatments and therapies.

Endoscopic Solutions Division

Share of Revenue



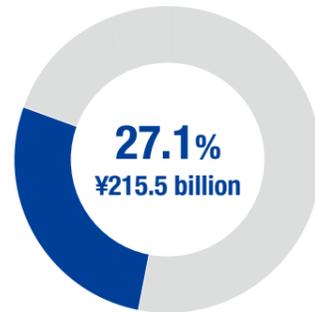
The gastrointestinal endoscopes contribute to the early diagnosis of diseases while its surgical endoscopes allow for minimally invasive therapies for reducing the burden placed on patient bodies. By providing such equipment, we support healthcare professionals and contribute to the health of people around the world. Our global market share of gastrointestinal endoscopes, one of our core products, is over 70%.

Major products



Therapeutic Solutions Division

Share of Revenue



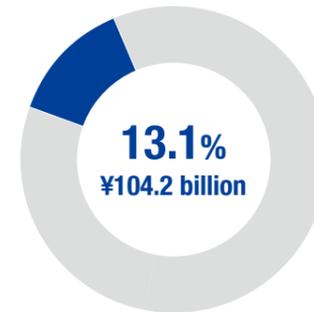
The Therapeutic Solutions Division provides a variety of medical equipment that meets the expectations of healthcare professionals and people around the world. Such equipment includes endotherapy devices equipped on gastrointestinal endoscopes for treatments and therapies, and energy devices for use in blood vessel sealing and tissue cutting in endoscopic surgery as well as endoscopes for use in urology/gynecology and the ENT field.

Major products



Scientific Solutions Division

Share of Revenue



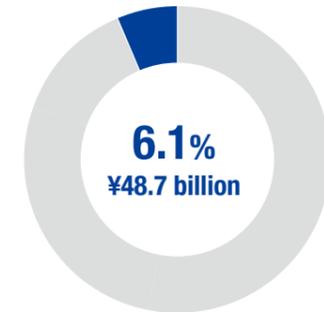
The Scientific Solutions Division provides microscopes, which Olympus has been manufacturing since its inception. These microscopes are used in various fields, whether for conducting such clinical examinations as blood tests or pathological examinations related to cancer diagnosis, assisting advanced research in the life science and medical fields, or performing quality control on manufacturing lines. Furthermore, the industrial videoscopes and ultrasonic flaw detectors offered in this division are used in inspections and examinations underpinning the safety of social infrastructure.

Major products



Imaging Division

Share of Revenue



The Imaging Division provides Olympus brand cameras, which boast unparalleled image quality realized through world-leading lens processing technologies and have won the hearts of photographers around the world. We continue to introduce the world to such unique cameras as our compact, lightweight mirrorless cameras and our Tough series of dustproof, waterproof cameras that are ideal for outdoor use.

Major products



Others

Share of Revenue



In Others, we provide bone replacement material and other biomaterials. In addition, this segment is responsible for seeking out new businesses and conducting R&D activities in relation to such businesses. To develop future pillars supporting the Company, we are searching for new business opportunities and advancing R&D and discovery activities for acquiring technologies.

Our Innovation History — 100 Years of Olympus

Olympus was born in 1919 with the purpose of manufacturing microscopes domestically. The Company succeeded in developing the world's first practical gastroscope roughly 30 years later. For 100 years from the delivery of its first product, Olympus has continued to create new value for society.

1919-1950s 1960-1980s 1990-2010

History of Olympus

From the Founding of Olympus and the Path to Business Modernization

- 1919 Established as Takachiho Seisakusho to manufacture microscopes in Japan
- 1921 Registered trademark as Olympus
- 1949 Name changed to Olympus Optical Co., Ltd.
Company listed on Tokyo Stock Exchange (TSE)

Evolution of Medical Field

Development of World's First Practical Gastroscope

Olympus succeeded in creating a gastroscope through joint development between the Company's R&D team and a physician in the Department of Gastroenterology of The University of Tokyo. The introduction of fiberoptic made it possible to see directly inside a patient's stomach in real time.

Evolution as an Integrated Optical Manufacturer and Expansion of Overseas Sales Networks

- 1964 Established Olympus Europe
- 1968 Established Olympus Corporation of America
- 1979 Established U.S. location in California (currently world's largest endoscope service center)
- 1989 Established Beijing residential office and corporation in Singapore

Entry into Surgical Device Business

Predicting that endoscopes would eventually be used in surgery, Olympus acquired German rigid endoscope manufacturer Winter & Ibe GmbH in 1979 and expanded its business into the surgical endoscope field.

Diversification of Medical Field

- 2001 Commenced collaboration with Terumo Corporation
- 2004 Acquired Celon AG
- 2008 Established first training center in China (Shanghai)
Acquired Gyrus Group PLC to strengthen surgical area of Medical Field

New Era of Videoscopes

The development of videoscopes, which feature imaging elements such as CCDs built into their distal tips, contributed to a substantial increase in the accuracy of diagnoses. This increase in accuracy came from the ability to display images on monitors for multiple healthcare professionals to view.

Scientific Solutions and Imaging Products

 1920 Introduced Asahi 600x microscope	 1936 Introduced Olympus' first camera, the Semi-Olympus I, marking entry into camera business	 1963 Launched the Olympus Pen F, the world's first half-size SLR camera	 1968 Launched Company's first industrial-use fiberoptic	 1983 Launch of AH2 microscope series, the world's first microscope with autofocus functionality.	 2006 Introduced OmniScan iX non-destructive testing system	 2009 Introduced first Olympus mirrorless camera, OLYMPUS PEN E-P1
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Medical Equipment

 1950 Developed world's first practical gastroscope	 1964 Introduced GTF fiber gastroscope	 1966 Launched Olympus' first biopsy scope and endotherapy devices (biopsy forceps and cytology brushes)	 1975 Entered medical surgical endoscopy field	 2000 Introduced EVIS EXERA endoscopic video system	 2002 Launched EVIS LUCERA, the world's first HD endoscopy system	 2006 Introduced EVIS EXERA II and EVIS LUCERA SPECTRUM, endoscopic video systems that include NBI technologies
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Revenue

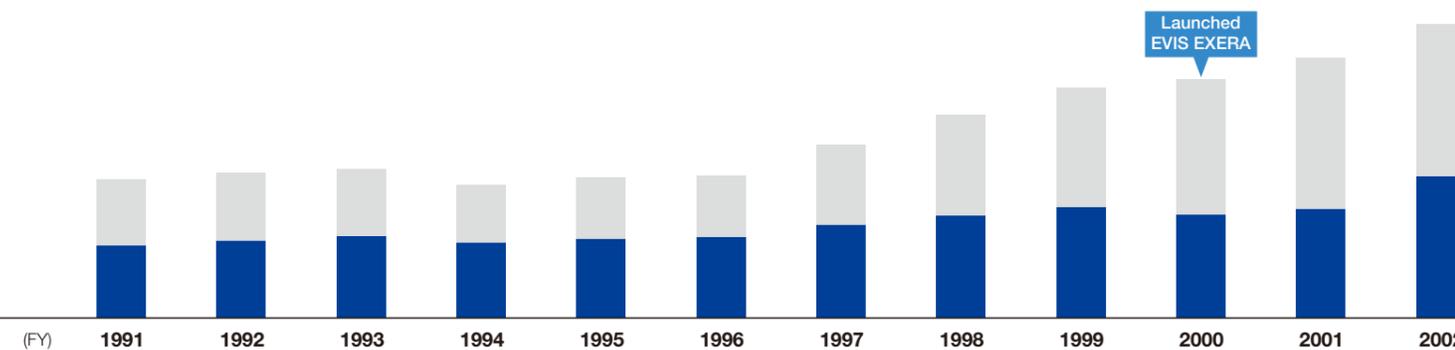
■ Medical Field ■ Others

Note: Excludes sales from the Information & Communication Business (FY2005–FY2013)
 Figures through FY2016, based on Japanese GAAP (JGAAP); Figures from FY2017 onward, based on IFRS



Foundation
 Founding of Olympus by Takeshi Yamashita under the company name Takachiho Seisakusho; established in Tokyo, Japan, for domestic production of microscopes.

October
1919



2011-2015

Unveiled "Back to Basics" Slogan and Began Shifting Resources to Medical Field

- 2011 Deferred recording of past losses discovered
- 2012 Appointed new management team
Announced medium-term vision (corporate strategic plan)
Formed business and capital alliance with Sony Corporation
Transferred Information & Communication Business
- 2013 Security on Alert Designation placed on Company stock by TSE removed
Procured capital through public offering in overseas markets (approx. ¥110 billion)
- 2015 Integrated three companies and shifted to matrix-style operational structure

Development of Endoscopic Surgery

Olympus continued to release innovative products, including HD surgical endoscopes—the world's first surgical energy device to integrate both advanced bipolar and ultrasonic energy—and 3D and 4K surgical endoscopes.

Advent of Observation Using Specific Light Spectra

Olympus continued to accelerate the advance of technologies, such as narrow band imaging (NBI) technologies. As a result, endoscopes evolved from being mere observation tools to becoming medical devices capable of treatment and therapy.

2016-2018

Transition from Stage of Reconstructing Management to Stage of Sustainable Growth and Development

- 2016 Increased production capacity (completed construction of new buildings) at medical endoscope development and production sites (Aizu, Shirakawa, and Aomori)
Announced new medium-term management plan, 16CSP
- 2017 Acquired Image Stream Medical, Inc., of the United States
- 2018 Introduce new Corporate Philosophy

2019

Aiming to Become a Truly Global Medical Technology Company

- 2019 Announced corporate transformation plan, *Transform Olympus*
Announced corporate strategy



2013
Launched flagship mirrorless camera OLYMPUS OM-D E-M1



2016
Launched IPLEX NX industrial videoscope



2016
Released FV3000 laser scanning confocal microscope



2016
Introduced VANTA, handheld X-ray fluorescence (XRF) analyzer



2019
Launched OLYMPUS OM-D E-M1X, an OM-D system designed for professionals



2012
Introduced THUNDERBEAT, the world's first energy device to integrate both advanced bipolar and ultrasonic energy

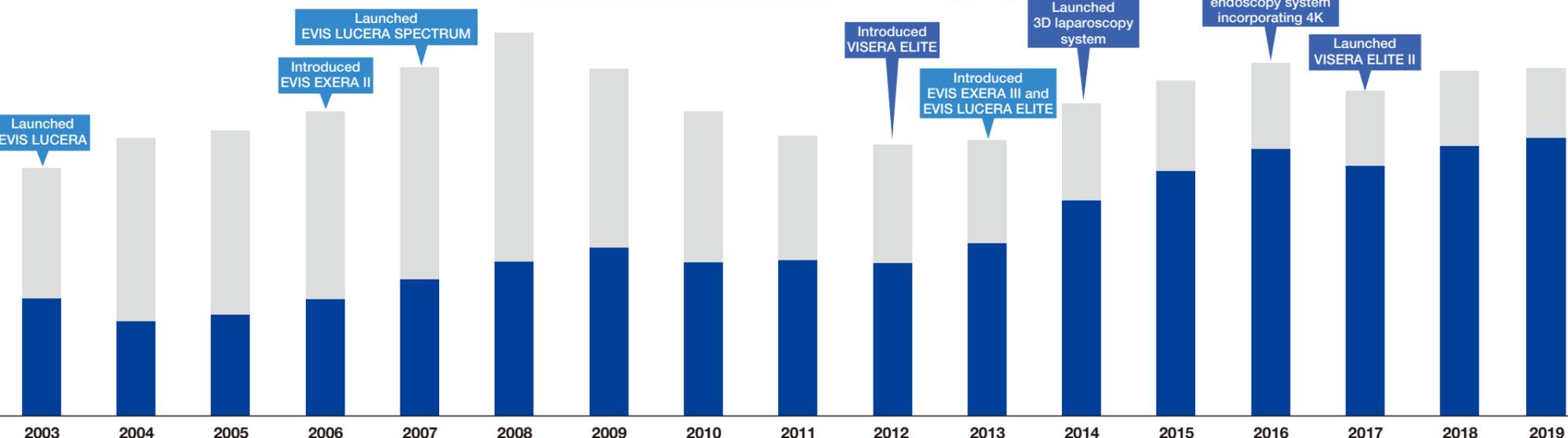


2012
Introduced EVIS EXERA III and EVIS LUCERA ELITE platform systems for gastrointestinal endoscopy

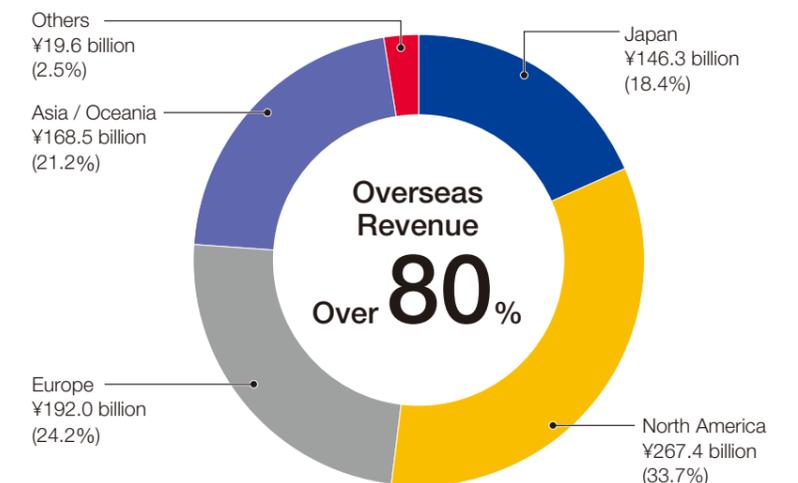
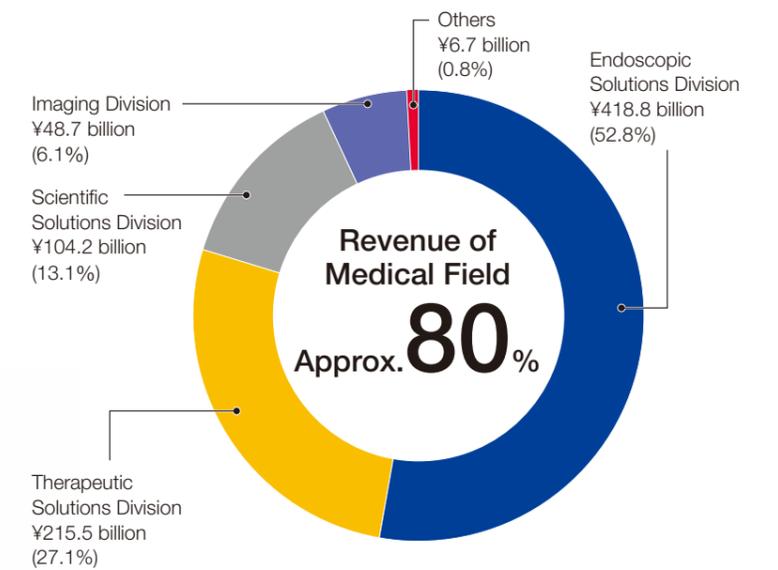


2015
Introduction of a surgical endoscopy system incorporating 4K technology developed by Sony Olympus Medical Solutions Inc.

2017
Launched VISERA ELITE II surgical endoscopy system compatible with 3D and infrared (IR) observation functions



Revenue (2019/3)
¥793.9 billion

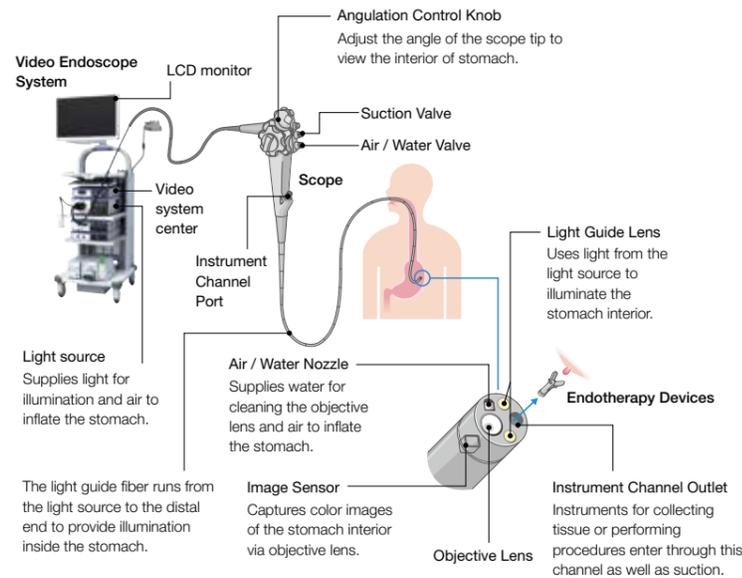


Products and Market Share in the Medical Field

Olympus provides two kinds of value, through Early Diagnosis, particularly in terms of gastrointestinal endoscopes, and Minimally Invasive Therapy with emphasis placed on surgical products. Through this, we hope to contribute to improvements in the quality of life of patients while also helping to address the worldwide trend of rising healthcare costs.

Early Diagnosis

Example of early diagnosis of lesions with gastrointestinal endoscopes and minimally invasive therapy with endotherapy devices



Used in Organs

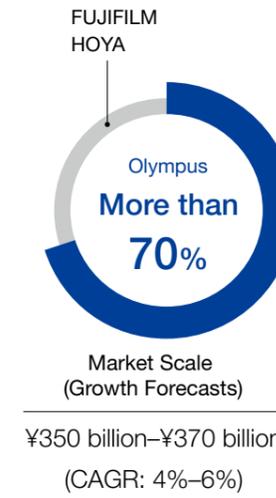
- Esophagus
- Stomach
- Colon
- Duodenum
- Bile duct
- Respiratory organs (lungs)

Flexible Endoscopes

Suitable for examination and treatment of internal organs by utilizing the flexibility of the insertion tube and distal end to insert the scope through the mouth or nose, for example

Global Market Share / Competitors

Gastrointestinal Endoscopes



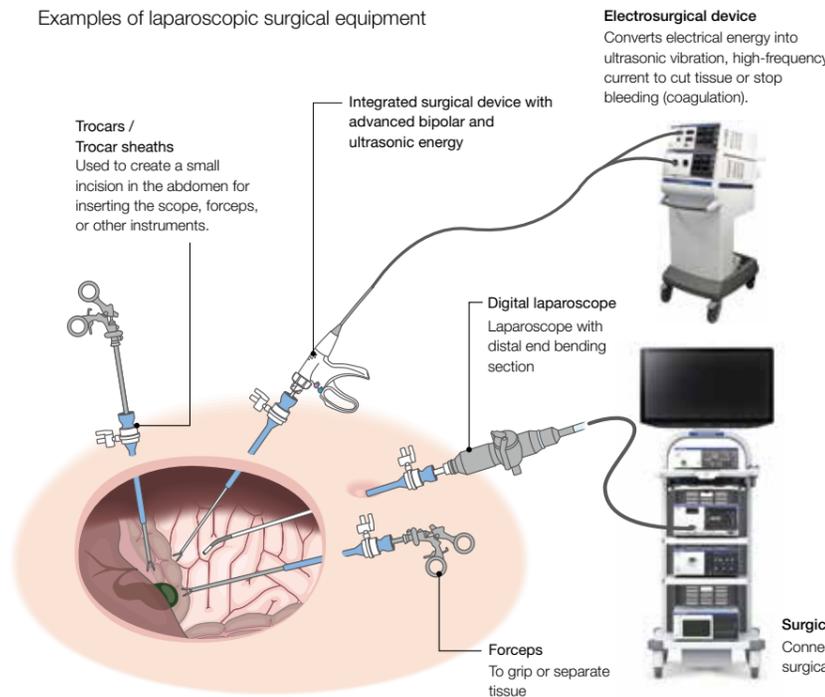
Endotherapy Devices



*1 ERCP: Endoscopic Retrograde Cholangio Pancreatography
*2 EMR: Endoscopic Mucosal Resection
ESD: Endoscopic Submucosal Dissection

Minimally Invasive Therapy

Examples of laparoscopic surgical equipment



Hospital Department

- Gastrointestinal surgery
- Bronchial surgery
- Urology
- ENT
- Gynecology

Rigid Endoscopes

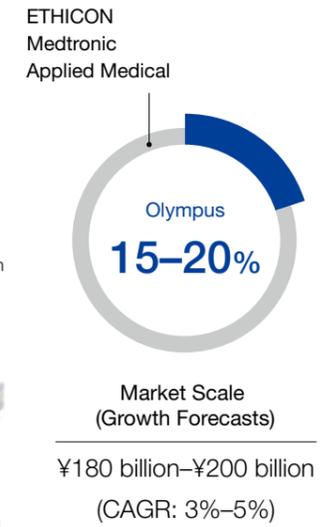
Suitable for laparoscopic surgical procedures, such as laparoscopy and cystoscopy, using a rigid endoscope made from a lens contained in a metal tube

Global Market Share / Competitors

Surgical Endoscopes



Energy Devices



*3 For laparoscopic surgery and open surgery
*4 For open surgery



Aiming for Sustainable Growth as a Truly Global Medtech Company

Message from the CEO

Yasuo Takeuchi
 Director, Representative Executive Officer,
 President and CEO

Becoming a Sustainable Company That Thrives in the Next 100 Years

Takeshi Yamashita founded Takachiho Seisakusho on October 12, 1919 with the aim of achieving the domestic production of microscopes. This signaled the beginning of Olympus. After that, we applied the optical technology we amassed in microscopes to cameras and endoscopes, thereby laying the foundations for today. The year 2019 marks the milestone of our 100th anniversary. I would like to express my sincerest appreciation for the warm support and kindness we have received throughout our history.

It is my honor to be appointed Representative Executive Officer, President and CEO in such an auspicious year. My

mission is to transform Olympus into a sustainable company that continues to make a mark over the next 100 years and ensure that we keep achieving Our Purpose of “making people’s lives healthier, safer and more fulfilling.” Although one of our mainstay products, the gastrointestinal endoscope, has commanded high market share over a long period, it’s unclear whether the same future can be guaranteed amid the current difficult business environment. I feel strongly that now is the time to change given it’s our centenary so that we can remain a company at the forefront of the industry for the next 100 years and beyond.

Review of Medium-Term Management Plan 16CSP

In 2011, Olympus was faced with a critical management juncture after issues with past activities regarding the deferral in the posting of losses came to light. We therefore positioned the four years between 2012 and 2016 as a reconstruction phase and made efforts to strengthen our compliance system and streamline non-business domains. Since 2016, we have moved on to the sustainable growth phase in which we

have been promoting our medium-term management plan, 16CSP (Corporate Strategic Plan), aimed at strengthening the foundations of our business and developing a strong business portfolio. Our core Medical Business has achieved steady business growth on the back of a required investment split between its five business units. Despite this, however, we have unfortunately not been able to accomplish the goals we set

under 16CSP due primarily to the strengthening of laws and regulations in different countries and delays in new product introductions. It is extremely important that we accurately identify changes in the market environment and swiftly take action with a view to the future. The Scientific Solutions Division is making steady progress toward achieving its target of a 10% operating margin. The Imaging Division functions as a driver of Companywide technologies supporting the technological capabilities of Olympus even though performance was down mainly due to intensifying competition and the discontinuation of operations at a manufacturing subsidiary in China.

Under 16CSP, we set management goals for return on equity (ROE), operating margin, earnings before interest, taxes, depreciation, and amortization (EBITDA), and equity ratio. The recording of significant one-time costs that included securities litigation settlements was a major factor behind the low level of

ROE for fiscal 2019. We also recognize that the results for the operating margin and EBITDA have left us with challenges. The equity ratio has improved markedly from 4.6% at the end of fiscal 2012 to 47.3% at the end of fiscal 2019 with continued efforts to bolster the soundness of our financial structure bearing fruit.

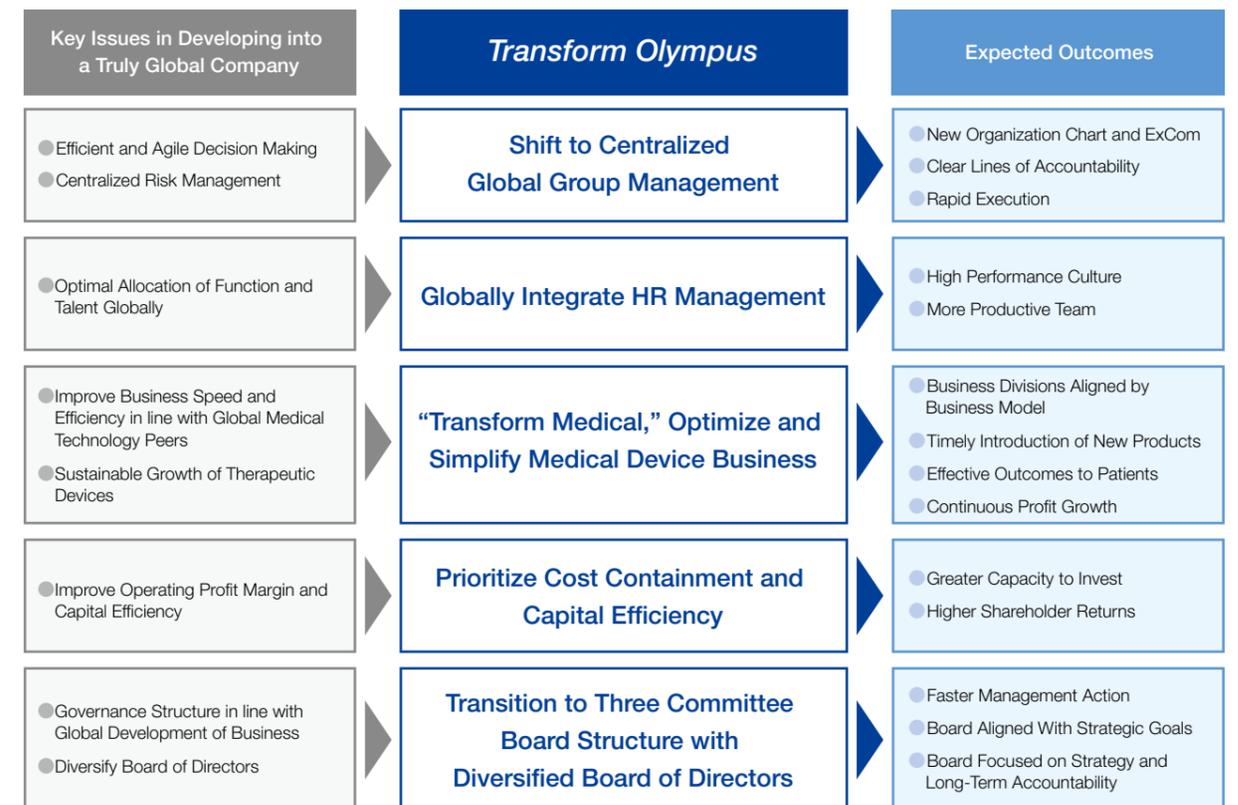
With regard to shareholder returns, Olympus has continued to increase dividends since resuming payments in fiscal 2015 after refraining from doing so during the prior three years. A year-end dividend of ¥30 per share was paid for fiscal 2019. We plan to issue dividend payments of ¥10* per share in fiscal 2020. In this way, we have evaluated our financial and capital strategies as being successful.

* Olympus conducted a four-for-one stock split of common stock on April 1, 2019.

Enhancement of Speed and Efficiency under *Transform Olympus*

Olympus announced *Transform Olympus*, our corporate transformation plan, in January 2019 with the aim of delivering continuous growth as a global medtech company. This plan is the culmination of years examining the challenges facing Olympus in consultation between our management team, including former president Sasa, and global business

consultants. To ensure ongoing growth going forward, we recognized the issue of enhancing the speed and efficiency of response to the external environment, which led to the formulation of the plan. Although approximately 80% of Olympus’ revenue is accounted for by the medical field, there is still room for significant improvement in efficiency and



Message from the CEO

profitability in comparison with global medical device industry peers. We will seek to leap forward to becoming a global medtech company by implementing the five policies outlined in *Transform Olympus*.

Let me briefly explain the details and progress of these five policies.

First, we will shift to centralized global group management and clarify roles and responsibilities. Starting April 1, 2019, an executive management team consisting of five executive officers took on oversight of the entire organization. In addition to Chief Executive Officer (CEO), the team includes the Chief Operating Officer (COO), Chief Technology Officer (CTO), Chief Financial Officer (CFO), and Chief Administrative Officer (CAO), who have responsibility for formulating and achieving Companywide management strategies and plans. Overall responsibility and decision-making authority regarding the execution of plans has been delegated to Division Heads and Function Heads to speed up decision making. The effects of this policy have already started to emerge, including faster decisions being made.

Second, we will globally integrate human resources management. We will look to secure and utilize talent capable of management and business operation that help realize a truly global company. At the outset, we will establish the infrastructure to ensure that outstanding human resources in the Olympus Group are placed in optimal positions globally and promote the management of our talent so that we can retain exceptional individuals throughout the Group as we accelerate global growth. I am confident that reforming our Companywide management structure will lead to more professional human resources with a more rounded global outlook and therefore greater business efficiency while cultivating a corporate culture that encourages the pursuit of high performance. In April 2019, we changed our management-level human resource program in Japan from a capability-based system to a job-based system

to promote the use of global human resources.

Third, in April 2019, we reorganized the Olympus medical business into two global divisions: the Endoscopic Solutions Division for the handling of capital products such as endoscopes and the Therapeutic Solutions Division for the handling mainly of single-use devices. For the Therapeutic Solutions Division, we have established a global business headquarters in the United States and are working to build business foundations, which will give us better access to medical industry clusters as well as major clients in the United States, the largest therapeutic device market in the world.

Fourth, we will prioritize cost containment and capital efficiency. Olympus recognizes that there is a significant opportunity to improve the operating margin and capital efficiency in line with global medical device industry peers. To begin with, we aim to contain SG&A expenses to ¥413.0 billion in fiscal 2020 in order to enhance Companywide cost awareness, and we are strengthening initiatives toward this goal.

Fifth, we resolved to shift to a Three Committees Board Structure with a more diversified Board of Directors. By transitioning to such a structure, we intend to accelerate decision making on business execution, reinforce governance, further improve transparency, enhance the Board of Director's focus on supervising management's implementation of strategy, and increase management agility. In addition, we newly appointed three non-Japanese directors with proven global management experience in June 2019 to provide a more diversified Board.

While implementing these five policies, we have also evaluated our significant potential to boost profitability and have formulated a number of measures to realize this. Each of our employees is currently striving to drive this major transformation to becoming a global medtech company.

Realize an Operating Margin of 20%, the Same Level as Global Medtech Peers

Olympus unveiled a new corporate strategy in November 2019 to replace 16CSP. Under this corporate strategy, the Company's strategic aspiration is to grow into a globally leading medtech company contributing to people's lives by delivering innovative solutions that benefit patients, healthcare professionals, payors, and providers. We will aim for an annual average growth rate of 5-6% over the long term, an operating margin of at least 20%, and to get a leading position in therapeutic areas.

In order to achieve this strategic aspiration and the performance metrics of our corporate strategy, we will promote four core components aimed at bolstering business growth and profitability as well as four measures to ensure stronger organizational functions. The four core components for business growth and enhanced profitability are to (A) Focus our corporate portfolio, (B) Further strengthen leadership in endoscopy, (C) Focus and scale our TSD business, and (D) Lead in next-gen minimally invasive surgery.

Lead in next-gen minimally invasive surgery. It is imperative to strengthen organizational capabilities to support this business growth and we are promoting four measures to heighten our organizational functions, namely (1) Improving our operational and financial performance, (2) Build capabilities fit for growth (3) Evolving our corporate culture, and (4) Focusing on the customer and value.

This corporate strategy is our basic direction. We plan to implement an action plan in pursuit of ongoing improvement in line with changes in the environment. By undertaking these initiatives, we aim to achieve an annual average growth rate of 6% in the Endoscope Solutions Division and 8% in the Therapeutic Solutions Division within the mainstay medical field.

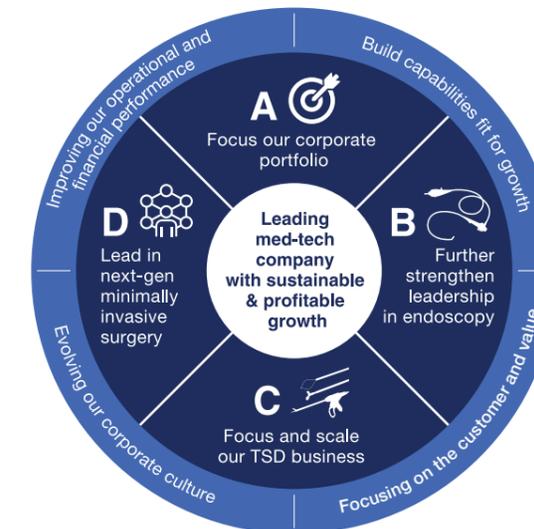
As initiatives to realize future growth and transformation, we are committed to progressing in three steps. First, we will focus on measures that can bring us short-term results in

Our Strategic Aspiration and Performance Metrics

Our aspiration is to **become a globally-leading medtech company** contributing to people's lives by delivering innovative solutions that **benefit patients, healthcare professionals, payors and providers**

-  Sustain **5-6%** Growth Annually
-  Deliver **>20%** consolidated corporate operating margin*
-  Become **leaders** in the therapeutic areas where we compete (GI-ET, urology and respiratory)

Our Corporate Strategy



- A** Focus the corporate portfolio, centering on Medical
- B** Maintain leadership in reusable endoscopes
Complement our portfolio with single-use endoscopes to accelerate growth and address unmet needs
Evolve the endoscopy commercial model – shift towards service-based offerings and procedure-based business models
- C** Focus and scale prioritized therapeutic areas (GI-ET, urology and respiratory)
- D** Develop a leading position in next-generation minimally invasive surgery by **delivering integrated technologies designed to improve clinical and economic outcomes**

FY2023/3 Financial Guidance and Supporting Financial Indicators

		FY2020/3	Target FY2023/3
Financial Guidance	Operating Margin*	Approx. 11%	>20%
	Free Cash Flow Growth*	Approx. ¥50 Billion	>20% CAGR from FY2020/3
Supporting Financial Indicators	ROIC*	Approx. 10%	>20%
	EPS Growth*	¥47	>25% CAGR from FY2020/3

*Adjusted for extraordinary items

Message from the CEO

procurement, our R&D portfolio, and inventory management. We will then accelerate efforts to enhance profitability based on *Transform Olympus*, and through this, achieve an operating margin of 20% in three years by fiscal 2023. Finally, after transforming into a lean and efficient corporate structure,

we will embark on efforts to strengthen competitiveness to stimulate sustainable growth such as mergers and acquisitions and large-scale investments using the free cash flow we have generated as the source.

expect the situation to become even stricter moving forward. As such, we will invest more management resources in an effort to keep pace with these changes. We will also focus on driving innovation based on the customer's perspective and needs, and introduce products in a timely manner that incorporate technology that differentiates us from our competitors and that meets market requirements.

Olympus has established a position as a global player in

business centered on medical fields. But there is still room for improvement in terms of reinforcing and coordinating functions on a global basis. As we move into the future, we will look to maximize the performance of the entire Olympus Group and build up strong capabilities through the global management of talent, the strengthening of IT infrastructure, the appropriate allocation of resources, and more robust business development.

Aim to Expand the Therapeutic Solutions Division While Strengthening Our Dominant Position in the Endoscope Solutions Division

In the Endoscope Solutions Division, our largest business, we aim to have the most comprehensive endoscopy portfolio on the market, supported by the evolution of a commercial model, to enhance the value we bring in early diagnosis. In the next few years, we expect further innovation in the gastrointestinal endoscope market, and as a leading company in the industry, we aim to grow and expand our business with a focus on early diagnosis and minimally invasive therapy.

First, we will endeavor to strengthen our leadership position in reusable endoscopes, one of our traditional areas of advantage, through continued innovation and commercial excellence.

We already command a dominant position in industrialized nations, and going forward we project high growth mainly in regions with significant scope for market expansion such as China and India. Additionally, in next-generation gastrointestinal endoscope systems, we will introduce technologies that drive innovation in detection, characterization, staging, and treatment of lesions with the aim of setting new standards for endoscopic diagnosis and therapy.

Next, we will seek to build a leading product portfolio for all endoscopic medical areas and reinforce our competitiveness by adding single-use endoscopes to our lineup. We are forecasting a high average annual growth rate of 20-40% in the single-use market over the next five years and believe single-use endoscopes are becoming the preferred choice in cases

requiring urgent and convenient preparation and high-level infection control and also since no maintenance is required. We are currently developing single-use endoscopes for the duodenum, biliary duct, and urinary tract.

Also, in line with the concept on value-based healthcare, we will shift to a commercial model based on medical cases and maintenance services. We will initiate trials of evidence or procedure-based payment models for targeted products and regions, and scale up pilot programs of all-inclusive maintenance services that include reprocessing (cleaning, disinfection, sterilization). Through these three strategies, we will further reinforce our current dominant position.

In the Therapeutic Solutions Division, where further growth is expected, we will focus on our highly competitive domains. The fields of gastrointestinal endotherapy, urology, and respiratory endotherapy are positioned for us to aim for leading positions in the market, and we believe we can increase the feasibility of growth by expanding products and spreading procedures backed up with strong sales practices. We established the global headquarters for this division in the United States in April 2019 and will pursue unique value through aggressive merger and acquisition activities, concurrent product development, and the strengthening of functions with regulatory and clinical affairs departments.

Contribute to Realizing a Sustainable Society by Taking a Proactive Stance on ESG

Amid drastic changes in global and social environments, Olympus needs to undertake its business activities from an ESG perspective in order for us to grow sustainably. We are making strides in identifying material issues (materiality) and have formulated six ESG areas of high importance to the Company. Going forward, we will make stronger efforts in particular for four actions within these six ESG areas ((1) Healthcare access and outcomes, (2) Compliance, product quality and safety, (3) Responsible procurement and (4) Employee diversity and inclusion).

Since our founding, Olympus has provided value to society through products and services in medical, scientific, and imaging fields, among others. As we forge ahead, we will look to fulfill our responsibility to society and stakeholders by carrying out these four actions, and at the same time, seek to improve our economic value and realize sustainable growth.

We will Actively Engage on Six ESG Areas:



Olympus will Focus on Improving:

-  Healthcare access and outcomes
-  Compliance, product quality and safety
-  Responsible procurement
-  Employee diversity and inclusion

Strengthening Organizational Capabilities Supporting Business Growth

To drive further growth in the medical field going forward, Olympus must reinforce the capabilities that serve as our foundation. We will work on reforming the mindset of employees while reviewing organizational structures and systems so that we continue to be a company that can generate high profitability and efficiency. In this respect, two of the key challenges to be addressed are "improving our operational and financial performance" and "build capabilities fit for growth."

First, in terms of improving our operating and financial performance, we will strive to enhance profitability by implementing various measures formulated under *Transform Olympus* over the next 3-4 years. We will aim to achieve an operating margin of 20%, the same level as global medtech peers, by significantly boosting profitability through efforts to

drive growth in profit via greater efficiency in addition to growth via sales gains.

Next, to build capabilities fit for growth, we will make efforts to strengthen our medical affairs functions in pursuit of business expansion in the medical field. We will endeavor to maximize customer value and contribute to the realization of a safe and secure medical environment by shifting from the provision of conventional value based on product offering and technological expertise to the provision of value based on medical evidence and medical data. In addition, we will bolster quality and regulatory functions with a view to the next 5-10 years in order to continue to expand business in the medical field and provide safe, high-quality products to stakeholders. We believe that it is a matter of course for laws and regulations to be strengthened and for legal requirements to increase as time passes and

Aiming to Foster a Culture of High Performance Based on Individual Awareness of Productivity

I am of the opinion that the most important point in becoming a sustainable company is to change the corporate culture rooted in that company. Olympus has developed many products that contribute to society, and we are a company with lots of opportunities and potential. Our medical devices provide value in the form of early diagnosis and minimally invasive therapy, thereby helping to improve the quality of life of patients while reducing their medical expenses, which are on the rise globally. Our scientific products play a part in life science research and the realization of a safe society, and our imaging products capture those irreplaceable moments in life and help make people's lives more fulfilling.

On the other hand, when looking at the external environment, the market has been changing at an unprecedented speed in recent years, and in order to respond quickly to these changes and survive, it is necessary to swiftly drive innovation and

meet the new era head on. In such times, it is imperative to establish a corporate culture that is customer oriented and encourages speed of action and efficiency. As we continue along our journey to become a global medtech company, we must change to a corporate culture that encourages high performance in which each employee is conscious of productivity. I will take the lead in advancing reform of the corporate culture for the entire organization while being careful to express what each individual needs to do in order to help us fulfill this goal.

November 2019



Yasuo Takeuchi

Director, Representative Executive Officer, President and CEO



Proactively Face Environmental Changes through the Visualization of Business Management

Message from the CFO

Yasushi Sakai
Executive Officer and
Chief Financial Officer

Support Execution of Business Strategy and Ensure Implementation

I was appointed Chief Financial Officer (CFO) in April 2019. In today's world, with its drastically changing business environment, I aim to make management decisions that go a step further by always trying to anticipate the future based on objective reasoning.

Under *Transform Olympus*, our corporate transformation

plan, we expect to be able to create further value by improving speed and efficiency. As CFO and entrusted with the Company's financial function, I believe that I have an important role to play in supporting business strategy and making sure it is implemented properly.

Review of Fiscal 2019 and Outlook for Fiscal 2020

Looking at results for fiscal 2019, the third year of the medium-term management plan 16CSP, consolidated revenue increased 1% year on year to ¥793.9 billion and operating profit decreased 65% year on year to ¥28.3 billion. The marked decrease in profit compared with the previous fiscal year was due to the recording of major one-time expenses that included the settlement of securities litigations related to past deferral in posting of losses, expenses associated with the plea agreement with the U.S. Department of Justice, and with the ceasing of operations at a Chinese manufacturing subsidiary.

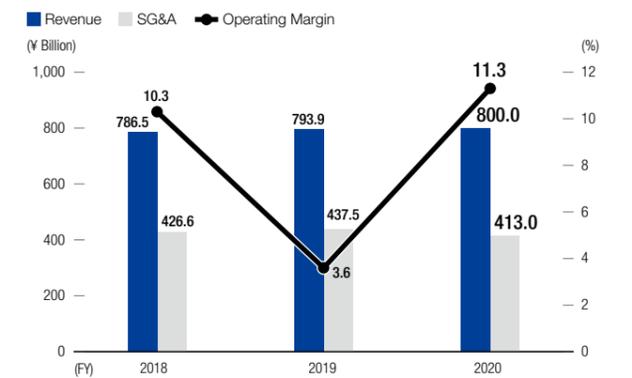
However, we are confident that we have mitigated the risk that has challenged us since the past.

In our mainstay Medical Business, steady performance was maintained in every field, namely the gastrointestinal endoscope, surgical, and endotherapy fields, resulting in record high sales. In the Scientific Solutions Division, the operating margin increased by 1.4pt year on year to 7.8% due to increased sales revenue and efficient control of expenses. This result marks steady progress toward our operating margin goal of 10%. On the other hand, in the Imaging Division, weak performance was

caused by the impact of the restructuring of manufacturing bases and an increasingly competitive environment. Despite this, we completed the transfer of production to our Vietnamese manufacturing subsidiary and expect to realize the benefits of structural reform from fiscal 2020.

As presented in the *Transform Olympus* plan, we will strengthen efforts to improve profitability and capital efficiency as a top priority. As the first step, we aim to control business operations by keeping selling, general and administrative (SG&A) expenses down to ¥413.0 billion in fiscal 2020, which is under the amount of ¥426.6 billion registered in fiscal 2018. In addition to the absence of the one-time expenses that were posted in the previous fiscal year, we forecast a significant improvement in all profit indicators by curbing SG&A expenses. Accordingly, we project sales revenue of ¥800.0 billion in fiscal 2020 as well as operating profit of ¥90.0 billion, around three times that of the previous fiscal year.

Control of SG&A, Revenue and Operating Profit Forecasts



Results and Challenges of the 16CSP Financial Strategy

A focus of 16CSP has been to improve financial soundness. Equity attributable to owners of parent to total assets stood at 47.3% as of the end of fiscal 2019, which is approaching our target figure, due to an improvement in financial condition, including a reduction in interest-bearing debt. In light of this situation, it is extremely important to enhance business growth and management efficiency in order to leap forward as a truly global medical technology company. We would like to generate cash flow enabling appropriate investment, and as a result, will advance a financial strategy that further boosts corporate value.

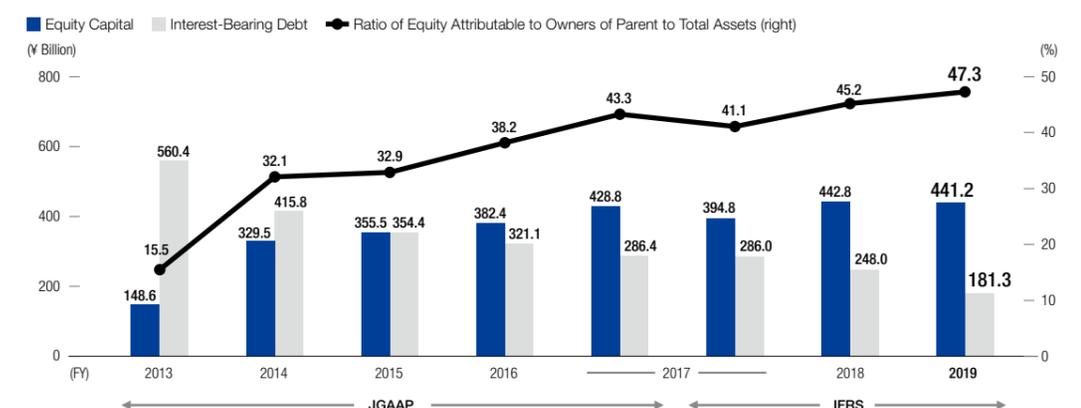
To achieve this, although we have traditionally focused on financial indicators related to profitability, going forward we believe we need to concentrate on the balance sheet as well, which includes strengthening the management system.

“Visualization” is a key component in bolstering the management system. This refers to visualization not only of

sales contents and indicators but also of product costs, SG&A expenses such as R&D costs, inventory, and capital investment, among other items, which will in turn enhance our monitoring capabilities once a plan-do-check-act (PDCA) cycle is set in motion.

I am committed to fulfilling my role in a financial capacity by following up on results as well as by swiftly recognizing signs of change and linking these to possible future scenarios. This also entails taking steps that help promote business based on this, or in other words, responding proactively to changes in the environment.

Equity Capital / Interest-Bearing Debt / Ratio of Equity Attributable to Owners of Parent to Total Assets



Message from the CFO

Financial Guidance in Corporate Strategy

In the corporate strategy announced in November 2019, an operating margin of 20% was established as a financial guidance. We are currently promoting improvement of profitability as a critical challenge to be achieved through initiatives primarily under *Transform Olympus*. By fiscal 2023, we aim to boost the operating margin from around 11%, the forecast for fiscal 2020, to approximately 20%. This is the most important target for the next three years in terms of medium-term financial indicators.

Olympus has stated three supporting financial indicators for fiscal 2023. The first is free cash flow growth. This indicator has been set from the point of view of firmly enhancing earning power in core businesses and generating future investment resources. The goal is to achieve an average annual growth rate of at least 20% over the three years to fiscal 2023.

The second indicator is return on invested capital (ROIC), set from the perspective of measuring efficiency in earning power and profitability in each business. The goal is to increase ROIC to at least 20% by fiscal 2023. By monitoring both the growth

axis as measured by free cash flow and the efficiency axis as measured by ROIC, we believe that healthy business growth can be achieved. Further, the effective use of ROIC will enable us to more readily make decisions based on the characteristics of each business and product lifecycle.

The third indicator is earnings per share (EPS) growth. Ultimately, our intention is to maximize shareholder value by improving earning power through growth in free cash flow and ensuring appropriate ROIC to improve efficiency. In the three years to fiscal 2023, we will place greater emphasis on achieving annual growth of approximately 25% and maintaining this level.

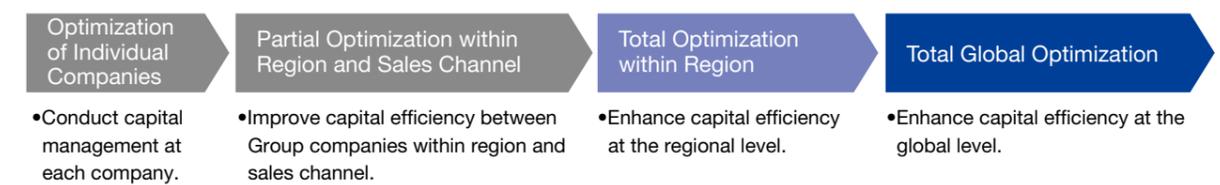
These financial indicators are vital to create an efficient structure enabling swift response to changes in the environment. We aim to achieve the goals set for these financial indicators under our corporate strategy by making them an integral part of our business activities and fostering a corporate culture that encourages high performance.

financial leverage while maintaining an effective rating level for funding.

Moreover, in terms of sales of endoscopes, demand has been increasing yearly for procedure-based models, particularly in the United States. With the application of the new leases accounting standard (IFRS 16) in fiscal 2020 and the implementation of various measures, the role of the financial function will become increasingly critical in business. We are already working on the liquidation of lease receivables and will continue undertaking measures that take the balance sheet into consideration in order to contribute to the execution of business.



Steps to Optimize Global Capital Efficiency



FY2023/3 Financial Guidance and Supporting Financial Indicators

		FY2020/3	Target FY2023/3
Financial Guidance	Operating Margin*	Approx. 11%	>20%
	Free Cash Flow Growth*	Approx. ¥50 Billion	>20% CAGR from FY2020/3
Supporting Financial Indicators	ROIC*	Approx. 10%	>20%
	EPS Growth*	¥47	>25% CAGR from FY2020/3

*Adjusted for extraordinary items

Initiatives to Enhance Capital Efficiency

The global centralized management of capital, a management resource, and optimization of procurement are indispensable strategies for Olympus, in which around 80% of total sales revenue is now accounted for overseas (fiscal 2019). As such, we are enhancing global cash management as part of efforts to improve capital efficiency. From April 2020, we will start pooling capital by consolidating surplus funds from Group companies in Japan, the United States, and Europe into a global financial hub in Europe. We believe that by unifying the settlement date

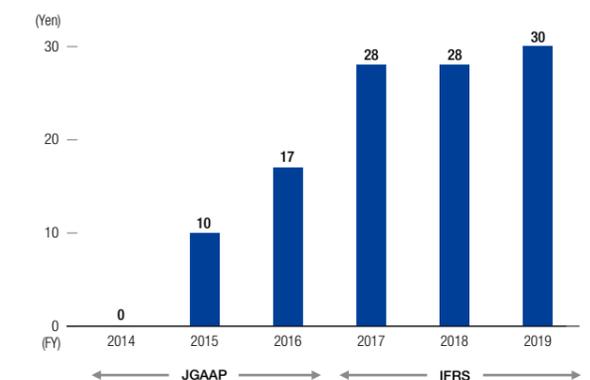
of receivables and debts at Group companies and adding settlement netting to offset each party's payments, we can reduce the amount of working capital required at a scale of ¥10.0 billion.

Credit ratings are also important to ensure smooth financing globally. Olympus enhanced its credit rating by two levels during the period of 16CSP in recognition of continuous improvement in financial structure. Going forward, the Company will work to reduce fund procurement costs by making the most of its

Cash Allocation Policies

We are now even more conscious of investing for growth in terms of cash allocation. With regard to business investment, we will prioritize investment not only aimed at driving growth but also to strengthen functions. In particular, in the Therapeutic Solutions Division we will more actively consider M&A based on business strategy. With regard to shareholders return, we aim to achieve a level of 30% as policy under our medium-term management plan 16CSP by fiscal 2021. From that point, we will maintain the proactive shareholder return policy considering corporate priorities and shareholders' value.

Annual Dividends per Share

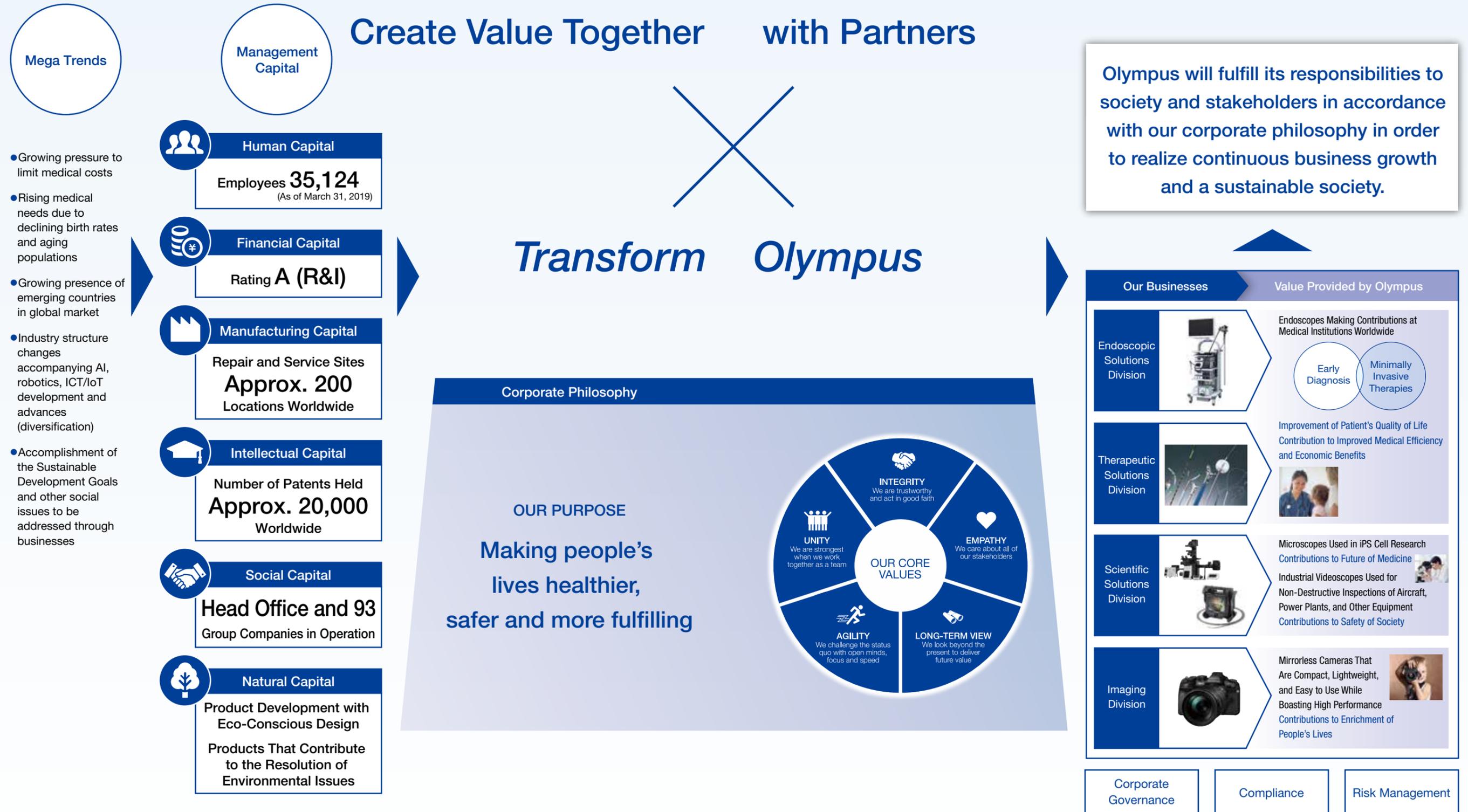


Olympus Cash Allocation



Value Creation Story

Olympus has accurately identified the needs of highly specialized partners and customers over the years and used this to its advantage in providing finely tuned solutions and services. Moving ahead, we will respond to changes in the business environment and strive to enhance the speed and efficiency of our operations under *Transform Olympus* with the aim of creating sustainable value.





Strengthen the Relationship with Customers and Aim to Drive Further Business Growth through Companywide Optimization

Message from the COO

Akihiro Taguchi
Executive Officer and
Chief Operating Officer

Promote Corporate Strategy as One of Olympus's Executive Officers

As Chief Operating Officer (COO), I have assumed responsibility for overseeing the operations and results of Olympus' four divisions: Endoscopic Solutions, Therapeutic Solutions, Scientific Solutions, and Imaging. I also support the Chief Executive Officer (CEO) in the management of the entire Company as one of Olympus' executive officers. Specifically, although I delegate the formulation and implementation of strategies for the four divisions to division heads, I carefully manage whether or not these strategies strengthen the relationship with customers and as a result lead to sales and profit.

In November 2019, Olympus announced the Corporate

Strategy. Within this strategy, a key role of mine is to revise the strategies of the four divisions from a companywide perspective with a view to optimizing the entire organization.

Moreover, while we are making solid progress in efforts to improve companywide business efficiency through *Transform Olympus*, we have yet to generate significant results for certain initiatives at the divisional level. As the person overseeing each division, it's my responsibility to find solutions to these outstanding issues. Since they affect the entire company, this involves engaging other executive officers and exchanging ideas and opinions to determine the best course of action.

Accelerate Growth in the Medical Field through "Transform Medical"

With the "Transform Medical" plan started in April 2019, Olympus reorganized its medical business into two global business divisions – the Endoscopic Solutions Division and the Therapeutic Solutions Division – from the traditional five

business units. In the Therapeutic Solutions Division, we are working to create a new value chain and business processes suitable for therapeutic devices by shifting the headquarters to the United States. The motivation of divisional members is

extremely high and I expect this move to culminate in business growth.

A major reason behind the reorganization was the difference in business processes between the two divisions. Endoscopes are capital products with a longer lifecycle, development is "seeds"-based, and to make sales we need to identify product replacement timing, the end of depreciation, and the status of budget implementation to be successful in business negotiations. On the other hand, therapeutic devices are almost exclusively single use with a shorter lifecycle, development is needs-based, or procedure-based, and to make sales we need to identify the number of procedures in each facility and how many of these employ Olympus products. Since the business processes for each of the two divisions fundamentally differ, a key task is to strengthen these processes as well as reinforce respective competencies, which form the basic aims of the reorganization.

Headquarters functions of the Therapeutic Solutions Division were shifted to the United States to offset difficulties in handling all aspects of this business on our own and address the need for outsourcing, as distinct from the Endoscopic Solutions Division. The United States is the world's largest market for therapeutic devices, so this approach will give us better access to the abundant U.S. medical industry cluster, including vendors for these devices and venture companies engaged in state-of-the-art technology development. It will also make it easier to respond quickly and locally to the regulatory requirements of the U.S. Food and Drug Administration (FDA). Shifting management of this division will enable us to take maximum advantage of the U.S. location. Taking a long-term perspective, we aim to build a collaborative structure with partners while eyeing mergers and acquisitions and strengthening our regulatory function.

Reorganization of Medical Field



Drive Change While Reinforcing Strengths

This alone will merely serve to minimize our handicap; however. It won't help us overcome the intense competition from large U.S. enterprises. It is important to find out what our strengths are and reflect them on each division's strategy. What does this mean exactly? In the case of the medical field, we have worked closely with medical doctors over the years, supporting not just the development of medical devices but also the advancement of procedures. In the past, Olympus assisted with the development of a polypectomy procedure to remove lesions such as polyps and developed an instrument known as a snare for burning off parts of lesions. Moreover, Olympus was the first in the world to develop a surgical knife exclusively for Endoscopic Submucosal Dissection (ESD) allowing the en block resection of widespread, early-stage cancer. These techniques are currently being used in many hospitals as medical treatment for early-stage cancer. The development of procedures and instruments is conducted in collaboration with physicians, which requires solid relationships of trust. Over the years, we have played a part in advancements in new

procedures and medical care by understanding the needs of doctors and providing ideas on what kind of devices Olympus can develop.

Thinking back, one of the strengths of Olympus has been our ability to comprehend customer needs and provide new value by getting close to the customer. This extends beyond the medical field to all of the fields we operate in. The Scientific Solutions Division with its development of the domestically produced Asahi 600x microscope and the Imaging Division with its development of the Olympus Pen, the world's first half-size camera, have grown from being close to the customer and providing new value.

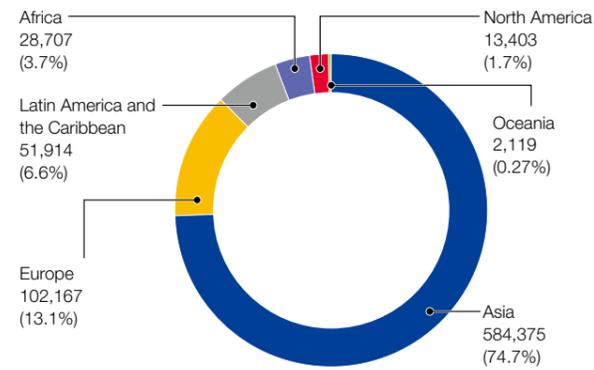
Olympus's operating environment is changing at a fierce rate with technological innovation continuing apace. As a result, Olympus needs to change dramatically to keep growing. At the same time, it's critical that we further evolve the strengths we have built up through our history so we don't lose them.

Expansion of Growing Businesses in Asia

Market Environment in Asia

Previously, although infectious diseases caused by a lack of hygiene were a real social problem in emerging countries, there has been a rapid decline in these diseases alongside economic advancement, and a more likely cause of death now is cancer. In Asia with many emerging countries, where around 50% of the world's population is concentrated, the number of cases of stomach cancer and esophageal cancer is high, while the early detection rate and five-year survival rate are low. In addition to changing disease, the main reasons for this are a rising and aging population, and increased needs for medical care following greater healthcare awareness in each country in line with economic growth. Due to a limited number of facilities and physicians that can appropriately diagnose and treat patients compared with developed countries, the penetration rate of endoscopes is low and the gap between supply and demand, stemming from the low number of endoscopists who can use these devices, has become an increasingly serious issue.

Number of Stomach Cancer Deaths in 2018 (Estimate)

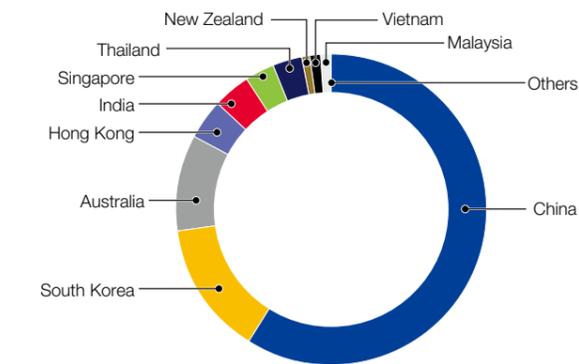


Source: WHO, Globocan 2018 Graph production: Global Cancer Observatory (<http://gco.iarc.fr>)

Olympus' Strategy in Asia

When viewed from a medium-to-long-term perspective, there is substantial room for the expansion of markets in Asia, and along with initiatives to expand business there is an integral strategy for the ongoing growth of the Company. Increasing the number of physicians capable of safely using endoscopes will be key to Olympus' growth. We aim to facilitate this increase by bolstering training support through our training centers. At the same time, we are reinforcing after-sales services to meet the rising demand for endoscope maintenance and repair services. On a regional basis, China has continued to manifest high growth in the past years, and as such, we intend to keep investing in this market. On the other hand, the increasingly uncertain political landscape and expectations of even stricter medical laws and regulations in emerging countries has prompted us to further strengthen our operational capabilities.

Distribution of Revenue by Country in Asia / Oceania



Number of Endoscopists per Million People

China	22
Malaysia	17
Philippines	4
Indonesia	2
Vietnam	6
Thailand	4
India	5
(Reference) Japan	250

Source: Olympus Corporation (based on publicly available data)

Sequentially Establishing Training Centers to Expand Business in Emerging Countries



Interview

It is Important to Build Win-Win Relationships with Local Communities

Rie Nakase

Endoscopic Solutions Division / Therapeutic Solutions Division
Director, Asia-Pacific Marketing

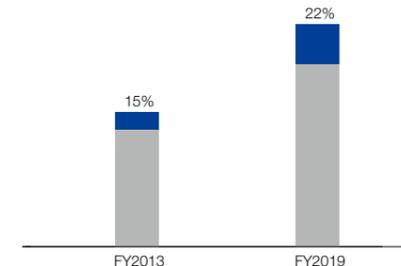


Establishment of a Strong Sales and Service Network in Asia

Olympus has been engaged in the medical fields in Asia since establishing a representative office in Singapore in 1975. In the 1980s, we established an office in China and since 2000 have established subsidiaries in Korea, Vietnam, India, Indonesia, and Malaysia, thereby building up our business foundations.

To further expand sales, we changed our organizational structure in 2011. Applying a block management for the 10 countries in Asia where we have local subsidiaries and enabling speedy decision making, Asia / Oceania region's share of revenue in the gastrointestinal endoscope field has grown from 15% in FY2013 to 22% in FY2019.

Olympus Revenue in the Asia / Oceania Region in the Gastrointestinal Endoscope Field



Creating Win-Win Relationships Locally by Providing Integrated Services

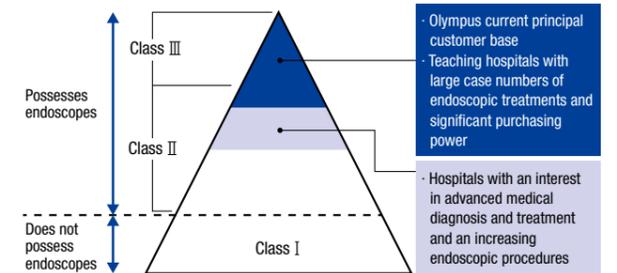
Olympus deploys products in a wide range of fields and is developing new diagnostic and therapeutic techniques that require continuing education. To ensure that our products are used safely and effectively, the training of healthcare professionals is paramount. It's also important to provide a repair service for endoscopes since they require constant maintenance.

Olympus provides integrated services ahead of the competition that range from diagnosis to treatment, thereby contributing to the expansion of medical access for patients together with healthcare professionals and improving the quality of life. The ensuing advancement in local medical care has heightened Olympus' presence in Asia. Emerging countries have a vulnerable medical infrastructure, however, and many of these nations have only just established academic societies. Olympus contributes to local communities through support to ensure day-to-day clinical practice and so that physicians can devote themselves to patients' care with peace of mind. We believe that building win-win relationships is one of our core missions.

Chinese Market Driving Results in the Endoscope Business

As a result of continued initiatives in Asia, we have achieved remarkable growth in recent years, especially in China. In FY2020, we forecast Asia, led by China, to drive results in the Endoscopic Solutions Division. In China, there are roughly 30,000 hospitals, with this figure on the rise, while sales to Class II facilities are increasing on the back of Chinese governmental support policies. Class II hospitals have an interest in advanced treatments and have started to focus on preoperative diagnoses, which is leading to purchases of high-end equipment, so we believe there is significant room for expansion in the market going forward. Besides strengthening our sales activities to Class II and below, we will team up with medical facilities and academic societies to accelerate activities to boost awareness of and drive broader implementation of early diagnosis and early treatment for cancer.

Latent Demand in China, Asia's Growth Driver



Supporting the Development of Physicians and Enhancing Exchange through Olympus Training Centers

Olympus uses its training centers to provide the opportunity for young physicians, who have very few chances to work in an actual clinical setting, to be familiar with our products, and for experts and young physicians to learn new skills as part of a team. The number of cases involving Endoscopic Submucosal Dissection (ESD), a medical treatment originating in Japan, is growing rapidly in China, and providing the opportunity to learn treatment methods with minimal burden on the patient has led to growing incentive to treat cancer in its early stages, with physicians passionate about the benefit of patients. Over the past five years, approximately 20,000 physicians have taken part in Olympus' training programs. Going forward, I hope we can contribute to a higher quality of medical care in emerging countries by providing the opportunity for training and thereby drive further business growth.

Stronger Reprocessing (Cleansing, Disinfection, and Sterilization) Initiatives to Improve the Safety of Medical Devices

Changing Environment Surrounding Endoscopes

Infection risks are rising in the medical field due in large part to the global emergence of multidrug-resistant bacteria. Because Olympus products are used in facilities around the world, our company is committed to playing an important role in addressing this more complicated landscape. This commitment comes with great responsibility. The responsibility to push ourselves and to ensure that safe, effective products reach those who need them the most.

Nothing Is more Important than the Health and Safety of Patients

Olympus strives to stay true to patient care by helping healthcare providers meet and improve their standards of care in endoscopy. With this in mind, we diligently work to support and improve reprocessing procedures and explore design innovations for future product generations. Knowing that infection prevention presents its own set of challenges, Olympus is committed to ensuring that healthcare facilities have access to trusted products, establishing partnerships with industry societies that seek to enhance product safety, and providing education and support that empowers healthcare providers to perform at their very best.



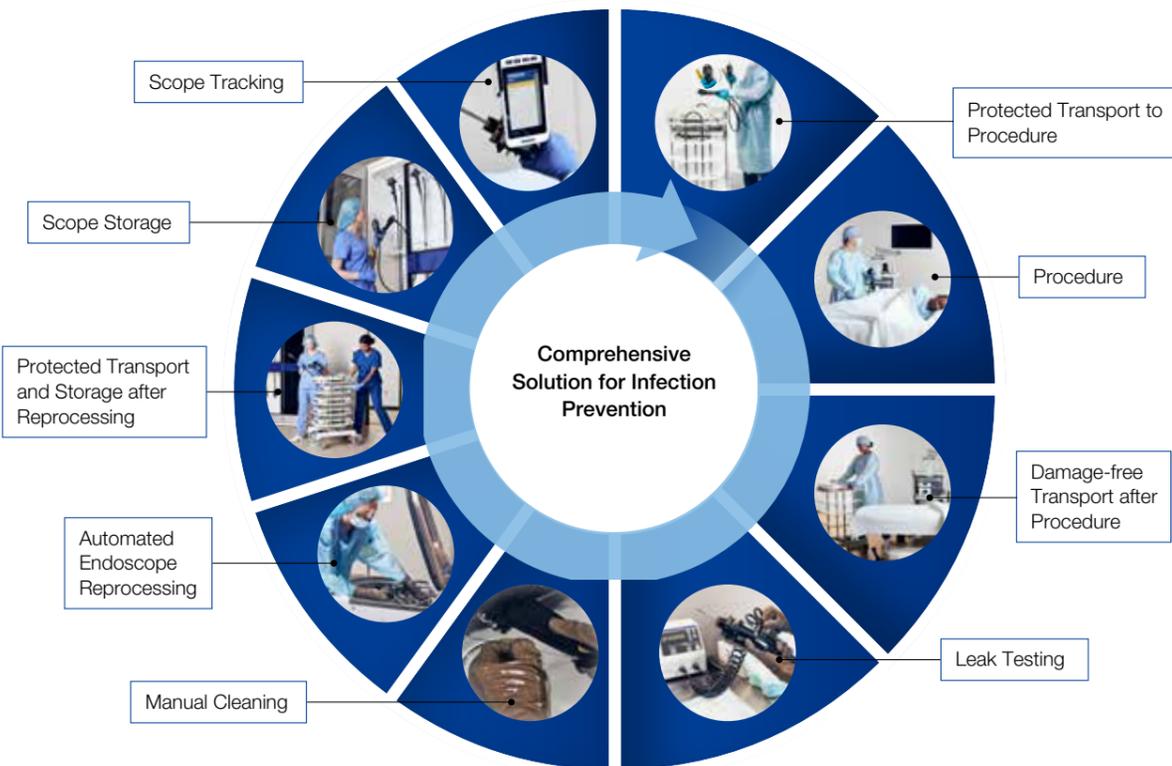
Olympus offers products supporting infection prevention while simplifying reprocessing and maximizing efficiency, from automated scope reprocessing to leak detection, and from drying and transport to storage.



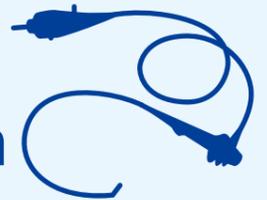
Olympus partners with educational institutions, research facilities and government organizations around the world to advance understanding of infection prevention.



Olympus offers customized education and training programs, comprehensive service packages, a wide-ranging support network, and the power of cutting-edge workflow connectivity.



Endoscopic Solutions Division



Focused on the two types of value provided by early diagnosis and minimally invasive therapy, we seek to help reduce healthcare expenses and improve patient quality of life.

The Endoscopic Solutions Division grows the business, as Olympus' core business which supports the entire Company with its share of more than 70% of the global gastrointestinal endoscope market. We will also continue to work to establish 4K and 3D surgical endoscopes as the de facto standard.

Katsuyuki Saito

Corporate Officer
Endoscopic Solutions Division Head

- More than 70% share of global gastrointestinal endoscope market
- Technological capabilities that led to development of world's first practical gastrocamera and have continued to lead innovation
- Network of approx. 200 repair and service sites worldwide
- 4K, 3D, and other products differentiated with high resolution and quality
- Manufacturing techniques that realize high-mix, low-volume production

Strengths	Weaknesses
S	W

- Position as follower in surgical device field after European and U.S. companies
- Limited systems for acquiring clinical evidence on medical and economic benefits

- Growing healthcare awareness; rising demand for early diagnosis due to spread of cancer prevention enlightenment
- Insufficient number of physicians trained in endoscopic procedures and space to improve medical techniques in emerging countries
- Progress in medical system reforms worldwide
- Rise in illness case numbers due to aging populations

Opportunities	Threats
O	T

- Strengthening medical equipment regulations worldwide
- Downward pressure on selling prices due to increased influence of GPOs and IDNs
- Appearance of overseas rivals due to reorganization of medical equipment industry
- More requirements to reduce infection risks (Significant upside in single-use endoscope)

Operating Environment / Risks and Opportunities

Operating Environment

- | | |
|----------------------------|--|
| Gastrointestinal Endoscope | <ul style="list-style-type: none"> • Rising case numbers due to aging populations in developed countries and higher cancer prevention awareness • Wider range of business opportunities accompanying economic growth and need for training to spread procedure usage in emerging countries • Higher requirements for quality and efficiency • Increased concern for disinfection and sterilization processes |
| Surgical Endoscope | <ul style="list-style-type: none"> • Growing maturity of 3D system market over the medium term and normalization of imaging sensors and data transferring technology compatible with 4K systems driving acceleration of full 4K system introduction • Distinctive R&D activities related to special light imaging technologies being advanced by various companies and permeating the market |

Strengths

- Dominating global market share for gastrointestinal endoscopes
- High-resolution and high-quality 4K, 3D, and other systems
- Operating room integration field business foundations reinforced through acquisition of Image Stream Medical, Inc.
- High-quality, global repair service infrastructure network
- Comprehensive training facilities and programs

Focuses for Business Growth

- Maintenance of endoscope market share and improvement of profitability
- Establishment of new de facto standard in surgical endoscopes market
- Significant upside in single-use endoscope
- Evolve the commercial model of endoscope (Shift toward value-based payment)
- Contributions to development of endoscopic medicine in emerging countries

Opportunities

- Increased detection of early stage diseases through early diagnosis and rising case numbers due to aging populations and higher cancer prevention awareness
- Increased demand for the commercial model toward procedure-based offerings
- Market of single-use endoscope with significant growth
- Higher global awareness of cleaning, disinfection, and sterilization

Risks

- Price competition resulting from global trend toward reducing healthcare costs
- Erosion in the reusable endoscope market in line with growth in the single-use endoscopes market
- More stringent cleaning, disinfection, and sterilization requirements

Endoscopic Solutions Division

Business Strategies

1	Maintain Leadership in Reusable Endoscopes	<ul style="list-style-type: none"> High growth in China and underpenetrated markets Leverage leadership position in reusable endoscopes
2	Complement Portfolio with Single-Use Endoscopes	<ul style="list-style-type: none"> Market of single-use endoscopes with significant growth Addressing unmet needs Completing our portfolio
3	Evolve the Commercial Model of Endoscopes	<ul style="list-style-type: none"> Shift toward value-based payment Cost pressure on providers Value of service-based business models

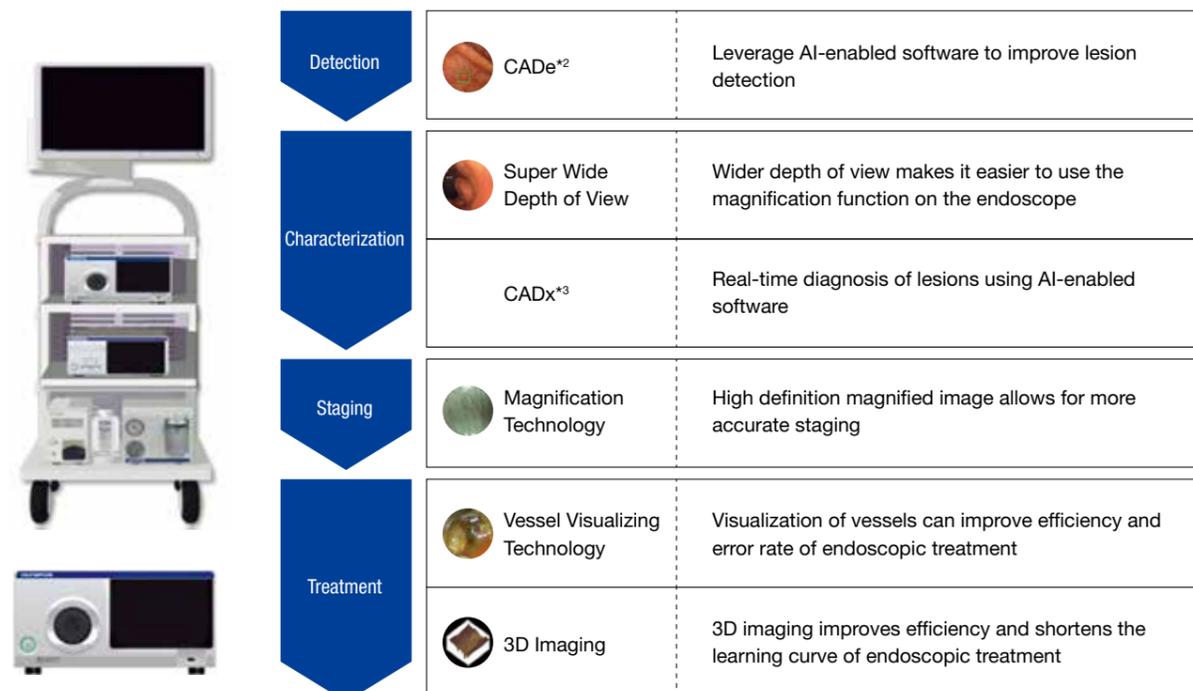
We already have an overwhelming position for reusable endoscopes in the existing market of developed countries. We expect to gain high growth centered on regions with much room for market expansion, such as China and India.

In China, the number of endoscopic procedures is expected to double by 2022. The Chinese government's policies to popularize preventive medicine are also proving to be beneficial to us, further accelerating growth in our business performance. In India, the vast population and rapid economic development are driving an urgent demand for the adoption of endoscopy, making it the next major market after China. Despite the fact that gastrointestinal diseases are common in India, just as in Japan and China, the number of endoscopists is extremely low, so we will focus on training doctors to help the spread of endoscopy in this country.

Single-use endoscopes, which have attracted much attention in recent years, are expected to maintain a high growth of 20 to 40% over the next five years. We believe we can reap significant growth by satisfying unmet needs through single-use endoscopes. By complementing our lineup with single-use endoscopes, we can build a comprehensive, optimized portfolio to suit any situation an endoscopist might face to further strengthen our competitive dominance.

The motivation and means of purchasing medical devices can be expected to change, based on the concept of Value-based Healthcare. In order to meet these demands, we will substantially evolve our sales and services models over the next few years.

1 New Endoscopy System*1 Aims to Introduce Technologies That Set a New Standard for Detection, Characterization, Staging, and Treatment



*1 Under development and not for sale. *2 Computer-aided detection *3 Computer-aided diagnosis

2 By Specifying Areas Where Single-Use Endoscopes Can Provide Their Unique Value, We Will Build a Comprehensive, Optimized Portfolio

By specifying areas where single-use endoscopes can provide their unique value in this way and realizing competitive devices, we will build a comprehensive, optimized portfolio.

Olympus' advantages lie in our understanding of unmet needs for clinical endoscopy, proprietary endoscopy technology honed over many years, a business base for single-use products like endoscopic and surgical devices, and the combination of these with reusable endoscopes and endoscopic devices.

By expanding our range of single-use endoscopes together with our unparalleled lineup of reusable endoscopes, we can further cement our overwhelming position as a leading company in every situation utilizing endoscopy.

Where Single-Use Endoscopes Create Differentiated Value

- Infection Control Requirements**
Single-use endoscopes may eliminate the need for reprocessing and maintenance, which can be beneficial where a higher-level of infection control is required, e.g., high risk patients, focusing on/depending on patients' needs
- Durability Requirements**
In cases of repeated procedures that quickly erode the durability of reusables, or in areas where smaller diameter are required, single-use endoscopes may provide our customers with a valuable option, e.g., ureteroscope, cholangioscope
- Procedure-Specific Requirements**
As reusables are not typically procedure-specific, single-use endoscopes provide a more specialized option that can be tailored to more specific needs/procedures, e.g., bronchoscope in the ER (sterile, ready-to-use, and highly mobile)

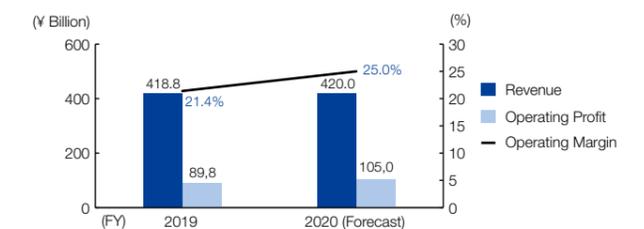
Target and Measures (FY2021-FY2023)

Maintain Leadership in Reusable Endoscopes	Product Innovation	<ul style="list-style-type: none"> Contribute to improving quality of endoscopic procedure by supporting healthcare professionals (HCPs) in the detection, characterization, staging, and treatment of irregular lesions Introduce AI-enabled CAD (computer-aided diagnosis) to new endoscopy system
	Commercial Excellence	<ul style="list-style-type: none"> Build clinical evidence to demonstrate the positive impact of new Olympus product features on the quality of endoscopic diagnosis
	Regional Growth	<ul style="list-style-type: none"> Continue to grow the pool of qualified HCPs in underpenetrated high-growth markets
Complement Portfolio with Single-Use Endoscopes	Prioritizing Focus Areas	<ul style="list-style-type: none"> Target scopes for duodenum, biliary duct, and urinary duct
	Strengthening R&D and Manufacturing	<ul style="list-style-type: none"> Strategic investment in R&D and manufacturing for single-use endoscopes
Evolve the Commercial Model of Endoscopes		<ul style="list-style-type: none"> Initiate trials of evidence or procedure-based payment models for targeted products and regions Scale up pilot programs of wrap-around services

~6% Revenue Growth CAGR

Fiscal 2020 Forecast

(FY)	2019	2020 (Forecast)
Revenue	¥418.8 billion	¥420.0 billion
Operating Profit	¥89.8 billion	¥105.0 billion
Operating Margin	21.4%	25.0%



Therapeutic Solutions Division



Providing customer-oriented products and solutions to enhance the value of minimally invasive treatment

We aim to create a business model for single-use devices such as endotherapy devices that are purchased and consumed for each procedure.

Tomohisa Sakurai (left) / Nacho Abia (right)
Corporate Officers
Co-heads of Therapeutic Solutions Division

<ul style="list-style-type: none"> Capabilities to develop therapeutic devices those meets the needs of healthcare professionals Offering "See and Treat" solutions, and leveraging our strong endoscopic imaging position Realization of new procedures development and necessary devices development through strong collaboration with HCPs in GI field Utilization of global manufacturing bases 	<p>S</p> <p>Strengths</p>	<ul style="list-style-type: none"> Position as follower after European and U.S. companies Limited systems for acquiring clinical evidence on medical and economic benefits Lacking lineup of single-use products 	<p>W</p> <p>Weaknesses</p>
<ul style="list-style-type: none"> Increased demand for minimally invasive therapy methods to help reduce healthcare expenses and improve patient quality of life Rise in illness case numbers due to aging populations Our global organization managed from the U.S. to operate business efficiently and improve the decision making speed Our possibilities to enhance product portfolio through external partnerships and M&A 	<p>O</p> <p>Opportunities</p>	<ul style="list-style-type: none"> Strengthening medical equipment regulations worldwide Downward pressure on selling prices due to increased influence of GPOs and IDNs Entry into market by low-cost manufacturers 	<p>T</p> <p>Threats</p>

Operating Environment / Risks and Opportunities

Operating Environment

- Rising case numbers due to aging populations and higher cancer prevention awareness
- Ongoing increase in need for endoscopic therapies
- Maturity to progress in European, Japanese, and Chinese markets while the United States is the largest market

Strengths

- Realization of product development that meets the needs of healthcare professionals with an emphasis on the customer's perspective
- Technology superior to that of the competition (NBI, TURis, etc.), with particular advantage in gastroenterology, urology, and respiratory departments

Focuses for Business Growth

- Globally managed from the U.S. to strengthen our ability to compete, grow, and lead in our largest market
- Enhance and develop the Business Development function to complete and grow the product portfolio through external partnerships, licensing, and M&A
- Establish best in class regulatory affairs and clinical affairs and pursue a real value proposition based approach for each product and procedure

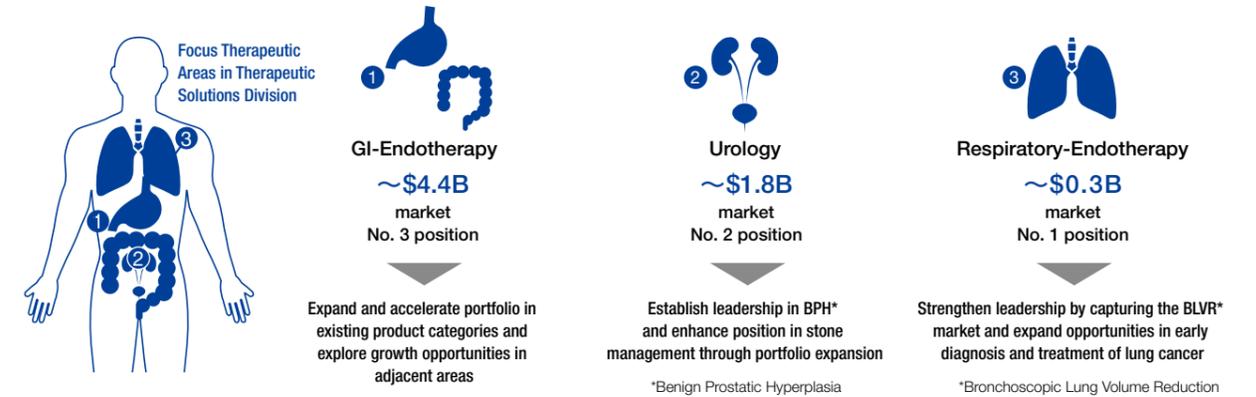
Opportunities

- Rising demand for increasing clinical and economic efficacy
- Growing demand for minimally invasive therapy due to increased detection of early stage diseases through early diagnosis
- Expansion of minimally invasive therapy markets in emerging countries
- Greater emphasis on cost performance stemming from growing pressure to limit healthcare costs
- Focus on centralized purchasing through GPOs and IDNs
- Entry into market by low-cost manufacturers

Risks

Business Strategies

To Accelerate Growth in Therapeutic Solutions Division and Enhance Our Value in Minimally Invasive Therapy, We will Focus on Category Leadership across Three Therapeutic Areas



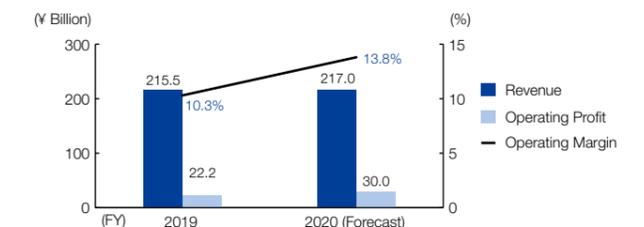
Target and Measures (FY2021-FY2023)

GI-Endotherapy	<ul style="list-style-type: none"> Expand clinically differentiated product offerings across all key categories, including ERCP, GI stent, and hemostasis devices through both internal initiatives and M&A
Urology	<ul style="list-style-type: none"> Expand presence of our BPH offerings in the urology suite and office Enhance product portfolio in stone management with launch of new fiber laser technology and other endo-urology devices
Respiratory-Endotherapy	<ul style="list-style-type: none"> Drive growth through adoption of intrabronchial valve system Expand EBUS indications and advance strong pipeline of EBUS needles
Other Therapeutic Areas	<ul style="list-style-type: none"> Expand energy solutions offering with launch of advanced energy device, introducing next-gen innovation in precision resection and reliable vessel sealing
Commercial Excellence	<ul style="list-style-type: none"> Strengthen sales and market development teams across therapeutic areas Invest in additional clinical data and reimbursement efforts

~8% Revenue Growth CAGR

Fiscal 2020 Forecast

(FY)	2019	2020 (Forecast)
Revenue	¥215.5 billion	¥217.0 billion
Operating Profit	¥22.2 billion	¥30.0 billion
Operating Margin	10.3%	13.8%



Scientific Solutions Division



We help make people's lives healthier, safer, and more fulfilling around the world by supplying innovative products and services for supporting scientific research, pathology research, and inspections of manufacturing and social infrastructure.

The Scientific Solutions Division delivers high-quality products and services for a variety of markets. In this business, we will continue to strengthen points of contact with customers as we establish frameworks that will enable us to respond to changing needs by supplying optimal solutions.

Yoshitake Saito
Corporate Officer
Scientific Solutions Division Head

- Superior technological prowess and quality for optical, imaging, ultrasound, and XRF technologies
- Top-class market shares for all product segments
- Global sales, marketing, and service networks
- Total solutions provided through diverse product lineup

- High susceptibility to changes in economic conditions of specific regions and countries
- Technological maturity of certain products
- Increased manufacturing and sales costs for certain products

Strengths	Weaknesses
S	W
Opportunities	Threats
O	T

- Long-term demand growth for social infrastructure construction in emerging countries and aging social infrastructure maintenance in developed countries
- Continuous growth in demand in aviation, automotive, and other manufacturing industries
- Increase in demand for digitalization in pathology research field
- New needs arising from regularization of regenerative medicine

- Large foreign exchange rate movements
- Trend toward limiting capital expenditures by private-sector companies
- Delayed execution of government budgets and budget cuts in various countries
- Emergence of alternative technologies
- Economic slowdown in emerging countries
- Cyclical trends in specific customer segments

Operating Environment and Direction of Strategies for the Scientific Solutions Division

Operating Environment and Business Opportunities

In the short term, we are witnessing favorable conditions for the semiconductor and electronic components industries due to increased demand in relation to the Internet of Things (IoT) and automotive products. Trends related to capital investment are also firm thanks to increases in natural resource prices. In the medium to long term, we anticipate growth in the Scientific Solutions Division to be driven in part by market expansion stemming from investment in aviation, transportation, and other social infrastructure. We also look forward to the emergence of full-fledged markets for digital pathology research and drug discovery and regenerative medicine support businesses.

Direction of Strategies for the Scientific Solutions Division

In the life science field, we deliver cutting-edge solutions for the cancer, neuroscience, and stem cell research markets, among others, with our high-share-holding microscopes. Olympus also endeavors to address the new needs arising from the increase in pathology research stimulated by the advancement of preventive medicine and the acceleration of regenerative medicine and drug discovery research through private-public partnerships. As for the industrial field, the Company is making steady progress in the customer segment-oriented strategies on the back of sustainable growth in the global economy, and it will thereby pursue growth in existing businesses while simultaneously bolstering product portfolios. At the same time, we aim to address new needs in the future growth fields of smart factories, automotive inspection, and structure monitoring.

Market Shares and Portfolios

	Biological Microscopes	Industrial Microscopes	Industrial Videoscopes	Non-Destructive Testing Equipment	X-Ray Fluorescence (XRF) Analyzers
Field	Life Science	Industrial			
Share	40–50%	30–40%	35–45%	30–40%	25–35%
Competitors	Nikon, Zeiss, Leica	Nikon, Zeiss, Leica	GE	GE	Thermo Fisher
Products					
Uses	Biological and medical research and pathology research Basic life science research and clinical pathology research aimed at a better understanding of illnesses and other topics	Contribution to improvements in efficiency and quality in industry as well as in safety and security in everyday lives			
Customer Segment	LS Research / Clinical (Pathology Research) / Regenerative / Medicine Support & Drug Discovery Support	Manufacturing / Environment & Natural Resources / Infrastructure Maintenance			

Priority Measures

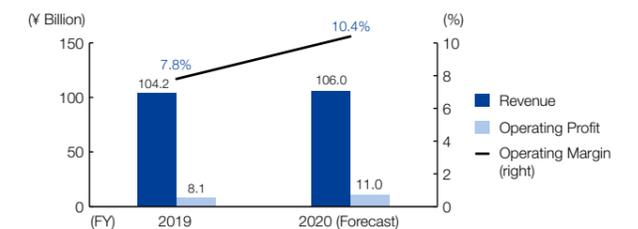
1	Improve Earnings Capacity and Keep Operating Margin Consistently 10% through Initiatives Tailored to Customer Segments	<ul style="list-style-type: none"> • Achieve organic growth in industrial and pathology research fields • Secure high profitability in existing businesses
2	Actively Expand Portfolios Targeting Customer Segments in Which Certain Growth Can Be Anticipated in Consideration of Company Strengths and Market Growth Potential	<ul style="list-style-type: none"> • Expand lineup of solutions that contribute to increased inspection quality, productivity, and efficiency for customers
3	Broaden Scope of Development of Regenerative Medicine Solutions to Further Long-Term Growth	<ul style="list-style-type: none"> • Conduct up-front investments in future growth

Accomplishments in Fiscal 2019 and Future Measures (Tasks)

Accomplishments	Future Measures (Tasks)
<ul style="list-style-type: none"> • Strong performance in sales of high-end equipment in the life science field mainly in North America and China and contributions from industrial microscopes, industrial videoscopes, and other products in the industrial field due to favorable markets for electronic components, aircraft, power generation plants, and manufacturing in the fiscal year ended March 2019. • Proactive expansion of product portfolios for manufacturing, infrastructure maintenance and other customer segments in which we can anticipate market growth and leverage Company strengths • Profitability increased significantly in the life science field due to efforts to enhance business efficiency. 	<ul style="list-style-type: none"> • Promote R&D to expand portfolio and materialize and execute strategies for creating sales opportunities • Ongoing reinforcement of customer contact points and development of fundamental technologies to achieve long-term growth in the regenerative medicine support field anticipated to see market growth in conjunction with future advancement of research

Fiscal 2020 Forecast

(FY)	2019	2020 (Forecast)
Revenue	¥104.2 billion	¥106.0 billion
Operating Profit	¥8.1 billion	¥11.0 billion
Operating Margin	7.8%	10.4%





We will contribute to making people's lives more fulfilling through the supply of mirrorless cameras and other innovative products.

The Imaging Division is steadily transforming its business structure. Looking ahead, we will contribute to making people's lives more fulfilling by providing products and services that show Olympus-like uniqueness through the development, manufacture, and sale of high-value-added products.

Shigemi Sugimoto
Corporate Officer
Imaging Division Head

<ul style="list-style-type: none"> Unique technologies accumulated by concentrating on mirrorless cameras Competencies in designing and manufacturing compact, lightweight, high-performance lenses Maintain high share in mirrorless camera market (domestic) 	<p>Strengths</p> <p>S</p>	<p>Weaknesses</p> <p>W</p> <ul style="list-style-type: none"> Low shares of large U.S. and Chinese markets
<ul style="list-style-type: none"> Expected increase in replacement purchase and additional purchase traditional single-lens-reflex cameras based on accelerated shift to mirrorless cameras throughout the market 	<p>Opportunities</p> <p>O</p>	<p>Threats</p> <p>T</p> <ul style="list-style-type: none"> Intensified competition in mirrorless camera market Further evolution of smartphones and tablets

Domestic Market Share (Mirrorless Cameras)



Digital Cameras



Others



Application of Imaging Division Technologies to Other Businesses

The Imaging Division functions as a companywide technology driver, and the technologies and business management processes developed in this business are being applied to other Olympus businesses, which contributes to making people's lives healthier and safer.

Technology / Business Management Process	Business of Application	Area of Contribution
1. Advanced digital technologies	Endoscopic Solutions Division	Use of digital camera auto focus actuator on the tip of next-generation endoscopes
	Scientific Solutions Division	Development of prototypes using Wi-Fi and ICT for regenerative medicine solution
2. Low-cost production and design technologies	Endoscopic Solutions Division	Use of low-cost, high-density packaging design based on imaging technology for endoscope processor boards
	Therapeutic Solutions Division	Development of next-generation energy devices using shortened, low-cost development processes and mass-production and miniaturization technologies
3. Mobile technologies	Therapeutic Solutions Division	

Operating Environment and Forecasts

Facing with a rapid decrease of the digital camera market, we proceeded with structural transformation to shift to a more lean structure. We thus sought to realize a business structure that will enable the Imaging Division to continue generating profits, in case of a decrease in sales, by optimizing cost structures and enhancing sales activities pertaining to high-value-added interchangeable lens products.

Meanwhile, the competition in the mirrorless camera market is fierce due to shift to mirrorless cameras by competitors. Olympus is focusing on development of Micro Four Thirds mirrorless cameras. Olympus will continuously enhance sales of mirrorless cameras through selection and focus and risk control.

Priority Measures

1	Advance Ongoing Business Structure Reforms	<ul style="list-style-type: none"> Focus on the development of high-value-added mirrorless cameras (primarily OM-D series) and interchangeable lenses (PRO series) Develop a business structure that allows for improved efficiency in launching new products and mass production Establish a business structure for companywide purchasing
2	Improve Responsiveness to Market Changes	<ul style="list-style-type: none"> Monitor the market size and Olympus' share and respond to changes in environment by improving efficiency in each location and function, and advancing the selection and focus of target market segments throughout our businesses
3	Minimize Inventory Risks	<ul style="list-style-type: none"> Reduce product supply lead times and lower risks associated with unbalanced inventory distribution among local regions to shorten inventory turnover periods
4	Contribute to Olympus as Groupwide Technology Driver	<ul style="list-style-type: none"> Establish comprehensive range of technologies for 4K and 8K movie, development of devices necessary for recording at these resolutions, and optimization of an output interface to a monitor Apply advanced digital technology, low-cost production technology, and mobile technology—which are created through the process of developing and manufacturing OM-D cameras and PRO lenses—to other businesses

Accomplishments in Fiscal 2019 and Future Measures

Accomplishments

- Advancement of structural transformation to generate stable earnings
 - Shutdown at a manufacturing subsidiary in China
 - Proceed with transfer of production to the Vietnam factory
- Reinforcement of earnings foundation
 - Improvement of product quality through the enhancement of quality assurance systems
- On-schedule introduction of OM-D E-M1X mirrorless camera and M. Zuiko Digital ED 12-200mm F3.5-6.3 interchangeable lens due to concentrating on the development of mirrorless cameras

Future Measures

- Ongoing advancement of structural transformation to maintain profitability
 - Steady implementation of operations at the Vietnam factory after transferring production and improving the manufacturing cost ratio (augmenting production capacity and improving efficiency)
 - Reinforcement of sales function after streamlining through selection and focus (response to changes in environment)
 - Improvement of profitability through the periodical launches of new products

TOPIC

Honored with Camera Grand Prix 2019 "Readers Award"

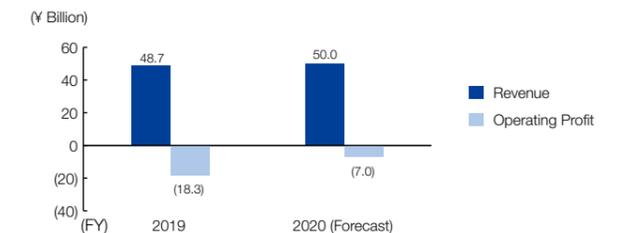
A Micro Four Thirds mirrorless camera "Olympus OM-D E-M1X" was honored with the Camera Grand Prix 2019 "Readers Award," one of the most prestigious awards in Japan.



Camera Grand Prix 2019 awards ceremony

Fiscal 2020 Forecast

(FY)	2019	2020 (Forecast)
Revenue	¥48.7 billion	¥50.0 billion
Operating Profit	¥(18.3) billion	¥(7.0) billion



Acceleration of Initiatives to Enhance R&D Efficiency and Generate Innovative Technology



Message from the CTO

Haruo Ogawa
Executive Officer and
Chief Technology Officer

Establishment of a Strong Organization That Can Respond to Drastic Changes in the Business Environment

The environment is changing dramatically in the fields of R&D, manufacturing, and procurement that I preside over. In R&D, technological innovations continue to occur, including ICT, AI, and robotics. In manufacturing, the concept of smart factories is in the spotlight and progress is being made in the digitization of production lines. In procurement, there are potential risks in

the supply of parts due to changes in the market environment. Against a background of such significant changes, we aim to make Olympus into a more flexible and robust organization capable of facing up to these challenges that always takes into consideration what has to be done in order to survive.

Efficient Enhancement of Product Completeness through Front-loading

Since becoming CTO, I have felt that there has been a strong tendency at Olympus to establish a varied product lineup and incorporate many different functions into products. The most important point, however, is whether we are providing high added value to customers or not.

This prompted me to rethink the basics in terms of what the customer truly wants, the way our products are being used and what is the easiest way to use our products.

It is important to understand customer needs and provide the product in the simplest way. In order to realize this,

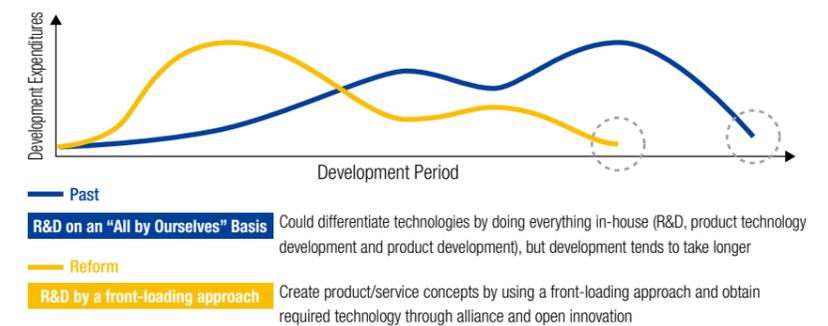
Olympus will place priority on the customer value we ought to offer and clearly define requirements for each R&D theme. We will also proactively introduce a front-loading approach to R&D. With conventional approaches to development, there is a risk of various problems emerging later on since products are becoming increasingly sophisticated and complex. By clarifying customer needs at the initial stage of development and securing the required technology through alliances and open innovation while also promoting R&D on our own, we can tackle R&D in a highly efficient manner. In the past, it was

difficult to identify problem areas without actually producing the product first. Now, we have computer simulations and other means to expose issues at an early stage. Olympus has already introduced these methods in our Scientific Solutions Division and Imaging Division, generating results that include enhancing R&D efficiency. Our policy will take the know-how we have gained from these two divisions and utilize it in the medical devices.

Some people hold concerns that shifting to a front-loading approach to R&D won't lead to the creation of unique future technologies for Olympus. I don't believe this to be the case. At present, the majority of our R&D is on an "all by ourselves" basis. Going forward, we aim to reduce this dependency and move to a front-loading approach. Also, the major patents that we possess are core access technologies (Group I) and imaging and sensing technologies (Group II) which are our core technologies. It is precisely because we have these

patents that we are able to protect our unique technologies such as narrow band imaging (NBI) technologies. We intend to further strengthen technologies in Groups I and II and develop technologies that are unique to Olympus. In addition to developing breakthrough technologies that respect the innovative ideas of our researchers, we will collaborate with other companies through open innovation with the objective of increasing the speed of R&D and exploring new customer value.

Notional Image of R&D Process



ICT-AI as an Effective Method for Expanding Customer Contact Points

Olympus has been contributing to "Making people's lives healthier, safer and more fulfilling" since our establishment. If one traces our history, it's evident that one of our clear strengths is the relationship with our customers. Over the years, we have listened to the needs of customers and commercialized products to meet these needs, leading to where we are today.

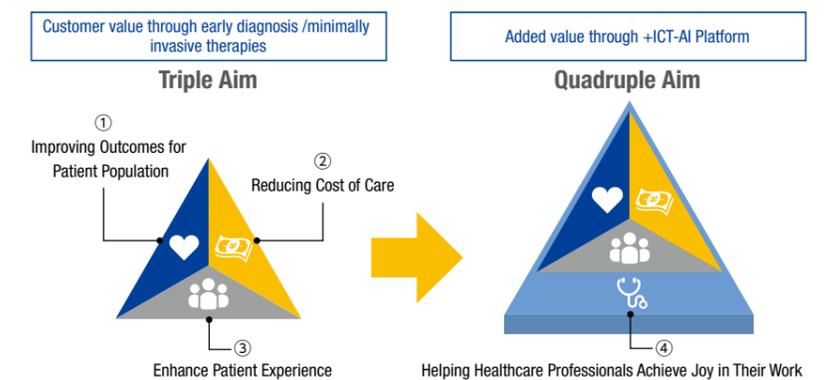
As technological innovation advances, how should we improve the relationship with our customers? The perspective we take is all-important. By providing customer value in terms of early diagnosis and minimally invasive therapies, we have contributed to our Triple Aim of improving outcomes for the patient population, reducing cost of care and enhancing patient experience. To realize our Triple Aim, it's essential to have dialogue with healthcare professionals. One of the biggest reasons our endoscopes now command top market share is the strong relationship with customers.

On the other hand, I sometimes hear people say that this strength of ours will become less potent as ICT-AI technology advances. I don't ascribe to this way of thinking, however. We merely need to create another strength. Introducing the ICT-AI Platform allows us to provide new value that will raise the satisfaction of healthcare professionals.

Hospital management has become increasingly difficult in recent times. A chronic shortage of personnel has increased the burden on each person

and forced more overtime, exacerbating a downward spiral. For example, endoscopic examination requires a variety of tasks to be performed, from preparation to insertion, diagnosis, treatment, cleaning, disinfection, and report, which is a significant load for healthcare professionals. To ease the burden, we use ICT and AI. Customer relationships and application of ICT-AI technology are not mutually exclusive. Rather, ICT-AI technology is an extremely useful means to increase customer relationships.

Although the operating environment is extremely tough, I am committed to fulfilling my role as CTO, implementing reforms and driving innovations that support us to become a truly global medical technology company.



R&D Activities and Intellectual Property Activities

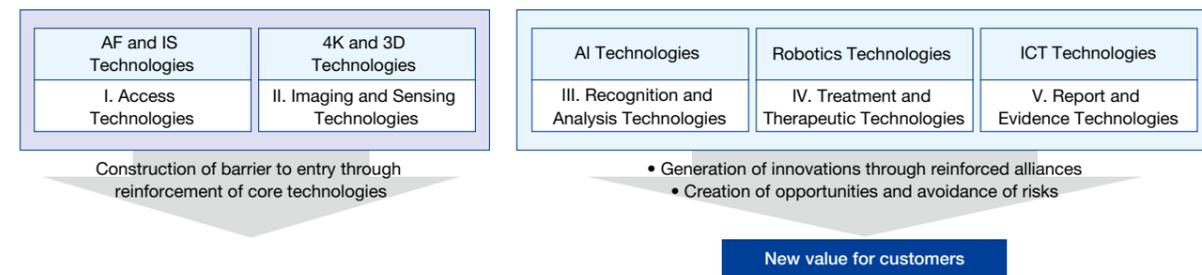
Product innovation at Olympus, and the eventual commercialization of all Olympus products, is rooted in the Company's policy of developing advanced technologies with the next 10 years in mind. New ideas and new technologies from Olympus lead to brighter futures for individuals and society.

R&D Activities

Basic Policy

Olympus provides value in the form of early diagnosis and minimally invasive therapies through the supply of endoscopes, microscopes, digital cameras, and other proprietary developed products. We refer to the differentiated technologies that allow us to create such value for customers as "core technologies," and these core technologies arise from our core competencies in optical technologies, electronic imaging technologies, precision technologies, and biological-based technologies. It is the goal of the R&D Group to support Olympus in creating value that exceeds customer expectations into the future and in constantly providing competitive products and services. We will therefore continue striving to enhance and develop new core technologies.

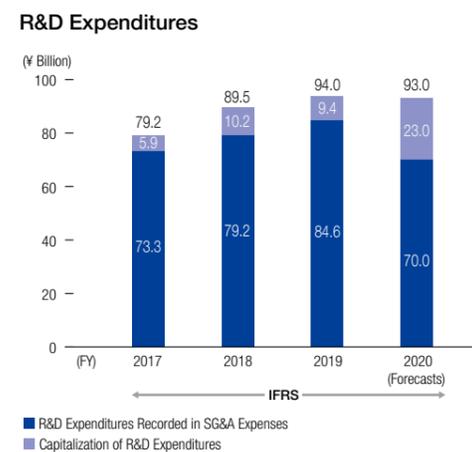
Core Technology Groups Arranged from the Perspective of Workflows to Create Customer Value



Approach toward R&D Expenditures

In order to leap ahead as a truly global medical technology company, it is critical for Olympus to quickly provide competitive products to the market. Shifting from our traditional "all by ourselves" approach to R&D to one focused on alliances and open innovation will enable the active pursuit of initiatives to secure required technologies, in turn resulting in shorter development times and a reduction in overall costs. Further, efforts will be made to optimize R&D expenditures by placing priority on R&D themes based on return on investment (ROI).

Olympus aims to reduce selling, general and administrative (SG&A) expenses in fiscal 2020 to the level of fiscal 2018 and a key point will be improving efficiency in R&D to achieve this. With the adoption of International Financial Reporting Standards (IFRS), capitalization begins during product development, so it is important to appropriately manage these expenditures, which includes product lifecycle management. Under the responsibility of the Chief Technology Officer (CTO), we are monitoring progress in capitalization.



X (cross) INNOVATION Activities

Olympus has announced three futures that it would like to realize led by the Technology Innovation Office, a structure that drafts and executes innovation strategies, based on analyses of the operating environment and risks of the overall medical industry. For example, we will look to reduce the burden on healthcare professionals and support the simplification of processes in the endoscopic examination workflow by utilizing artificial intelligence (AI) and information and communications technology (ICT). We refer to these activities as X (cross) INNOVATION, in which we collaborate with other companies through open innovation that extends beyond our walls. We will challenge initiatives for innovation in step with new technological advancements based on unprecedented new ideas and bold strategies and policies.

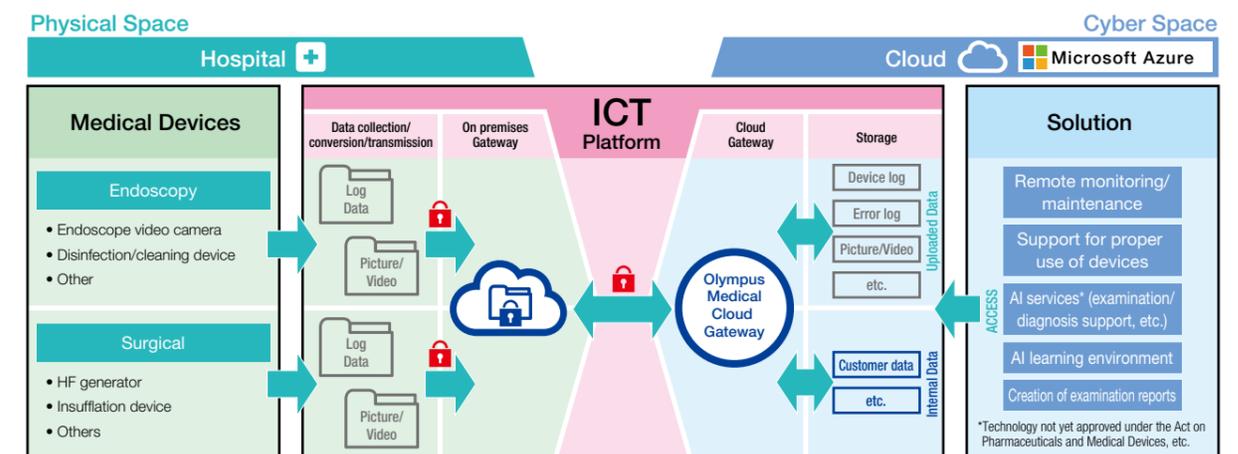
X (cross) INNOVATION
<https://www.olympus-global.com/technology/crossinnovation/>

ICT-AI Platform Technology Strategy

Olympus provides solutions to customers by helping to increase their business efficiency and enhance satisfaction through the use of ICT and AI technology. These solutions are integrated and offered in the form of our ICT-AI Platform.

In hospitals, we plan to offer an environment that enables the collection and utilization of information by linking various devices. Further, by continuing to increase the sophistication of our solutions by leveraging external networks and clouds, such as remote monitoring and maintenance of equipment and advanced analysis of operating conditions, we can improve the operational quality and work efficiency of healthcare providers. In addition to strengthening earnings through the effective utilization of our products, we aim to maximize the advantages that come with the use of these products through solutions that support operations based on AI and other technologies.

ICT-AI Platform Medical



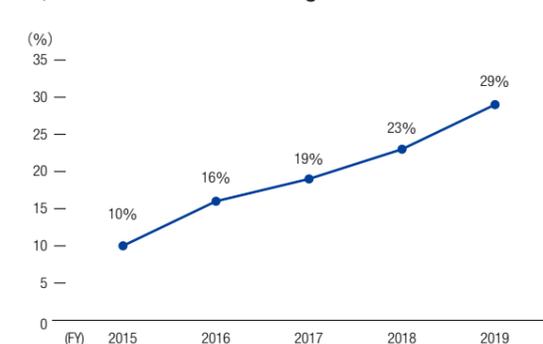
Intellectual Property Activities

Management of Intellectual Properties for Core Technologies

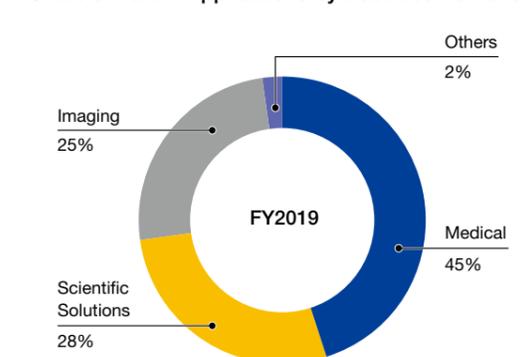
Olympus' core technology management practices are designed to provide balanced support for five technology groups with regard to intellectual properties. In addition to acquiring intellectual property rights for technologies developed by Olympus, we implement other initiatives for creating a more diverse and stronger patent portfolio and ensuring greater freedom in product development, which includes incorporating technologies developed by other companies. Of the five technology groups, we recognize that strengthening technologies related to groups from III to V will be of particular importance to future growth. Accordingly, we are stepping up patent applications in these groups while advancing intellectual property strategies that coincide with the growth of our business.

In recent years, we are moving ahead with the replacement of our patent portfolio with a focus on new patents that will generate synergies when considering the Company's strategies. By sustaining a sound patent portfolio while maintaining upkeep fees for intellectual property rights at an appropriate level, we aim to support innovative R&D activities by Olympus. In addition, we are improving the quality of our patents through careful selection of patent applications and choosing the countries in which to file patents, thereby securing the patents required to drive sustainable development for Olympus.

Ratio of Total Applications Accounted for by Groups III, IV, and V That Must Be Strengthened



Share of Patent Applications by Business Portfolio



Partner and Customer Assets

Olympus views healthcare professionals, researchers, and other highly specialized people as important partners as well as customers. Working together with such partners has resulted in Endocyto, an ultra-high magnifying endoscope that is capable of performing imaging in the manner of a microscope down to the cellular level, and EndoBRAIN®, AI-assisted diagnostic support software for endoscopic images. In this section, we hear from Professor Shin-ei Kudo, Chairman of the Digestive Disease Center, Showa University Northern Yokohama Hospital about the background to research and development and how Olympus creates value with our partners and customers.



Products That Reflect the Requirements of Doctors in the Field Contribute to the Diagnosis of Many Patients

Professor Shin-ei Kudo,
Chairman of the Digestive Disease Center,
Showa University Northern Yokohama Hospital

Q The number of people affected by colorectal cancer is increasing each year worldwide and the prevention and treatment of this kind of cancer has become a significant issue. Against this backdrop, the accuracy of diagnosing colorectal cancer has risen dramatically following the development of magnifying endoscopes. Can you explain the history regarding the development of these products and the background to the research and development of the Endocyto ultra-high magnifying endoscope, which utilizes EndoBRAIN® software?

A I was engaged in research and development using magnifying endoscopes that perform at a maximum of 100 times magnification together with Olympus throughout the 1980s. This R&D came about from a desire to conduct more precise endoscopic diagnoses given the fact that my paper on depressed lesions of the colorectum, the first of its kind in the world, was largely overlooked globally and in light of the importance of real-time in-vivo observation of pit pattern classification (diagnosis from the surface microstructure of the colon). This led to the penetration of magnifying endoscopes,

and pit pattern classification became more widespread. This in turn prompted a desire to observe the cell nucleus and blood vessels in more detail. Pit patterns were to become the standard in colonoscopy diagnosis, and I believed that the in-vivo evaluation of the nuclear grade would enable the same level of diagnosis as pathological diagnosis in-vivo and get us closer to understanding the true nature of cancer.

However, even though Endocyto produces similar images to pathological images, there are still differences. As a result of meticulous one-to-one comparisons of pathological images and Endocyto images, it was decided that Endocyto in fact provided more useful insight. This culminated in the establishment of the diagnostic method known as Endocytoscopy.

Q As a result of advancing research and development on automatic diagnostic techniques using Endocyto, Olympus released EndoBRAIN® in February 2019, the first AI technology in the endoscopy field to obtain regulatory approval in Japan. Why is AI-assisted diagnostic support necessary in colonoscopies?

A When detecting lesions (polyps) in an endoscopy, it is necessary to determine whether the lesion is neoplastic or not, or needs to be treated or not. Around 30-40% of all lesions are non-neoplastic lesions, and if it isn't possible to discriminate the lesions during an examination, all of them have to be cut out, with such treatment a significant physical burden on patients as well as a financial burden on the country in terms of economic efficiency. Since it's difficult to distinguish between neoplastic and non-neoplastic lesions, if the person conducting the endoscopy is not an expert, the accuracy rate is said to be around 70-80%. Using AI-assisted diagnostic support greatly enhances this accuracy, making it possible to eliminate unnecessary treatment and tissue examination.

Q What kind of role did Olympus fulfill in the research and development of these products?

A Endocyto is a product that closely reflects our requirements. It provides us with high-magnification, high-definition images of the cell nucleus at the microscopic level and its insert-ability rivals that of ordinary endoscopes, which is a huge plus. The method of observation combining Endocyto with narrow band imaging (NBI) enables excellent visibility when used in conjunction with the LUCERA ELITE system*, made possible with the efforts of Olympus' development, as opposed to conventional digestive endoscope systems with less light intensity. Such advancements in the light source were indispensable in the research and development of Endocyto.

Moreover, the application of Olympus's sales channels has enabled the delivery of EndoBRAIN® to many physicians trained in endoscopy to the benefit of many patients.

*Mainly sold in Japan

Q How are Endocyto and EndoBRAIN® contributing to physicians, hospitals, and patients?

A Previously, around a week was required to obtain the results of pathological diagnosis. Physicians can acquire close to the same information in a just 0.4 seconds with EndoBRAIN® helping to diagnose whether it is a neoplastic or a non-neoplastic lesion. The application of EndoBRAIN® is expected to enable any physician, irrespective of differences in experience, to make this discernment with an extremely high degree of accuracy at all times, which is extremely important. That means physicians are now able to accurately distinguish between lesions that need to be treated and those that can be left alone, thereby supporting more accurate physician diagnoses.

Rather than extract tissue, wait for the results of pathological diagnosis and then decide on the treatment method like before, the results of the diagnosis can be communicated on the spot, which has the advantage of reducing the number of times the patient needs to visit the hospital. This serves to significantly cut down on medical expenses thanks to a reduction in treatment fees.

Q Going forward, what are your expectations of Olympus?

A Olympus's endoscopes account for 70% of the global market, contributing to the health of people all over the world. I am sure that a number of AI-assisted products will be released in the endoscope field in the future. I'd like Olympus to make efforts to develop models enabling AI diagnosis and aid with the proliferation of these products so that the Olympus name becomes synonymous with AI-assisted endoscopes. In addition, although the application of AI is expected to become more widespread in endoscopic examinations and support further aspects of examinations, the technology is not perfect. Training and support will be essential for physicians to understand the strong and weak points of AI and become better versed in the use of AI-assisted endoscopes. Going forward, I hope Olympus continues striving to develop products that reflect feedback from the medical field and thereby contribute to next-generation medical treatment.

Product Information

Endocyto ultra-high magnifying endoscope



The Endocyto ultra-high magnifying endoscope enables high-magnification, high-definition images at the microscopic level through the use of an optical magnification ratio up to 520 times. That makes it possible to conduct real-time

in-vivo observation at the cell level during endoscopic examinations, with expectations of more accurate diagnosis and eliminating unnecessary biopsies. The tip of Endocyto has the same diameter as conventional endoscopes, thus lessening the burden on patients during insertion.

EndoBRAIN® AI-assisted diagnostic support software for endoscopic images



EndoBRAIN® was researched and developed by Showa University Northern Yokohama Hospital, the Nagoya University Graduate School of Informatics and Cybernet

Systems Co., Ltd. with the support of AMED*. Olympus has acquired exclusive sales rights for the software in Japan from Cybernet Systems Co., Ltd. Ultra-high magnified images of the colon taken with the Olympus-made ultra-high magnifying endoscope Endocyto are analyzed using AI to automatically distinguish between neoplastic and non-neoplastic lesions in real time, thereby aiding in diagnoses made by physicians.

*AMED: Japan Agency for Medical Research and Development

Leading the Global Transformation of Olympus Towards Efficiency



Message from the CAO

Stefan Kaufmann

Director, Executive Officer and Chief Administrative Officer

My Appointment as CAO in April Followed a Multifaceted Business Career Spanning Numerous Roles

Prior to joining Olympus in 2003 as European Head of HR, I worked in various HR functions at a leading retailer and at a major travel operator. It was Olympus that provided me with my first opportunity to be fully accountable for a firm's HR function, in this case for the European territory. But I was also given the opportunity to broaden my areas of responsibility. Very quickly my role expanded to include other corporate functions.

In 2008, I was appointed Managing Director Corporate Division. My responsibilities grew to include all corporate

functions and I became a member of the European Board, as well as Czech Republic's Managing Director from 2009-2011.

Following my appointment to the position of CEO for the EMEA region in 2011, I became Corporate Officer in 2017. Then, in April 2019, I was assigned the role of Chief Administrative Officer (CAO), which is the position I hold today in addition to my Board membership.

Leverage Experience and Know-How

As CAO, with responsibility for HR, IT, Supply Chain Management, and *Transform Olympus*, I strategically support initiatives that contribute to the company's efficiency and thus to its sustainable growth. I am deeply convinced that process efficiency is the backbone of a high-performance enterprise.

My European experience is of immense value as Europe can be seen as being a microcosm of the world. There are different countries, languages, and cultures that need to be addressed.

Having been surrounded by this diversity I have accumulated a great deal of experience over the years, in this regard. I believe the experience and know-how I have gained can be put to use anywhere in the world and will be instrumental in our efforts to become a truly global medtech company.

Critical Areas to Change

As an example of an initiative to increase the efficiency of Olympus in Europe, we opened a business center in Poland in the summer of 2018 to assume all transactional tasks in the areas of Finance, Supply Chain, Sales Administration, and HR for all European subsidiaries. Standardizing and automating business processes is an important part of setting up the business center, and is common practice in excellent global companies. In that regard, Olympus should leverage the latest technology in robotics, artificial intelligence (AI), and machine learning to standardize processes and improve efficiency.

But it is not only about process efficiency. The change that is so crucial for us will also be driven by strong leadership capabilities and will truly empower our people, thereby leveraging and unleashing the potential of these people and the company as a whole. I firmly believe that creating an environment that inspires people and enables teams to work efficiently should be a common goal for every company and is a key strategy driver.



Business center in Poland

Reform Cost Structure to Drive Sustainable Growth



I am responsible for managing the selling, general and administrative (SG&A) expenses in the 2020 fiscal year. Our SG&A expenses to sales ratio was 55% in 2019. We cannot expect to achieve sustainable growth with such a high cost ratio. In the context of globalization and digitization, high costs make necessary investment difficult, but a healthy financial performance will allow Olympus to remain independent and invest in new technologies for growth. Efficient processes and an outstanding product portfolio are important for our success.

I am convinced of the potential that Olympus has. I believe that what we do over the next three to five years can make a significant contribution to transform Olympus into a truly global medtech company. It's the responsibility of management to pave the way for realizing this potential and to ensure sustainable development. I am confident that Olympus is a company that is poised to lead the way in the coming century by providing our customers with excellent products that are developed, produced, and marketed efficiently.

Human Resources

Olympus views its human resources as the most important management resource to ensuring our sustainable growth. We therefore respect the individuality of employees as we seek to become an organization that can provide swift and systematic responses to changes in the operating environment.

Basic Policy

Olympus faces a rapidly changing operating environment. In order for the Company to grow and return value to society, it is crucial that all employees pursue self-growth as independent and socially minded craftspeople to become able to respond appropriately to social change. We revised our corporate philosophy in May 2018 and clarified Our Purpose, which lays out the aims of the company, and Our Core Values, the values that all employees should share. We also defined Our Behaviors, guidelines concerning the concrete actions to be taken, to reflect Our Core Values in the activities of individual employees. Under *Transform Olympus*, our corporate transformation plan that got underway in April 2019, we are

pushing ahead with the introduction of a globally integrated HR management structure as a basis for supporting employees who can play a role on the world stage and individuals in their quest for ambitious goals and personal growth.

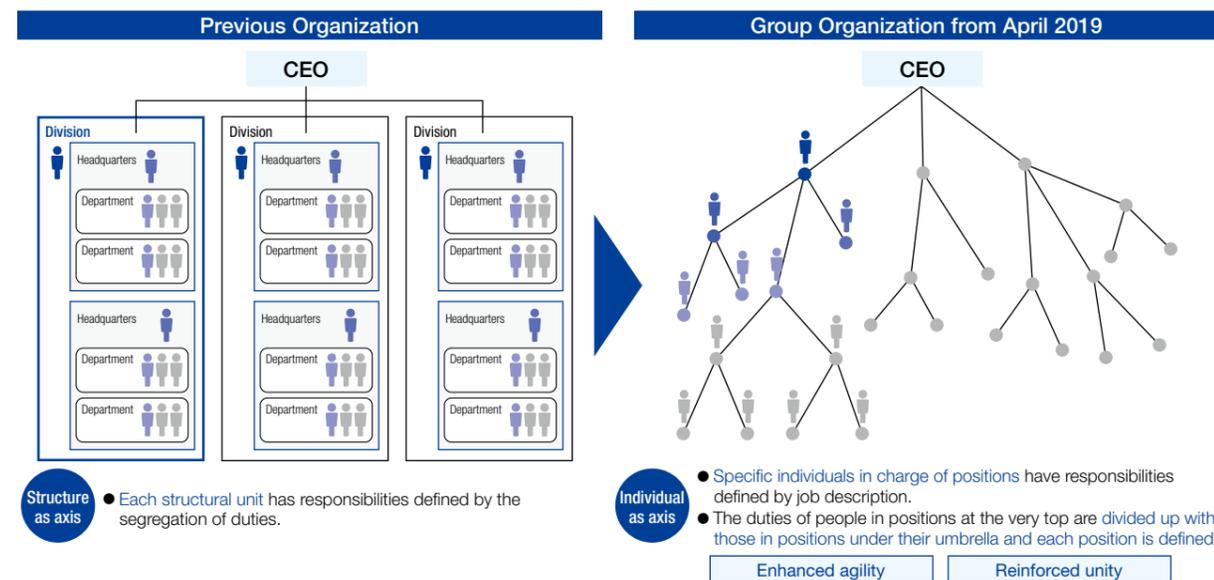
Olympus thus believes in the importance of respecting the individuality and unique skills of its employees and, trusting in their ambition and enthusiasm, accurately evaluating their achievements and providing appropriate rewards. Our human resource development approach places an emphasis on the growth of each employee, encouraging their independent and voluntary motivation for self-development.

Organization Changes in Line with *Transform Olympus*

Under *Transform Olympus*, we aim to provide a structure that enables employees with shared values to take active roles globally and for each individual to challenge ambitious goals and develop with an emphasis on maximizing mutual potential and dynamism. To achieve this, it is necessary to create infrastructure that allows us to appoint the right high-level talent from the Olympus Group worldwide in optimal positions. Organizational changes in Japan were made in April 2019 to facilitate this. Whereas previously roles and responsibilities were defined by structure, we have shifted to a style in which positions with

responsibilities and authority are assigned by function. We have adopted the idea of establishing necessary positions based on the ideal organizational design and connecting each one in a tree-like manner with high-ranking positions serving as points of origin. Respective positions will have a job description that clarifies individual responsibilities, authority, and work conditions. Employees will aim to be flexible and cooperate with one another depending on the objective, with work performed based on a line of report under the responsibility and authority of personnel in high-ranking positions.

Organization Changes



Performance-Based HR Management System to Utilize Global Talent

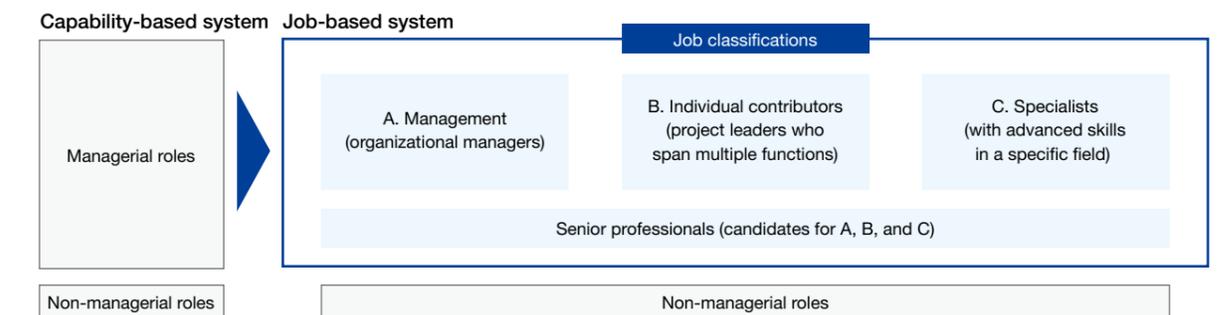
To promote the use of global human resources, Olympus changed its management-level human resources program in Japan from a capability-based system to a job-based system. With a job-based system, management is divided into four groups: management (organizational managers), individual contributors (project leaders who span multiple functions), specialists (with advanced skills in a specific field), and senior professionals (candidates for the aforementioned three groups). Organizational managers and individual contributors are given six different job classifications and each position is rated based on the weight of the duties they are responsible for. Each position is defined by a job description that clarifies responsibilities and the required authority is allocated. Compensation falls within a range for each job classification and bonuses and salary increases are decided based on outcomes and results for each fiscal period.

The evaluation system prioritizes performance evaluation based on management by objectives with behavioral

assessment taken into account to adjust the rating up or down by 10%. With performance evaluation, Olympus has shifted to a system that more strictly applies a management by objectives approach with an awareness of the change from capability-based reward to job-based reward. In particular, we intend to strengthen the connection between top policy and individual objectives based on the role of the position defined in the job description. Behavioral assessments will be based on the degree to which the person has demonstrated core values as a manager. This will be added to the results of the performance evaluation at the end of the fiscal period to determine a final evaluation for that particular evaluation period.

With the revision to the HR management system, Olympus will make sure that the right people are appointed in line with a principle of capability irrespective of nationality, age, and gender and based on the clear roles and responsibilities set for each position.

Example) Changes to Japan's Human Resources System



Promotion of Diversity

Olympus aims to drive sustainable growth for our employees and the corporation while maximizing the individual potential of our diverse human resources and striking a good balance between work and private life. We continue to promote Work-Life Integration to realize synergy through the support of our employees' work-life balance, which resulted in the attainment of *Kurumin* certification from the Minister of Health, Labour and Welfare once again in 2019.



Olympus has been implementing action plans based on the Act on Promotion of Women's Participation and Advancement in the Workplace since 2016, introducing a mentor system aimed at developing female employees and working to nurture female leaders by expanding and enhancing training. As of April 30, 2019, Olympus had 53 females in managerial positions

(compared with 33 in the previous year)*1, with the ratio of females in such positions rising each year. Under *Transform Olympus*, we aim to employ and appoint human resources regardless of nationality, age, and gender, and we are making progress in efforts to build a human resources system at the global level as well as a conducive environment.

Olympus works proactively to employ persons with disabilities. In April 2019, the number of companies operating as special-purpose subsidiaries*2 was increased from five to eight with the addition of three manufacturing subsidiaries companies in Tohoku, strengthening our commitment to employing persons with disabilities in the domestic group and maintaining our employment rate above 2.2%.



Training for female managers

*1 Olympus Group in Japan

*2 Special-purpose subsidiary: A subsidiary approved by the Minister of Health, Labour and Welfare under the provisions of Article 44 of the Act on Employment Promotion, etc., of Persons with Disabilities as an organization that gives special consideration to the employment of people with disabilities and is deemed as one of the business offices of its parent company

Employee Roundtable Discussion

Discussion about Olympus' Corporate Culture

Following the formulation of our new corporate philosophy defining Our Purpose and Our Core Values in May 2018, Olympus announced the transformation plan *Transform Olympus* in January 2019 aimed at leaping forward into a truly global medical technology company. In line with this plan, we have commenced full-fledged efforts to drive sustainable growth. How do employees perceive the corporate culture built up over the years and how is it changing? To find out, we conducted a roundtable discussion on the topic between mid-career employees working on the front lines of the Endoscopic Solutions Division, Therapeutic Solutions Division, Scientific Solutions Division, and Imaging Division.



*Affiliations as of May 2019

OUR PURPOSE
 Making people's lives healthier,
 safer and more fulfilling



The Key Is Balancing the Five Core Values.

T. Watanabe Which component of Our Core Values do you think has truly permeated the Company over the years? Also, more than a year has passed since the corporate philosophy was revised. What has changed in your respective workplaces?
Taniguchi In sales, there's a tendency to take a short-term perspective with a focus on immediate sales, so we are taking care to put aside this mindset and take a *long-term view*.
Tadakoshi Around 10 years ago, I hesitated about whether to inform a customer about a new product prior to the official announcement or remain silent and continue selling the same model. When I turned to a senior colleague for advice, I was told that 10 years of trust outweighed one year of sales, which really made a deep impression on me. I ended up waiting for the new product release and selling the customer the latest model. I've been conscious of the need for *integrity* ever since.
Miyoshi We pay close attention to the requirements of different doctors when developing medical devices. Olympus employees have a strong sense of *empathy* and so are inclined to acknowledge all customer demands. But we have to move with *agility* for patients in need and do so without compromising quality. Each of the five core values is important and it's essential that we find the right balance in work.
Ishikawa Our department has kept the need for *agility* foremost in mind for a long time. To really permeate the core values, it's first necessary to enhance *agility* because everything else springs from there. That's the approach I'd like to take.
T. Watanabe I'm sure more time is required for all employees to fully understand and really acknowledge the core values, but I believe that actually saying the words aloud helps reflect them in behavior.
Taniguchi That's true. There are times I feel unsure in a sales setting in the face of a sales target, but this feeling dissipates when I consider the concepts *integrity* and *long-term view*. These are common expressions used at Olympus, so nobody feels strange uttering the words. When a colleague speaks of *integrity*, I am often in agreement.
Miyoshi Do your colleagues refer to the core values when they talk to you?
Taniguchi Yes, they do. Somebody may ask me to work with more *agility*, for example. The terminology is common throughout, so employees sometimes even use the concepts as ammunition with a superior, in a good way of course.

The Importance of Consistency in Brand Image

T. Watanabe In the Imaging Division, we started implementing measures to promote the essence of the brand prior to a revision of the corporate philosophy. How do you connect brand essence with the core values?
S. Watanabe Brand essence encapsulates the unique Olympus products and services that make people's lives more fulfilling and the value that we can provide to customers through business. The core values spell out the approach required at work and what we need to be aware of in order to achieve this.
T. Watanabe What are you doing to permeate brand essence?
S. Watanabe We hold briefings and offer e-learning, for example, but that alone may not guarantee understanding among employees. What's important is connecting one's work with the brand. To do this, we have management and cooperating members discuss brand essence directly with employees on the front line and in each workplace while getting each employee to think about what the brand means. Currently, around 80% of all Imaging Division members give consideration to the value they provide to customers.
Taniguchi What are you doing to create a unified global brand image?
S. Watanabe We formulated a guideline on marketing for promoting products and services in Japan and on communication specifically for members at sites overseas. This has enabled us to promote products and services that portray to customers a unified global brand image.
Ishikawa We follow guidelines when exhibiting our products and services in Asia, but in all honesty it's difficult to be completely consistent. Other global companies, a status we strive for, have a common approach to exhibitions that doesn't require any extra thought on the ground. I believe it's vital that the Headquarters shows strong leadership in working to create a uniform brand image to realize our aim of becoming a truly global medical technology company.

Employee Roundtable Discussion



Enhance Agility by Delegating Authority.

T. Watanabe Trying to portray a uniform image is indeed important and we are considering how to incorporate that into the *Transform Olympus* plan. However, even if everyone has the same mindset, this comes to nothing in the end if the necessary company frameworks aren't put in place. I believe this to be the first step on our quest to becoming a truly global medical technology company.

Miyoshi This time we can really feel how committed the Company is to change.

T. Watanabe What are you expecting of Olympus and what do you think could be changed to improve the organization?

Taniguchi It still takes time for approval to be granted, which means progress can be slow. I think we could heighten *agility* and make improvements if more authority was delegated to the lower ranks.

Tadakoshi I would worry about the result of transferring authority. If something problematic were to happen, how should the individual react and what does it actually mean to take responsibility?

Miyoshi In the medical field, there are a number of stakeholders and many of the matters requiring judgment are highly sensitive. To be honest, it would be difficult to delegate authority to a single person in such cases. It's hard to adjust the ideas of the various opinion leaders outside Olympus.

Taniguchi The latest revision to the HR system clarified authority with responsibility being taken at the individual level. If that actually comes to fruition, I expect the system to function well.

S. Watanabe Despite the need to perform numerous administrative tasks in the past, the new HR system has clarified my role, freeing me up to concentrate on my work. It has also facilitated smoother internal ties such as collaboration with other divisions so that managers can work based on their job description.

The Need for Diversity in Human Resources to Drive Change

T. Watanabe As part of the new HR system reforms, Olympus is considering a framework for assigning human resources from inside or outside the Company who clear certain qualification conditions when a position comes open to enable optimal talent allocation. How confident are you that this policy can be put into practice?

Miyoshi I'm half confident, half nervous. In the development of medical devices, we take our time communicating with doctors and factory workers to make sure we create empathy and a sense of unity. I think it would be difficult for someone assigned from outside to do it immediately.

T. Watanabe I want Olympus to appoint people who feel empathy with our purpose of "making people's lives healthier, safer and more fulfilling." We can't simply welcome anybody, and that's where the standard is required. I believe that the standard is whether or not the person can realize the core values.

Tadakoshi Since each employee offers work and receives a salary, it's imperative that each individual does his or her best and operates with a sense of urgency.

Taniguchi It will only cause problems with more managers simply seeking short-term results. It's common for a workplace to fall into disarray when a manager changes because the way they do things also changes. It would be a bit of a worry if that were to happen too often.

T. Watanabe The concept *long-term view* was incorporated into the core values to emphasize the idea that Olympus doesn't evaluate people based on short-term results alone but rather considers things from a long-term perspective.

Increase Cost Efficiency Instead of Reducing Costs.

T. Watanabe Do you keep in mind the need to raise operational efficiency, one of the themes of *Transform Olympus*? President Takeuchi always states that he wants each employee to think about how to work more efficiently and to ingrain this culture. He often talks of raising cost efficiency rather than reducing costs. It's important to fully understand the difference in meaning.

Ishikawa We used to make similar promotion materials in each region for our medical devices, but are now consolidating them to improve cost efficiency. We also try to do work with more efficiency, which includes clarifying tasks before taking a business trip and making output easier to visualize.

Tadakoshi Most people who work shorter hours have great concentration. They need to work extremely hard in order to get everything done quickly so they can pick up their kids, for example. I really want to learn such concentration and efficiency.

Taniguchi Efficiency comes when there's a goal. An awareness of that is crucial.

Miyoshi We have been striving for a long time to improve operating efficiency in development. We are making significant progress as well and have come to a point where we have to narrow down development themes in order to enhance cost efficiency further. As a developer, it's extremely disappointing to give up on development we have been engaged in for years, but it may be necessary to drive new growth.

S. Watanabe Since the lifecycle is fast and the development period short for imaging products, we have various technologies and know-how regarding operating efficiency. Recently, we have been transferring these resources to other divisions to help with development. We are pleased that we are able to contribute to other divisions.

Agility Is Vital to an Organization.

T. Watanabe What do you think is needed to drive sustainable growth at Olympus?

Miyoshi It's important not to fear change. Speaking from the standpoint of an engineer, although Olympus has conducted product development based on technology over the years, global companies expand business through M&A based on customer needs. There's a big difference.

T. Watanabe Sometimes we have an overwhelming desire to achieve things on our own and this can lead to a difference in the speed things move relative to other companies.

Ishikawa It's really important to know when to abandon aspects of a plan as well. Keeping things clear from the outset is critical to enable us to move with agility.

Taniguchi Change is now occurring faster than ever in the world, and if we don't have the agility as an organization to keep pace, we run the risk of losing out. This should generate a real sense of urgency.

Tadakoshi It's also risky to put labels on business domains. If we note a domain as a strong performer, it may breed complacency and inhibit the ability to keep pace with new innovation. It's critical that we keep evolving.

S. Watanabe I think we need to transcend business walls and broaden our horizons in terms of the market and internally to tactfully recognize where our value lies and continually challenge ourselves. I also think it's important to identify long-term risks and respond as required.



Fumiaki Ishikawa



Ryuhei Tadakoshi



Hiroaki Miyoshi



Masashi Taniguchi



Sayuri Watanabe



Tetsu Watanabe

Environment

Basic Policy regarding Environment

Placing great importance on reducing environmental impacts throughout product life cycles, Olympus is actively working to improve the environmental performance of its products, facilities, and logistics processes.

Olympus Group Environmental Policy

Based on our corporate philosophy of "Making people's lives healthier, safer and more fulfilling" that provides the basis for all corporate activities, the Olympus Group respects people's security, health and the natural mechanisms. We will contribute to the realization of a sustainable society and sound environment by working to make the environment and economy compatible throughout our business operations.

- 1. Participation by All**
Each employee enriches their understanding of environmental activities and each one of us will participate in the environmental activities conducted in consideration of the local features.
- 2. Promotion of Environmental Management**
We will maintain the environmental management system and mechanism on a global scale so that we can continuously improve our environmental activities.
- 3. Compliance with Laws, Regulations, and Social Norms**
We will fully comply with the laws and regulations, agreements with our stakeholders, and our voluntary standards in respect to the environment.
- 4. Reduction of Environmental Impact**
Toward the solution of environmental issues, prevention of pollution, sustainable resource use, climate change mitigation and adaptation, and protection of biodiversity, we will reduce environmental impact or our products, services and business activities.
- 5. Development of Technologies to Foster Harmony with the Environment**
We will develop the technologies that contribute to environmental protection and will make use of the results in our manufacturing processes, products and services.
- 6. Attributing Importance to Environmental Communication**
We will proactively dispatch information about our environmental activities within and outside Olympus to deepen mutual understanding with our stakeholders.

Environmental Risk Management

Chemical substances in products, violation of laws and regulations on effluent from manufacturing sites and contamination of soil and groundwater are serious environmental risks that affects Olympus management, from aspects such as the need to suspend business operations, cost of restoring sites to their original state and the lowering of corporate value. For this reason, efforts are underway to reduce environmental risks by developing and maintaining regulations adapted to statutory requirements, training environmental managers and the personnel involved and monitoring and improving on-site management expertise.

Olympus recognizes climate change, represented by the frequent occurrence of abnormal meteorological conditions and stronger demands from the international community to prevent global warming, as a major environmental issue that affects our business activities. For example, we might experience increases in business costs due to tougher CO₂ reduction regulations in different countries, emissions trading, and carbon taxes, or our

supply chain may be cut off by ever-more destructive natural disasters, such as typhoons and floods. As countermeasures against these risks, we are working to improve energy use efficiency, increase our use of renewable energy, and broaden our range of suppliers.

In view of the great global interest in water risk, Olympus employs Aqueduct, a water risk evaluation tool from the World Resources Institute (WRI) and disaster prevention maps to evaluate physical water stress and regulatory risks that apply to the water resources for its key development and production sites to confirm that they are not located in high-risk regions. Although the impact on the business activities of Olympus is minimal, business sites are being set up in locations with abundant water resources, water consumption by our business activities is being reduced, managers are being appointed at our wastewater facilities and regular measurements conducted on wastewater.

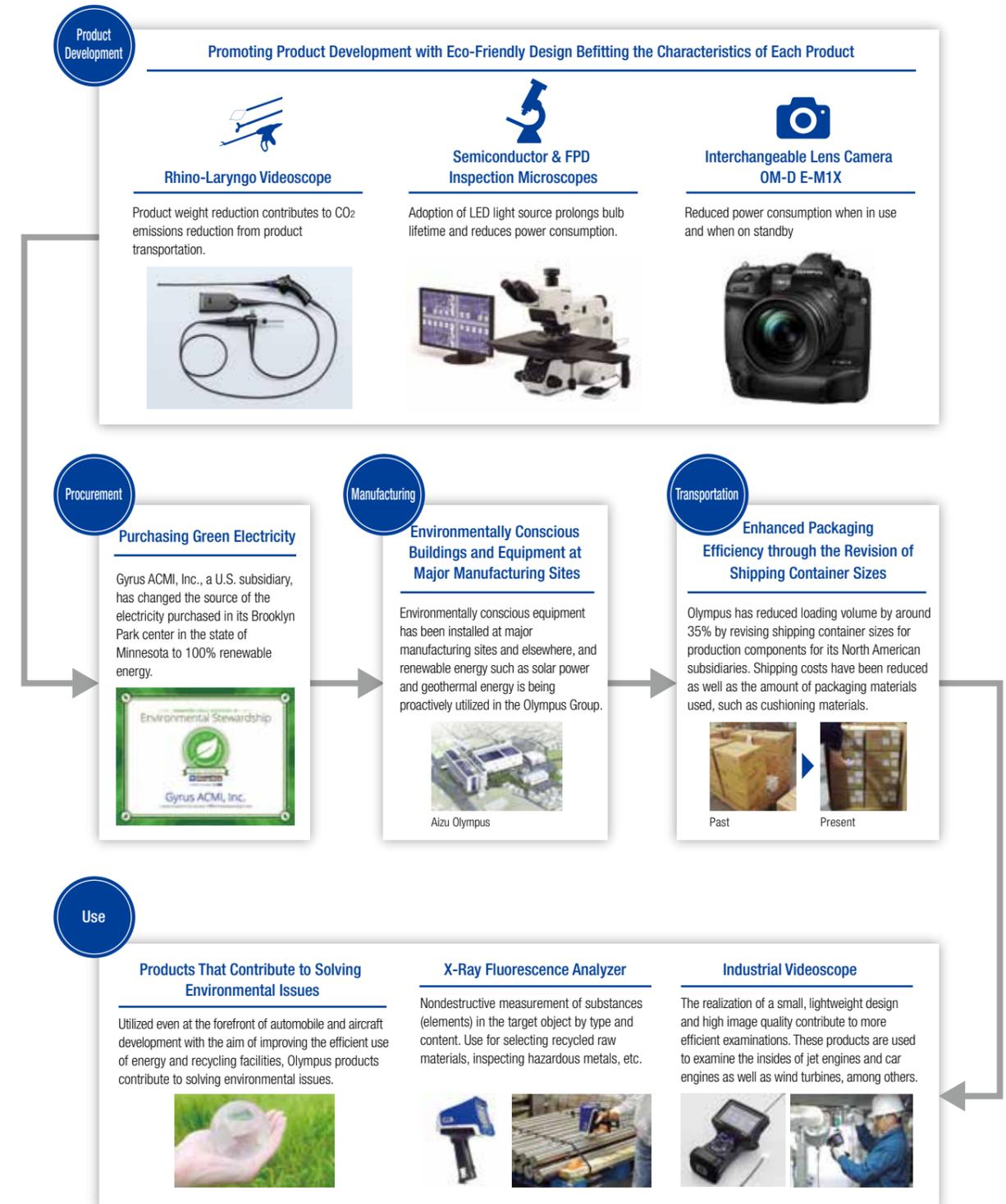
Targets, Measures, and Results of Major Environmental Activities

FY2019 Targets	Main Measures	FY2019 Results	FY2020 Targets
 Energy consumption rate: Improve by 5.9% or more (compared with FY2013) Expand use of renewable energy	<ul style="list-style-type: none"> Ongoing implementation of manufacturing improvement activities Introduction of energy saving equipment Ongoing implementation of energy-saving activities on a daily basis, including switching off lights and adjusting air-conditioning temperatures Effective use of renewable energy 	Energy consumption rate: Improved by 12.8% (compared with FY2013) Amounts of renewable energy: 17,239MWh (Improve by 12% over FY2018)	Energy consumption rate: Improve by 1% or more (compared with FY2019) Expand use of renewable energy
 Water use rate: Improve compared with FY2018	<ul style="list-style-type: none"> Improvements in water use processes Implementation of anti-leak measures during equipment inspections 	Water use rate: Improved by 6.3% (compared with FY2018)	Water use rate: Improve compared with FY2019
 Waste recycling rate: Improve compared with FY2018	<ul style="list-style-type: none"> Reduction of process defects Recycling organic solvents Improvement in recycling rate by thorough separation and other measures Use of biodegradable plastics 	Waste recycling rate: Same as FY2018	Waste recycling rate: Improve compared with FY2019

CSR Data Book:
https://www.olympus-global.com/csr/download/pdf/csr_db_2019_14.pdf

Product Life Cycle Assessments

The Olympus Group incorporates various environmentally conscious technologies in each stage of the life cycles of our products (product development, procurement, manufacturing, transportation, use, etc.). We are also contributing to the resolution of environmental issues through our products.



Message from Outside Directors

Olympus shifted to a Company with Nominating Committee, etc. in June 2019 with the aim of becoming a truly global company based on its transformation plan, *Transform Olympus*. Through this, the Company will strive to accelerate decision-making in business execution, strengthen corporate governance, and further enhance transparency. In this section, we hear from four outside directors on the new structure and desired future direction.



Expectations of Ongoing Growth by Realizing the Goals of *Transform Olympus*

Sumitaka Fujita

Outside Director
(Chairman of the Board / Chairman of the Nominating Committee)

Steering the Focus of Board Discussion to a Medium- and Long-Term Management Strategy Following the Shift to a Company with Nominating Committee, etc.

Olympus seized upon the opportunity brought about by the scandals that came to light in 2011 to make major reforms and appoint a new management team. The four-year period from 2012 saw a reorganizing of management foundations as a means to break away from the scandals that included

efforts to rebuild Olympus' management foundation through a policy of selection and concentration for businesses and strengthen its financial situation. Since 2016, Olympus has pushed ahead with certain priority strategies alongside the Medium-Term Management Plan 16CSP in order to achieve sustainable growth. In addition to moving onto a new phase in management, the themes of Board of Directors' deliberations have been shifted to more aptly reflect future aspirations, including key medium- and long-term challenges, in line with the change to the management phase. Olympus has also taken unique steps in its corporate governance system that

include creating a Board of Directors consisting of a majority of independent outside directors, appointing an independent outside director as Chairman of the Board and voluntarily establishing committees in the three areas of nominations, compensation and compliance that are chaired by an outside independent director although Olympus employs the Company with Board of Company Auditors system described in the Companies Act of Japan.

I have been engaged in the management of Olympus as an outside director since 2012 and during that time the effectiveness of the Board has increased steadily. Now, Olympus has shifted to a Company with Nominating Committee, etc. in line with the globalization of business under *Transform Olympus*, which aims to drive further corporate evolution. Moving ahead, I believe the Board could focus more on discussions of its medium- and long-term strategy while increasing the speed of business execution through the separation of corporate monitoring and business execution. Fundamentally, my role as Chairman of the Board has not changed under the new management structure and I will continue working to ensure highly effective debate and management on the part of the Board of Directors.

Importance of Continued Evaluation of the Performance of Directors and Corporate Officers by the Nominating Committee

I was appointed Chairman of the Nominating Committee in June 2019. Generally, Japanese companies function somewhat as a "company community" where directors are chosen from among employees, the president is chosen from among these directors, and his or her successor is chosen by the president personally in line with an employment system characterized by lifetime employment and seniority based on the length of service. While this is not entirely bad, it can at times be detrimental. A nominating committee mechanism of which the majority is comprised of outside directors is vital to addressing the above situation. It's important that the Nominating Committee continuously evaluation of the performance of Directors and Corporate Officers, however, rather than suddenly nominating or dismissing someone. Also, it's necessary to clearly define the qualities required for critical positions in management and business execution, make a list of personnel with such a qualities, and establish solid succession plans from the perspective of management continuity.

The Importance of a Stronger Awareness of the Executive Officers

Olympus holds briefings for outside directors prior to board meetings as well as regular meetings that consist solely of outside directors in order to improve the effectiveness of the Board. The issues that converge during the meeting solely of outside directors are then fed back into the executive management team. Shifting to a Company with Nominating Committee, etc. has further strengthened corporate governance, and a vital component of this is monitoring through the Company's internal control systems. With well-functioning internal control systems, the Board is able to entrust business execution to executive officers so the Board can focus its attention more on monitoring. I intend to make sure the Company's internal control systems are functioning appropriately through my role on the Board in order to permeate corporate governance globally throughout the Group. What's important is how the company is actually being run in addition to making formal changes to the governance structure and establishing a framework for internal control. I believe that this requires a strong awareness of business execution and a mindset to pursue true corporate transformation and sustainable growth as well as foster a better corporate culture.

Expectations for Sustainable Growth under *Transform Olympus*

In 2018, the Board of Directors held considerable discussion concerning *Transform Olympus*. In particular, it was decided that diversity in the composition of the Board was of utmost importance to achieve Olympus' aim of becoming a competitive global medtech company. With this in mind, Olympus appointed three new foreign directors to the Board.

Transform Olympus is a key plan guiding Olympus on its way to becoming a truly global medtech company and further enhancing corporate value. The journey will by no means be smooth sailing, but I expect the steady implementation of the plan to contribute to the realization of sustainable growth and to "Making people's lives healthier, safer and more fulfilling," which is "Our Purpose" based on Olympus' corporate philosophy.

Message from Outside Directors

Maintain Audit Quality and Explore New Initiatives

Olympus has entered a new stage by shifting to a Company with Nominating Committee, etc. with the aim of transforming into a truly global medtech company. However, I don't believe this necessitates any major change to the traditional method of auditing.

For example, although ties between the accounting auditor and Audit Committee members remain essential, there is fundamentally no change in their relationship due to the shift in corporate governance structure. Both parties can still readily exchange information through regular meetings, joint visits to overseas subsidiaries and evaluations. That's why I see this year as a time to facilitate a smooth transition to a Company with Nominating Committee, etc. while maintaining a standard level of audit quality. In terms of auditing method itself, I would like to explore new initiatives while continuing to implement a direct approach through inventory audits and other means and an indirect approach based on cooperation with the Audit Division, as in the past.

Although Olympus had an statutory auditors meeting, it has operated as an independent system, thus tending to focus rather strongly on the more defensive aspects of governance. Since I also have the right to vote in the board from the standpoint of a director, I intend to actively voice my opinion and offer advice and devise proposals as required that make the best use of my outside experience in order to help drive growth in Olympus as a global medtech company.

Although it is optional for a Company with Nominating Committee, etc. to have standing Audit Committee members, Olympus has elected two such members. I think this is a really good move. To ensure the auditing function is performing effectively, it is important to share information with standing members who actively gather information internally, which makes it possible for me to provide advice that reflects my specialized knowledge as an outside director.

A Year for Maintaining Audit Quality and Exploring New Initiatives

Atsushi Iwasaki

Outside Director
(Member of the Audit Committee)

Aiming to Strengthen Internal Audit Globally

Overseas revenue account for 80% of the total at Olympus, so it's vital that the Company conducts audits with an awareness of global perspectives. Up until now, each region has been served by an internal audit division, with Japan handling global oversight. In April 2019, Olympus shifted to a system in which a Chief Internal Audit Officer (CIAO), who reports directly to the CEO, will be responsible for managing and supervising the Group's overall internal auditing in Europe, North America, and Asia, including Japan. Under this new system, it will be necessary to analyze risk from a global standpoint and efficiently and effectively invest resources into the required regions and divisions.

The major audits by the Audit Committee are based on internal control systems. Accordingly, it will be extremely important to coordinate closely with internal audit divisions around the world to make sure the Company's internal control systems are functioning effectively worldwide. In addition to establishing a new framework for the internal audit divisions following the significant change made in April 2019, I also believe it is the role of an Audit Committee member to make sure that directives are taken on board locally and awareness has changed. Moving ahead, I have high expectations that Olympus employees will continue to act based on "Our Core Values" and that Olympus will strive vigorously toward becoming a company that contributes to the purpose of "Making people's lives healthier, safer and more fulfilling." I personally will do everything I can to support Olympus through this major transition period.



Creating Greater Healthcare Impact and Enhanced Corporate Value

D. Robert Hale

Outside Director
(Member of the Nominating Committee)

Working in Partnership with the Board and Management Team to Support Value Creation

I believe Olympus is one of the world's best medical technology companies, and it is an honor to serve all Olympus stakeholders as an Outside Director.

My firm, ValueAct Capital, is a major shareholder of Olympus. ValueAct Capital's business model is to identify and study the world's best companies and invest with a long-term outlook when we believe one of these companies is at a strategic inflection point and poised to create substantial corporate value. We then work in partnership with the board and management team to support value creation for the benefit of all stakeholders. A ValueAct partner often joins the company's board of directors during our investment period based on a shared belief that such an aligned partnership can be helpful to the company.

In that way my ValueAct colleagues and I have all together served in 52 public company board positions since our firm was founded in the year 2000, including for leading global technology companies like Microsoft, Rolls Royce and Motorola. For investments where we have served on the board, our average investment period is over five years, so we are in the "same boat" as long-term shareholders. We also try to uphold high standards of corporate governance.

This is ValueAct's first investment in Japan, but I think Olympus is already really a global company, with over 80% of its sales outside of Japan. I also think Olympus has one of the best businesses in the global medical technology industry.

It is especially unique to have the market leadership that Olympus has in GI endoscope systems. I don't think it is overstatement to say that without Olympus, the entire specialty of gastroenterology would not exist as it does today. Hundreds of millions of patients around the world have been diagnosed and treated using Olympus technologies with life-saving results.

I think Olympus can build further on its success in medical devices. Takeuchi-san has a strong vision for Olympus to

become a global champion for medical technology based in Japan. I support this goal.

Bringing Learning and Experiences to Support Olympus to Become a Competitive Global Medtech Company

Olympus investors I have spoken with who do not know ValueAct Capital well want to know what I will do as an Olympus board director. My first answer is that I am just one board director among a diverse group of 15. I look forward to participating in fact-based discussions so that collectively we can make the best governance decisions. My second answer is that I bring learnings from personal and ValueAct experiences serving on boards outside of Japan that I think are universally applicable in areas like strategic planning, budgeting and financial analysis, talent and compensation, communications, etc.

My third answer is that each company, Olympus included, has specific focus areas that are critical to the future. I think these specific focus areas at Olympus relate to what is most important to enhance to become a competitive global medtech company. I see cost structure and efficiency, product development cycle and quality/regulatory assurance, and capital allocation (business development, portfolio management, capital structure) as particularly critical. I hope I can help Takeuchi-san and his team in some small way as they work on these areas.

I am optimistic about what Olympus can achieve going forward, with all board members and employees around the world cooperating. The opportunities for greater healthcare impact and more corporate value creation in the years to come at Olympus are truly exciting.

Message from Outside Directors

Maximize Growth Potential in the Therapeutic Solutions Division by Increasing Management Agility

Olympus is a company that I have been aware of and admired almost since my first day in a healthcare business over 30 years ago. Through the years, Olympus technology, physician training and procedural development has no doubt saved thousands and thousands of lives. These real-world results have helped Olympus create excellent positions in key medical markets, particularly gastrointestinal endoscopes. As a result, I am extremely excited to be here at the beginning of the next 100 years for the company.

To me, the potential of the company seems significant. The bedrock of Olympus historical success has been investment in outstanding new technologies. This has been particularly evident in flexible endoscopy. The images physicians can see today are simply amazing. With its strong market positions, Olympus now stands on the cusp of even more innovation that will help even more patients.

At the same time, the evolving regulatory environment, changing markets and medical economic realities demand an even more sophisticated, global approach. The hurdle required to obtain and maintain clearance to market products is increasing in almost every region of the world. The potential for new, disruptive technologies entering the market is as high as it's ever been. Established markets are struggling with ways in to serve an ever-increasing aging population at affordable costs. Governments in emerging markets are attempting to provide quality healthcare to broader and broader segments of their populations within constrained budgets.

In order to meet these challenges, Olympus embarked on the *Transform Olympus* initiative. The team recognized the need to become a truly global medical technology company by increasing management agility to maximize potential in the Therapeutic Solutions Division.

Becoming more global, agile, and successful at therapeutics means many things. It means growing and maintaining a deep understanding of local markets and regulatory hurdles around the world. It means that R&D must be as close to the customer as possible from a relationship standpoint and even a geographic one. It also means fast decision action cycles based on these insights.

Leverage Experience and Know-How Gained at Global Medical Device Companies

Moving to a Board with three committee structure is a key step in this transformation. It allows for faster decision making in the business while maintaining high levels of accountability for management. I believe the increasing diversification of the Board with members that have broad, global experiences is also important. It greatly improves the company's ability to tackle global challenges as well as to attract and retain talent with deep expertise in markets around the world.

Olympus has to have the processes and the capability to get technology to each regulated region or country around the world. I have a lot of experience with that and more than 30 years' experience in innovation, market expansion, global growth, and business development at global medical device companies. I have confidence this will aid me in being a strong team member on an already strong and impressive Board. I look forward to working with my colleagues and management in the dawn of the next 100 years of Olympus.



Jim C. Beasley
Outside Director
(Member of the Compensation Committee)

Strive for Further Innovation in Therapeutic Devices to Help Even More Patients

Olympus' Corporate Governance

Transition to a Company with a Three Committees Board Structure

Olympus Corporation (the "Company") adopted a resolution to partial amendments to the articles of incorporation at the General Meeting of Shareholders held on June 25, 2019. The Company transitioned from a company with an Audit & Supervisory Board to a company with a Three Committees Board Structure on the same day.

2. Reinforced Supervisory Function in Management
The Company will establish three committees: nominating committee, compensation committee, and audit committee, which consist of a majority of independent outside directors; supervise management through the functions of each committee; and build a more appropriate management supervisory system.

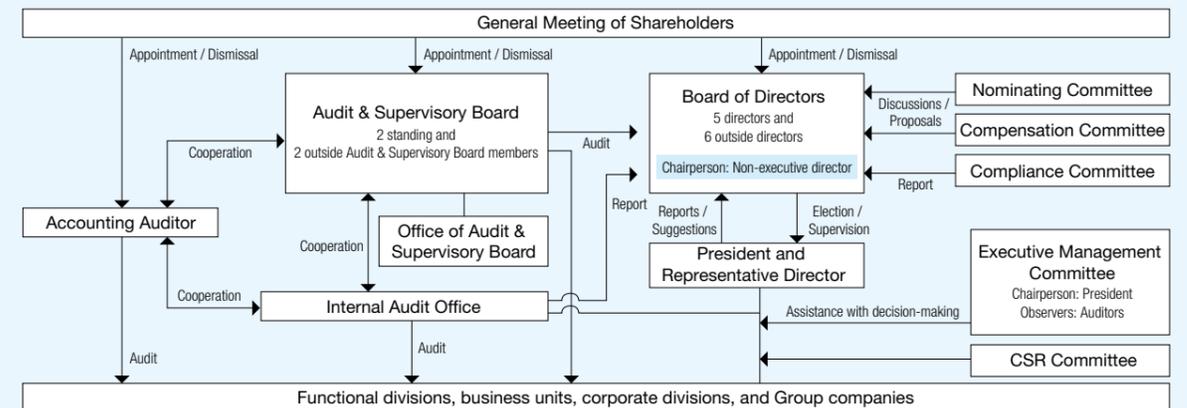
3. Increased Transparency in Management
The nominating committee will consist of a majority of independent outside directors who will decide candidates for directors, while the compensation committee will consist of a majority of independent outside directors who will decide remuneration of directors and executive officers. These committees will improve the transparency of director and executive officer assignment and remuneration decisions. The Company will seek to further increase its management transparency to domestic and foreign stakeholders.

Expected Effects of Shifting to a Three Committees Board Structure

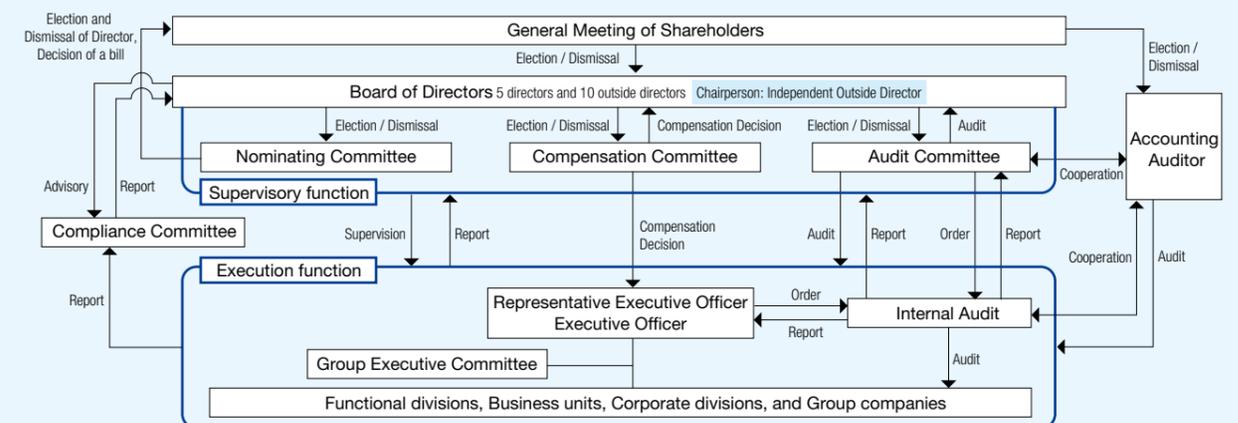
1. Acceleration of Management Decision Making and Business Execution Functions

Functions are separated based on the basic principle of "separation of corporate oversight and business execution" in a "company with a three committees board structure." The Board of Directors focus on deciding important matters on core managerial elements and overseeing business management. The Company will seek to accelerate management decision-making and execution by delegating more authority to executive officers concerning matters related to daily business execution.

Corporate Governance Structure (Before Shifting to a Three Committees Board Structure)



Corporate Governance Structure (After Shifting to a Three Committees Board Structure)



Olympus' Corporate Governance

Basic Stance toward Corporate Governance

All our activities are based on our corporate philosophy, "Making people's lives healthier, safer and more fulfilling." In accordance with this philosophy, we will work for our shareholders and other stakeholders in order to realize ongoing corporate growth and medium-to-long-term improvements in corporate value. This philosophy also drives us to establish, implement, and continuously improve systems for ensuring the effectiveness and efficiency of operations and the appropriateness and reliability of financial reports.

The Company is continuously strengthening its corporate governance system, positioning this task as a top management priority. In addition, we endorse the goals of Japan's Corporate

Governance Code, which was formulated in March 2015 (revised in June 2018), and, in principle, we are complying with and have implemented measures based on the principles of the code. Through such efforts, we seek to ensure effective corporate governance based on our fiduciary duty to shareholders; our responsibilities to customers, employees, communities, and other stakeholders; and the aforementioned corporate philosophy.

 **Corporate Governance Policy:**
<https://www.olympus-global.com/company/governance/policy.html>

Corporate Governance Structure

Basic Corporate Governance Policies

In order to enhance the oversight functions of the Board of Directors, which is membered by a majority of independent outside directors, the Company fills the position of chairman of the Board of Directors with an independent outside director in order to establish a clear divide between business execution and oversight functions. In addition, the Nominating Committee, Compensation Committee, and Audit Committee consist of a majority of independent outside directors and are also chaired by such directors.

With regard to the composition of the Board of Directors, the Company considers the diversity of experience, knowledge, and skills of the Board of Directors, regardless of nationalities, ethnicities, and genders of its members. We also secure sufficient time for meetings of the Board of Directors to ensure that all directors are able to fulfill their duties and responsibilities.

Overview of the Corporate Governance Structure

The Board of Directors consists of 15 members, nine of whom are independent outside directors. Term of directors continue for one year. The Board of Directors convenes at least once every three months and when needed to determine basic management policies, matters relating to the internal control system, and other important matters, and monitors the execution of the duties of directors and executive officers, etc. The Board of Directors is chaired by Sumitaka Fujita, an independent outside director.

In the exercise of supervisory functions at the Board of Directors, the 10 outside directors are expected to bring their specialist knowledge to bear on management. The Company proactively provides directors with information to enable the effective execution of their roles and duties. Outside directors of the Company may at all times when needed or when considered appropriate require clarifications and reports or the submission of internal documents from internal directors, executive officers, and employees, so as to strengthen the functions of information transmission and supervision and to

create systems to ensure the soundness of management.

The three committees comprised of the Nominating, Compensation, and Audit Committees, each consisting in the majority of independent outside directors, determine director candidates (Nomination Committee) and the remunerations of directors and executive officers (Compensation Committee), and audit the execution of the duties of directors and executive officers (Audit Committee). In addition, the Company has voluntarily established the Compliance Committee chaired by an independent outside director as a body to supervise and improve the compliance system of the Olympus Group.

The articles of incorporation stipulate that directors of the Company are appointed by a majority vote of the General Meeting of Shareholders with at least one-third of shareholders eligible to exercise voting rights in attendance and that resolutions on appointments are not adopted by cumulative voting.

Overview of the Corporate Governance Structure

(As of June 25, 2019)

Directors	15
Of whom, outside directors	10
Of whom, appointed as independent outside directors	9
Term of directors	1 year
Executive officers	5
Adoption of corporate officer system	Yes
Performance-linked remuneration	Yes

Overview of Each Board and Committee

Name	Chairperson	Outline
Board of Directors	Independent outside director	The Board of Directors determines basic management policy, matters related to the internal control system, and other important matters, and supervises directors and executive officers, in the execution of their duties (at least once every three months and when needed).
Nominating Committee	Independent outside director	The Nominating Committee shall deliberate matters related to human resources at the director and executive officer level, and shall determine the content of proposals submitted to the General Meeting of Shareholders in relation to the appointment and dismissal of directors. The nominating committee consists of three or more committee members selected from among the directors by the Board of Directors, and independent outside directors constitute the absolute majority thereof. An independent outside director serves as the chairman.
Compensation Committee	Independent outside director	The Compensation Committee shall deliberate matters related to compensation of directors and executive officers, and prescribe policy in relation to determining the details of compensation, etc., and in accordance with the policy, determine the contents of compensation, etc., for individuals. The Compensation Committee consists of three or more committee members selected from among the directors by the Board of Directors, and independent outside directors constitute the absolute majority thereof. An independent outside director serves as the chairman.
Audit Committee	Independent outside director	The Audit Committee shall carry out the following duties. 1) Auditing the execution of duties by executive officers and directors, and creating audit reports 2) Determining the content of proposals relating to the appointment, dismissal, and non-reappointment of accounting auditors 3) Other duties prescribed by law or by the Articles of Incorporation, and other matters recognized as necessary by the Audit Committee The Audit Committee shall consist of at least three individuals selected from among the directors by the Board of Directors, of whom more than half shall be independent outside directors. The chairman of the committee shall be an independent outside director. Moreover, at least one member shall be an individual who possesses extensive knowledge related to financial and accounting.
Group Executive Committee	Representative Executive Officer	In the Group Executive Committee, the Representative Executive Officer and executive officers deliberate on critical matters concerning business execution for the entire Olympus Group as entrusted by the Board of Directors, and provide support on the decision making of executive officers so as to prevent decisions being made based solely on the discretion of an executive officer. Each executive officer reports on and shares the status of execution of business and functions under their jurisdiction to ensure the effectiveness of the committee as a body for monitoring the execution of business and functions of the entire Olympus Group. (at least once a month and when needed)
Compliance Committee	Independent outside director	The Compliance Committee examines important matters related to Group compliance and internal control systems as well as compliance-related matters for which the Board of Directors requests advice. The findings are reported to the Board of Directors.

Structure of Board of Directors

Position	Name
Directors (5)	Yasuo Takeuchi, Hiroyuki Sasa, Stefan Kaufmann, Nobuyuki Koga, Masashi Shimizu
Outside Directors (10)	Sumitaka Fujita (Chairman), Takayuki Katayama, Susumu Kaminaga, Michijiro Kikawa, Tetsuo Iwamura, Yasumasa Masuda, Katsuya Natori, Atsushi Iwasaki, D. Robert Hale, Jim C. Beasley

Composition of Committees

Name	Position	Nominating Committee (5)	Compensation Committee (4)	Audit Committee (5)
Yasuo Takeuchi	Director, Representative Executive Officer, President and CEO	○		
Hiroyuki Sasa	Director			
Stefan Kaufmann	Director, Executive Officer and Chief Administrative Officer			
Nobuyuki Koga	Director			○
Masashi Shimizu	Director			○
Sumitaka Fujita	Independent Outside Director	○(Chairperson)		
Takayuki Katayama	Independent Outside Director		○(Chairperson)	
Susumu Kaminaga	Independent Outside Director		○	
Michijiro Kikawa	Independent Outside Director			○
Tetsuo Iwamura	Independent Outside Director	○		
Yasumasa Masuda	Independent Outside Director	○	○	
Katsuya Natori	Independent Outside Director			○(Chairperson)
Atsushi Iwasaki	Independent Outside Director			○
D. Robert Hale	Outside Director	○		
Jim C. Beasley	Independent Outside Director		○	

Composition of the Compliance Committee

Position	Name
Independent Outside Director	Susumu Kaminaga, Tetsuo Iwamura
Outside Committee member, lawyer	Yoichiro Hamabe
Chief Compliance Officer	Caroline West
Group Compliance, Global	Hidenao Tsuchiya

Olympus' Corporate Governance

Outside Directors

The Company has strengthened the corporate governance structure by appointing 10 outside directors, representing more than half of its 15 directors, and utilizing their objective

standpoint, wealth of experience, and extensive knowledge of management. 9 of the 10 outside directors are independent officers.

Outside directors	Reason for appointment	Attendance at meetings of the Board of Directors (Met 28 times in FY2019)
Sumitaka Fujita ^{*1}	Mr. Fujita was appointed so that his extensive experience and diverse knowledge as a business manager at ITOCHU Corporation may be applied to the Company's management.	28/28
Takayuki Katayama ^{*1}	Mr. Katayama was appointed so that his extensive experience and diverse knowledge as a business manager at Teijin Limited may be applied to the Company's management.	27/28
Susumu Kaminaga ^{*1}	Mr. Kaminaga was appointed so that his extensive experience and diverse knowledge as a business manager at Sumitomo Precision Products Co., Ltd. may be applied to the Company's management.	28/28
Michijiro Kikawa ^{*1}	Mr. Kikawa was appointed so that his extensive experience and diverse knowledge as a business manager at Hitachi Construction Machinery Co., Ltd. may be applied to the Company's management.	26/28
Tetsuo Iwamura ^{*1}	Mr. Iwamura was appointed so that his extensive experience and diverse knowledge as a business manager at Honda Motor Co., Ltd. may be applied to the Company's management.	28/28
Yasumasa Masuda ^{*1}	Mr. Masuda was appointed so that his extensive experience and diverse knowledge as a business manager at Astellas Pharma Inc. may be applied to the Company's management.	21/21 ^{*2}
Katsuya Natori ^{*1}	Mr. Natori was appointed so that his extensive experience and diverse knowledge as a business manager at Sun Microsystems, Inc., Fast Retailing Co., Ltd., and IBM Japan, Ltd., as well as his diverse knowledge as an attorney may be applied to the Company's management.	27/28
Atsushi Iwasaki ^{*1}	Mr. Iwasaki was appointed so that his extensive experience and diverse knowledge as a certified public accountant may be applied to the Company's management.	25/28
D. Robert Hale	Mr. Hale was appointed to reflect in the management of the Company the rich experience as partner at ValueAct Capital Management L.P., a shareholder of the Company, as experienced management consultant in multiple industries, as investor in global capital markets, as well as knowledge in the healthcare industry, and experience in supporting the trans-formation of global companies.	Position as of June 2019
Jim C. Beasley ^{*1}	Mr. Beasley was appointed to reflect on the management of the Company the rich experience and broad knowledge management board member at C.R. Bard Group.	Position as of June 2019

^{*1} Reported as an independent officer based on the rules and regulations of the Tokyo Stock Exchange

^{*2} Number of Board of Directors' meetings held since appointment at the General Meeting of Shareholders for the 150th term on June 26, 2018

Support Systems for Directors

The Company arranges for, and covers the cost of, external training sessions for directors to acquire basic knowledge necessary for the performance of directors' duties with a view to deepening directors' understanding of their roles and responsibilities.

To support the effective execution of the roles and duties of outside directors, the Company works proactively to provide outside directors with information and distributes documents and gives explanations prior to Board of Directors' meetings.

In addition, the Company provides training for newly inaugurated outside directors, comprising visits to the

Company's major business bases such as business offices and factories, etc., briefing sessions, and business study sessions to promote the acquisition of knowledge concerning the Company.

Outside directors of the Company may at all times when needed or when considered appropriate require clarifications and reports or the submission of internal documents from internal directors, executive officers, and employees, so as to strengthen the functions of information transmission and supervision and to create systems to ensure the soundness of management.

Process for Appointment of Directors

The Nominating Committee shall deliberate director candidates while making reference to the selection criteria, hold interviews, and determine the content of proposals submitted to the

General Meeting of Shareholders in relation to the appointment and dismissal of directors.

Development and Selection of Successors for the President

The Nominating Committee establishes a succession plan for the President and reviews it periodically. As for determining the successor, the Nominating Committee discusses whether the candidates, including outside candidates, have qualifications

that are suitable for the President, and provides opinions and advice to the Board of Directors. Thereafter, the successor is decided by the Board of Directors.

Independence Criteria

The Company has established its "Criteria for Independence of Outside Officers" as described below in order to clarify its policy on the independence of Outside Officers.

(Criteria for Independence of Outside Officers)

- In any of the past 10 fiscal years, the Outside Officer has not directly received more than ¥10 million in remuneration (excluding remuneration from the Company to Officers) or other assets from the Company and the Company's affiliates (hereinafter, collectively the "Group"). If the Outside Officer is a consultant, accounting expert or legal expert, the organization to which he or she belongs has not received more than ¥10 million in remuneration or similar from the Group.
- During the past ten-year period, the Outside Officer has not been an Operating Director, Executive Officer, Corporate Officer or employee of the rank of General Manager or above at a company that falls under the following categories.
 - In any of the past 10 fiscal years, the monetary amount of the relevant company's transactions with the Group has been more than 2% of the consolidated revenue of either the company or the Group

- The relevant company is a principal shareholder of the Company (holding more than 5% of the total number of voting rights of the Company directly or indirectly; the same shall apply hereinafter)
 - The Group is a principal shareholder of the relevant company
 - The relevant company has substantive interests in the Group (as a main bank, consultant, etc.)
 - The Group and the relevant company have a relationship in which they mutually dispatch and appoint directors
- The Outside Officer is not financially dependent on a person who falls under the categories of 1. or 2. above.
 - The Outside Officer is not a spouse of, or a relative within the third degree of kinship of, a Director, Operating Director, Corporate Officer or employee of the rank of General Manager or above at the Group.
 - The Outside Officer does not belong to an auditing firm that conducts statutory audits of the Group.
 - In addition to each of the above items, the Outside Officer does not have any significant interest that casts doubt on his or her independence.

 Corporate Governance Report:
<https://www.olympus-global.com/company/governance/policy.html>

Policies for Holding Stocks for Purposes Other Than Pure Investment and Exercise of Related Voting Rights

The Company holds shares of listed stock for purposes other than pure investment in cases in which such holdings have been deemed viable for contributing to improved corporate value over the medium to long term after verifying the medium-to-long term economic rationality of such holdings and the outlook for the future. Each fiscal year, the Board of Directors verifies the appropriateness of individual holdings through a comprehensive evaluation of factors, including the purpose of a given holding and the benefits and risks associated with said holding. Those holdings that are deemed unsuitable will be downsized.

The Company exercises its rights as a shareholder in relation to stocks held for purposes other than pure investment by voting on all applicable proposals. In this voting, the Company

decides whether to vote in favor of or against each proposal based on the circumstances surrounding the management of the company in question as evaluated from the perspective of improving the corporate value of this company over the medium to long term.

Stocks Held for Purposes Other Than Pure Investment

	FY2016	FY2017	FY2018	FY2019
Number of holdings	64	57	48	37
Amounts of holdings (billions of yen)	68.0	27.9	26.9	18.9

Olympus' Corporate Governance

Initiatives for Realizing Effective Corporate Governance

The Company has been continuously strengthening its corporate governance system and enhancing its effectiveness, positioning these tasks as top management priorities.

Evaluation Results Regarding the Effectiveness of the Board of Directors

To increase the effectiveness of the Board of Directors and improve corporate value, the Company institutes annual analyses and evaluations of the overall effectiveness of the Board of Directors. Third-party perspectives are employed as part of this process. The results of these analyses and evaluations are disclosed. These evaluations have been held every year since 2015, and this time, the evaluation was the fifth such evaluation.

 Evaluation Results for Effectiveness of the Board of Directors:
<https://www.olympus-global.com/company/governance/board.html>

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 Compliance Committee) and their relationships with investors and shareholders. This questionnaire was distributed to each director (11) and Audit & Supervisory Board member (4) (Fiscal 2019), and the Company received answers from all of the respondents. With these replies from 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.

Evaluation Items, Issues, and Status of Improvement

1. Fulfilling Functions of the Board of Directors	Opinions are divided over the major direction, important matters of the Company, and appropriate decision making between the two: (1) Discussion was thoroughly made and (2) There is room where discussions can be further deepened, depending on agenda items
2. Operation of the Board of Directors in the Past One Year	Regarding the operation of the Board of Directors, the frequency of the meetings is appropriate and sufficient time discussion is secured. Discussions are open and active and are made from a perspective based on the global management framework. Meanwhile, although there has been an improvement in careful selection of agenda items and contents of proposal materials, issues should be more organized and clarified in materials, which is mentioned as an issue to be addressed.
3. Important Committees	Although each committee, Nominating Committee, Compensation Committee and Compliance Committee, appropriately fulfills expected roles, there were some cases where further provision of information was needed for discussion at the Committees.
4. Size / Composition of the Board of Directors	Support for outside directors is sufficiently provided.
5. Roles of Audit & Supervisory Board members	Support for Audit & Supervisory Board members is sufficiently provided, and the presence of Audit & Supervisory Board members contributes to enhancing the effectiveness of the Board of Directors.
6. Relationship with investors and shareholders	The Board of Directors is appropriately provided information on the capital market. Although the Company's long-term competitive advantages are communicated to the capital market, further enhancement is desired.

Future Initiatives Based on the Evaluation Result of the Effectiveness of the Board of Directors

Based on the evaluation of the Board of Directors for the period ended March, 2019, the Board of Directors discussed future initiatives. As a result, the Board concluded that issues to be addressed are to further advance separation of execution and supervision, to create a framework where the Board members can concentrate on important management issues and strategic discussion, and to aim for a higher level execution and supervisory system. The Board also confirmed that discussions of the Company's initiatives for sustainability

and risk management including environmental and social issues should be further deepened considering priority.

The Company made a transition to a Company with a three committees board structure on June 25, 2019. We are determined to further proceed with the separation of execution and supervision, accelerate decision making on business execution, further reinforce governance, and enhance transparency. Moreover, the Board of Directors of the Company will further heighten the effectiveness of the Board of Directors by planning and implementing response measures as to each of the aforementioned issues.

Executive Compensation

Our basic policy for executive compensation is to provide compensation that is appropriate based on the duties of officers and that instills in them a strong commitment to maximizing corporate value so that the Company may live

up to shareholder expectations. Based on said policy, the Compensation Committee focuses on appropriately setting the compensation portion linked to short and mid- and long-term performance, and decides officers' compensation.

Executive Compensation in Fiscal 2019

Position	Total value of remuneration (¥ million)	Total compensation by type (¥ million)				Number of directors / Audit & Supervisory Board members
		Base	Bonuses	Stock options	Retirement benefit	
Directors (excluding outside directors)	377	262	95	20	—	5
Audit & Supervisory Board members (excluding outside audit & supervisory board members)	56	56	—	—	—	2
Outside officers	110	110	—	—	—	9

* The above-stated outside officers include one outside officer who retired at the time of the 150th Annual General Meeting of Shareholders held on June 26, 2018.

Remuneration Composition

The composition of remunerations of directors and executive officers is prescribed for each of the following categories. The combined maximum remuneration limit for restricted share

compensation and performance linked stock remunerations is per year 500 million yen and 600,000 shares.

Category 1	Category 2	Category 3
Yasuo Takeuchi, Akihiro Taguchi, Haruo Ogawa, Yasushi Sakai	Stefan Kaufmann	Non-executive internal directors and outside directors

■ Composition of Category 1 Remuneration

The category 1 executive remuneration consists of a monthly remuneration, bonus payments as a short-term incentive system, and restricted share compensation and performance-linked stock remuneration as long-term incentive systems. The monthly remuneration distinguishes between directors' base remuneration (paid only to directors) and executive officers' base remuneration. The latter is determined based on graded remuneration amounts which are set in accordance with the role and responsibility of the subject position. Bonus total payment amounts are determined by combining the consolidated performance category (calculated based on consolidated business results) and the personal assessment category (assessed and calculated based on the attainment of financial and non-financial targets in the position holder's area of

responsibility). Additionally, the restricted share compensation, contingent on the position holder's continuing in the position as executive officer of the Company for a certain period, and the performance-linked stock remuneration, contingent on the attainment of predetermined targets, is intended as an incentive to promote sustained enterprise value enhancement and to promote value sharing with shareholders, as an arrangement to award the Company's common shares in addition to eligible executives' monthly remuneration and bonus.

Compensation by Type

Type of compensation			Standard ratio
Fixed compensation:	Monthly salaries	Executive officers' base remuneration*	50%
	Short-term incentives	Bonuses	25%
Variable compensation:	Long-term incentives	Restricted share compensation	6%
		Performance-linked stock remuneration	19%

*The table above does not include directors' base remuneration.

■ Composition of Category 2 Remuneration

The category 2 executive remuneration consists of a monthly remuneration, with bonus payments as a short-term incentive system, and with performance-linked stock remuneration as long-term incentive system and pension plan contributions. Monthly remunerations are decided on an individual basis in accordance with the role and responsibility of the subject position. Bonus total payment amounts are determined by combining the consolidated performance category (calculated based on consolidated business results), the personal assessment category (assessed and calculated based on

the attainment of financial and non-financial targets in the position holder's area of responsibility), and the fixed category. Additionally, the performance-linked stock remuneration, contingent on the attainment of predetermined targets, is intended as an incentive to promote sustained enterprise value enhancement and to promote value sharing with shareholders, as an arrangement to award the Company's common shares in addition to eligible executives' monthly remuneration and bonus. Category 2 executives are not eligible to receive restricted share compensation.

■ Composition of Category 3 Remuneration

The category 3 executive remuneration consists only of the monthly remuneration, without payment of bonus,

restricted share compensation, and performance-linked stock remuneration.

Olympus' Corporate Governance

Internal Controls

All our activities are based on our corporate philosophy, "Making people's lives healthier, safer and more fulfilling." The Company, based on this basic concept, shall prepare and operate a framework which ensures the effectiveness and efficiency

of operations and appropriateness and reliability of financial reporting of the Company and its subsidiaries (hereinafter, "the Olympus Group"), and make continuous improvements.

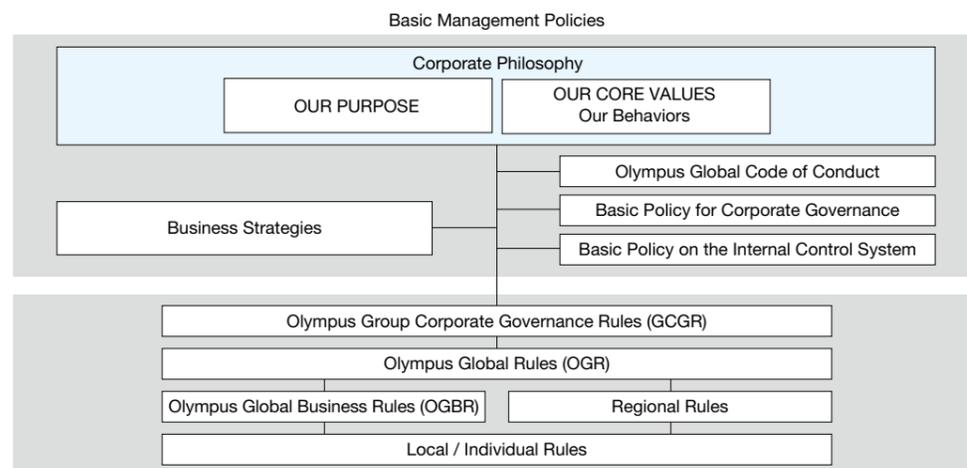
10 Items for Establishing a Framework as Basic Policy for Our Internal Control System

1. Framework to ensure the compliance by Executive Officers and employees of the Company and Directors and employees of the its subsidiaries, in performance of duties, to applicable laws and regulations as well as the Articles of Incorporation
2. Framework regarding the maintenance of records and management of information in relation to performance of duties by Executive Officers of the Company
3. Regulations and other framework relating to managing risks of loss of the Olympus Group
4. Framework to ensure the effective performance of duties by Executive Officers of the Company and Directors of its subsidiaries
5. Framework for reporting to the Company on matters concerning execution of duties by the Directors and employees of the subsidiaries
6. Framework for matters related to employees whose assignment is to assist in the duties of Audit Committee of the Company, and matters related to the independence of those employees from the Executive Officers of the Company, and matters related to ensuring the effectiveness of instructions from Audit Committee of the Company to those employees
7. Framework regarding reports by Directors (except those who are members of the Audit Committee), Executive Officers and employees of the Company to the Audit Committee of the company, and reports by Directors and employees of the subsidiaries of the Company or personnel who have received reports from them to the Audit Committee of the Company
8. Framework to ensure that any personnel who have made a report to the Audit Committee of the Company will not be subjected to any unfair treatment due to the report made
9. Matters regarding procedures for advance payment of expenses incurred in connection with execution of duties by the Audit Committee members of the Company and their reimbursement, and treatment of other expenses or liabilities incurred in connection with execution of the duties
10. Other systems to ensure the effectiveness of audits by the Audit Committee of the Company

[Basic Policy on the Internal Control System](https://www.olympus-global.com/company/governance/control.html?page=ir)
<https://www.olympus-global.com/company/governance/control.html?page=ir>

Global Framework of Internal Rules

The Company has established a platform for managing internal rules in order to ensure the ongoing improvement of management quality from the perspective of global governance and management.



Basic Policy on 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, integrated 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 also valuable to the target recipients. Furthermore, as a large portion of the Company's shareholders are not Japanese, we provide English-language versions for the majority of these information disclosures.

Communication with Stakeholders

Seeking to facilitate sustainable growth and medium-to long-term improvements in corporate value, the president and the chief financial officer (CFO) play a central role in our proactive efforts to communicate with shareholders. Investor relations divisions support these efforts and create systems for sharing information within the Company and relaying input from shareholders to management.

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 2019.

Activity	Times conducted	Details
Conferences on results for institutional investors and analysts	4	Meetings or teleconferences held quarterly to explain topics from the period, focused on financial performance and forecasts
Investor Day / IR event	2	Events featuring explanations of the Company's business strategies, growth strategies, and product exhibitions
New product and technology briefings	1	Briefings concerning the Company's new products and technology
Conference calls for overseas institutional investors	4	Teleconferences with overseas institutional investors held on the day of financial results presentations for each quarter
Overseas IR roadshows	7	Meetings for institutional investors in which the president and the CFO visit overseas sites
Conferences held by securities companies (including overseas conferences)	5	Participation in and meetings at conferences held by securities companies in Japan and overseas
Meetings for individual investors	7	Meetings held at branch offices of securities companies and events for individual investors
Individual meetings with institutional investors and analysts	Approx. 450	Individual meetings held with the president, the CFO, and/or investor relations division representatives (including meetings conducted at overseas IR roadshows and conferences)

Compliance

Promotion of Compliance

The Olympus Group strives to foster an environment within the organization in which no concern pertaining to compliance will be ignored, under any circumstances. At the same time, it maintains an understanding of the status of compliance systems and works to strengthen these systems. Realizing the immense responsibilities of the Company's Medical Business due to its provision of products related directly to people's lives, Olympus is committed to maintaining impeccable levels of product safety and quality. The Company has also established its own internal rules to ensure compliance with the various regulations in place in countries worldwide, and it is promoting awareness and conducting training with regard to these rules.

Compliance Promotion Structure

Olympus has appointed a chief compliance officer (CCO) whose task is to clarify compliance-related responsibilities as a global compliance supervisor. We have also established the Compliance Committee, chaired by an independent outside director and consisting of the CCO and non-Olympus members, as the advisory body to the Board. In addition, Olympus has established the Global Compliance Committee to be held on a quarterly basis 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 (As of June 30, 2019)



Whistleblowing System

The Olympus Group has established a Compliance Helpline with internal and external contact offices to enable consultation and reporting on compliance-related issues. It has been specified in internal rules that anyone may use the helplines anonymously, the confidentiality of the information will be upheld, and it is prohibited to treat the whistleblower

prejudicially. In April 2019, Olympus launched the Global Whistleblowing Desk "Integrity Line" to complement its existing Compliance Helpline. The Integrity Line is operated by outside parties and firm, thereby ensuring confidentiality. Anonymous whistleblowing is also possible with this line except in countries where this is not permitted by law.

Compliance Training

In order to raise compliance awareness and encourage an understanding of important laws and internal rules, as well as to ensure consistent compliance with them, Olympus is enhancing its compliance training. In Japan, departments responsible for promotion conduct training programs for various individuals using optimal tools. In addition, departments responsible for

ensuring compliance with important laws conduct training programs by selecting course participants and training methods in accordance with the characteristics of applicable laws. In other regions, we undertake compliance training in a systematic manner at each regional headquarters.

Risk Management

Promotion of Risk Management

Olympus has established the internal Rules on Risk Management and Crisis Response based on which it develops global risk management systems to mitigate business risks.

Risk Management

The Olympus Group identifies and evaluates risks that may prevent it from achieving corporate strategy, fiscal year strategy, and fiscal year targets based on uniform processes and standards. The aim is to facilitate the efficient and effective formulation of priority measures in line with the degree of importance of each risk factor in order to realize continuous growth. A system is in place to track and periodically monitor progress with regard to priority measures identified as Group-level themes. The Group has also begun efforts to standardize risk management processes globally to ensure that uniform risk management processes are carried out when seeking to achieve business targets for each region. These initiatives make it possible to improve the accuracy of efforts to achieve strategy and fiscal year targets.



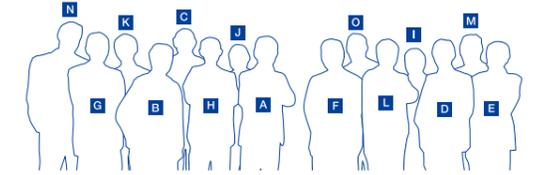
Crisis Management

As crisis management measures, we continue to refine risk management processes and carry out training and drills to enhance preparedness for risks that threaten to have a particularly large impact on the Company, such as large-scale earthquakes and cyberattacks. Countermeasures for large-scale earthquakes in Japan included e-learning programs for all employees as well as disaster response drills carried out by both management and frontline employees to guarantee that we can furnish a smooth initial response to emergency situations. We are in the process of enhancing the business continuity plans that detail restoration processes in all business fields.

Major Business Risks

Risks and Potential Impacts	Risk Overview
Risks Associated with Sales Activities	In the Medical Field, there may be unforeseeable changes in the medical industry or the Olympus Group may be unable to obtain licenses and approval in a timely manner.
	In the Scientific Solutions Division, the national budgets of countries may be curtailed due to macroeconomic changes.
	In the Imaging Division, the market may contract more rapidly than anticipated.
Risks Associated with Production and Development Activities	Operating costs may increase due to the impact of exchange rate trends and other factors.
	Constraints may be placed on the procurement of products and components that the Olympus Group is dependent on for supply.
	There is the possibility that product defects may occur.
	It may be difficult to develop products that meet customer needs in a timely manner.
Risks Associated with Business Partnerships and Development Acquisitions	A third party may assert that the Group has infringed on intellectual property rights and a dispute may occur.
	It may be difficult to maintain strategic relationships related to technologies and product development.
	There is the possibility that Olympus will have difficulty integrating acquired businesses in accordance with the Group's management strategies or efficiently utilize the management resources of existing businesses or acquired businesses.
Risks Associated with Financing	The stock prices or estimated values of investment securities could fluctuate significantly.
	Financing costs may increase as a result of such factors as changes in conditions in financial markets and deterioration in the Group's business performance.
Risks Associated with Leakage of Information	It is possible that important confidential information such as technical information and personal information of customers and other interested parties is leaked.
Risks Associated with Internal Control Systems, etc.	Olympus may be unable to make the appropriate response if the Group's internal control systems fail to function effectively for various reasons.
Risks Relating to Laws and Regulations	Olympus may be subject to changing interpretation and application of laws in the healthcare industry, and a violation of laws or regulations could occur, resulting in punishment such as a fine and restricting the Company's ability to participate in healthcare programs.
Risks Relating to Duodenoscopes in the United States	There may be progress in civil lawsuits in the United States or further restrictive measures may be taken by the U.S. Food and Drug Administration (FDA) or U.S. Department of Justice.
Other General Risks	Olympus may be required to have discussions with or report to domestic and overseas authorities (e.g., response to investigations concerning compliance with the Antimonopoly Act or laws related to pharmaceuticals or medical devices or voluntary disclosure to the U.S. Department of Justice regarding compliance with the FCPA) and be unable to respond appropriately.
	Olympus may be subjected to 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.

Directors (As of June 25, 2019)



A Director, Representative Executive Officer, President and CEO
Yasuo Takeuchi

(Date of birth: February 25, 1957)
 Apr. 1980 Joined the Company
 Apr. 2005 General Division Manager, Olympus Medical Systems Corp.
 Apr. 2009 Director, Olympus Europa Holding GmbH
 Jun. 2009 Corporate Officer, the Company
 Oct. 2011 Executive Managing Director and Chairman of the Board, Olympus Europa Holding GmbH
 Apr. 2012 Director, the Company (present)
 Senior Corporate Managing Officer, the Company
 Group President of Group Management Office, the Company
 Chairman of the Board, Olympus Corporation of the Americas (present)
 Director, Olympus Corporation of Asia Pacific Limited
 Mar. 2013 Administrative Board and Managing Director, Olympus Europa Holding SE
 Apr. 2015 Head of Corporate Management Office, the Company
 Apr. 2016 Director, Vice President, the Company
 Chief Financial Officer (CFO), the Company
 Chief Regional Representative Officer, the Company
 Apr. 2019 Representative Director, the Company
 President, the Company
 Chief Executive Officer (CEO), the Company (present)
 Jun. 2019 Representative Executive Officer, President, the Company (present)

B Director
Hiroyuki Sasa

(Date of birth: September 14, 1955)
 Apr. 1982 Joined the Company
 Apr. 2001 General Manager, Endoscope Business Planning Dept., the Company
 Apr. 2005 Division Manager, First Development Div., Olympus Medical Systems Corp.
 Apr. 2007 Division Manager, Marketing Div., Olympus Medical Systems Corp.
 Jun. 2007 Corporate Officer, the Company
 Director, Olympus Medical Systems Corp.
 Apr. 2012 Representative Director, the Company
 President, the Company
 Apr. 2019 Director, the Company (present)

C Director, Executive Officer and Chief Administrative Officer
Stefan Kaufmann

(Date of birth: January 24, 1968)
 Sep. 1990 Various roles in operational and strategic HR functions, Karstadt AG
 Oct. 2000 Head of HR Development, Thomas Cook
 May 2003 General Manager, Human Resources, Olympus Europa GmbH (currently Olympus Europa SE & Co. KG)
 Apr. 2008 Managing Director Corporate Division, Olympus Europa GmbH
 Nov. 2011 Executive Managing Director, Olympus Europa SE & Co. KG
 Sep. 2013 Managing Director Consumer Business, Olympus Europa SE & Co. KG
 Apr. 2017 Corporate Officer, the Company
 Apr. 2019 Chief Administrative Officer (CAO), the Company (present)
 Supervisory Board (Chairman), Olympus Europa Holding SE (present)
 Jun. 2019 Director, the Company (present)
 Executive Officer, the Company (present)

D Director
Nobuyuki Koga

(Date of birth: September 14, 1955)
 Apr. 1978 Joined the Company
 Apr. 2002 President and Representative Director, Shirakawa Olympus Co., Ltd.
 Apr. 2006 General Manager, Human Resources Dept., the Company
 Jun. 2009 Corporate Officer, the Company
 Director, Olympus Medical Systems Corp.
 Jul. 2009 Division Manager, Manufacturing Service Division, Olympus Medical Systems Corp.
 Apr. 2010 President and Representative Director, Aizu Olympus Co., Ltd.
 Apr. 2014 Division Manager, Corporate Service Division, the Company
 Jun. 2017 Standing Audit & Supervisory Board Member, the Company
 Jun. 2019 Director, the Company (present)

E Director
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, the Company
 Jun. 2019 Director, the Company (present)

F Outside Director
Sumitaka Fujita

(Date of birth: December 24, 1942)
 Apr. 1965 Joined ITOCHU Corporation
 Jun. 1995 Director, ITOCHU Corporation
 Apr. 1997 Managing Director, ITOCHU Corporation
 Apr. 1998 Representative Managing Director, ITOCHU Corporation
 Apr. 1999 Representative Senior Managing Director, ITOCHU Corporation
 Apr. 2001 Representative Executive Vice President, ITOCHU Corporation
 Apr. 2006 Representative Vice Chairman, ITOCHU Corporation
 Jun. 2006 Vice Chairman, ITOCHU Corporation
 Jun. 2007 Director, Orient Corporation
 Jun. 2008 Senior Corporate Adviser, ITOCHU Corporation
 Director, Furukawa Electric Co., Ltd. (present)
 Audit & Supervisory Board Member, NIPPONKOA Insurance Company, Limited (currently Sampo Japan Nipponkoa Insurance Inc.)
 Jun. 2009 Director, Nippon Sheet Glass Co., Ltd.
 Apr. 2010 Director, NKSJ Holdings, Inc. (currently Sampo Holdings, Inc.)
 Apr. 2012 Director, the Company (present)
 (Important concurrent positions)
 Director, Furukawa Electric Co., Ltd.
 Chairman, Japan Association for CFOs

Directors (As of June 25, 2019)

G Outside Director

Takayuki Katayama

(Date of birth: October 9, 1945)
 Apr. 1968 Joined Teijin Limited
 Jun. 1997 Director, Teijin Limited
 Apr. 2000 CFO, Teijin Limited
 Jun. 2000 Senior Managing Director, Teijin Limited
 Oct. 2001 CEO, Teijin-DuPont Films Joint Venture
 Apr. 2004 CSO, Teijin Limited
 Jun. 2004 Representative Director and Executive Managing Director, Teijin Limited
 Apr. 2005 CSRO, Teijin Limited
 Jun. 2006 Executive Vice President, Teijin Limited
 Apr. 2009 CFO, Teijin Limited
 Jun. 2011 Senior Advisor to CEO, Teijin Limited (present)
 Jun. 2012 Director, Santen Pharmaceutical Co., Ltd.
 Audit & Supervisory Board Member, Toyo Seikan Group Holdings, Ltd.
 Jun. 2016 Director, the Company (present)

J Outside Director

Tetsuo Iwamura

(Date of birth: May 30, 1951)
 Apr. 1978 Joined Honda Motor Co., Ltd.
 Jun. 2000 Director, Honda Motor Co., Ltd.
 Apr. 2003 President and Director, Honda South America Ltda. President and Director, Moto Honda da Amazonia Ltda. President and Director, Honda Automoveis do Brasil Ltda.
 Jun. 2006 Managing Director, Honda Motor Co., Ltd.
 Apr. 2007 President and Director, Honda North America, Inc. President and Director, American Honda Motor Co., Inc.
 Jun. 2008 Senior Managing Director, Honda Motor Co., Ltd.
 Apr. 2011 Senior Managing Officer and Director, Honda Motor Co., Ltd.
 Jun. 2011 Senior Managing Officer, Honda Motor Co., Ltd.
 Apr. 2012 Executive Vice President, Executive Officer, Honda Motor Co., Ltd.
 Jun. 2012 Representative Director, Honda Motor Co., Ltd.
 Apr. 2013 Risk Management Officer, Honda Motor Co., Ltd.
 Apr. 2014 Corporate Brand Officer, Honda Motor Co., Ltd. Chairman and Director, American Honda Motor Co., Inc.
 Jun. 2017 Director, the Company (present)

M Outside Director

Atsushi Iwasaki

(Date of birth: January 9, 1959)
 Nov. 1990 Joined Century Audit Corporation (currently Ernst & Young ShinNihon LLC)
 Mar. 1991 Registered as certified public accountant
 Mar. 1997 Registered as real estate appraiser
 Dec. 1997 Partner, Century Audit Corporation (currently Ernst & Young ShinNihon LLC)
 Sep. 2005 Chief, Iwasaki CPA Office (present)
 Jun. 2013 Director, ISEKI & CO., Ltd. (present)
 Jun. 2015 Audit & Supervisory Board Member, NH Foods Ltd.
 Jun. 2016 Outside Audit & Supervisory Board Member, the Company
 Jun. 2019 Director, the Company (present)
 Director, NH Foods Ltd. (present)

(Important concurrent positions)
 Chief, Iwasaki CPA Office
 Director, ISEKI & CO., Ltd.
 Director, NH Foods Ltd.

H Outside Director

Susumu Kaminaga

(Date of birth: December 3, 1946)
 May 1969 Joined Sumitomo Precision Products Co., Ltd.
 Mar. 1995 Representative Director, Surface Technology Systems Ltd.
 Jun. 2000 Director, Sumitomo Precision Products Co., Ltd.
 Jun. 2002 Managing Director, Sumitomo Precision Products Co., Ltd.
 Jun. 2004 President, Sumitomo Precision Products Co., Ltd.
 Jun. 2012 Adviser to the Board, Sumitomo Precision Products Co., Ltd.
 Oct. 2012 Representative Director & Chief Executive, SK Global Advisers Co., Ltd. (present)
 Executive Senior Adviser, SPP Technologies Co., Ltd. (present)
 Dec. 2012 Director, DEFTA Capital Inc. (present)
 Jun. 2016 Director, the Company (present)

(Important concurrent positions)
 Representative Director & Chief Executive, SK Global Advisers Co., Ltd.
 Executive Senior Adviser, SPP Technologies Co., Ltd.
 Director, DEFTA Capital Inc.

K Outside Director

Yasumasa Masuda

(Date of birth: February 27, 1957)
 Apr. 1980 Joined Fujisawa Pharmaceutical Co., Ltd. (currently Astellas Pharma Inc.)
 Jun. 2008 Corporate Executive, Vice President, Corporate Finance & Control, Astellas Pharma Inc.
 Jun. 2011 Corporate Executive, Vice President, Corporate Finance & Control, and Chief Financial Officer, Astellas Pharma Inc.
 Apr. 2012 Corporate Executive, Vice President and Chief Financial Officer, Astellas Pharma Inc.
 Jun. 2012 Senior Corporate Executive, Senior Vice President and Chief Financial Officer, Astellas Pharma Inc.
 Apr. 2017 Senior Corporate Executive, Senior Vice President and Assistant to President, Astellas Pharma Inc.
 Jun. 2017 Independent Non-Executive, Deloitte Touche Tohmatsu LLC (present)
 Jun. 2018 Independent Non-Executive, Deloitte Tohmatsu LLC (present)
 Director, the Company (present)

(Important concurrent position)
 Independent Non-Executive, Deloitte Touche Tohmatsu LLC
 Independent Non-Executive, Deloitte Tohmatsu LLC

N Outside Director

D. Robert Hale

(Date of birth: December 21, 1984)
 Sep. 2007 Joined the Parthenon Group (currently EY-Parthenon)
 Jan. 2009 Assigned as Analyst to Strategic Value Capital, an investment subsidiary of The Parthenon Group
 Jun. 2009 Senior Associate, The Parthenon Group
 May 2010 Principal, The Parthenon Group
 Jan. 2011 Joined ValueAct Capital Management L.P.
 Dec. 2012 Vice President, ValueAct Capital Management L.P.
 May 2014 Partner, ValueAct Capital Management L.P. (present)
 Mar. 2015 Director, MSCI Inc.
 Aug. 2015 Director, Bausch Health Companies Inc. (present)
 Jun. 2019 Director, the Company (present)

(Important concurrent positions)
 Partner, ValueAct Capital Management L.P.
 Director, Bausch Health Companies Inc.

I Outside Director

Michijiro Kikawa

(Date of birth: August 2, 1947)
 Apr. 1970 Joined Hitachi Construction Machinery Co., Ltd.
 May 1995 President, Hitachi Construction Machinery (China) Co., Ltd.
 Jun. 1999 Senior Officer and President, Hitachi Construction Machinery (China) Co., Ltd.
 Jun. 2001 Executive Officer and General Manager, Hitachi Construction Machinery Co., Ltd.
 Jun. 2002 Vice President and Executive Officer, Hitachi Construction Machinery Co., Ltd.
 Apr. 2003 Senior Vice President and Executive Officer, Hitachi Construction Machinery Co., Ltd.
 Jun. 2003 Senior Vice President and Executive Officer, Hitachi Construction Machinery Co., Ltd.
 Apr. 2005 Representative Executive Officer and Executive Vice President, Hitachi Construction Machinery Co., Ltd.
 Jun. 2005 Representative Executive Officer, Executive Vice President and Director, Hitachi Construction Machinery Co., Ltd.
 Apr. 2006 Representative Executive Officer, President, Chief Executive Officer, and Director, Hitachi Construction Machinery Co., Ltd.
 Apr. 2012 Director, Hitachi Construction Machinery Co., Ltd.
 Jun. 2012 Chairman of the Board, Hitachi Construction Machinery Co., Ltd.
 Director, Hitachi, Ltd.
 Jun. 2014 Consultant to the Board of Directors, Hitachi Construction Machinery Co., Ltd.
 Jun. 2016 Director, the Company (present)

L Outside Director

Katsuya Natori

(Date of birth: May 15, 1959)
 Apr. 1986 Joined Masuda & Ejiri (currently Nishimura & Asahi)
 Jun. 1990 Joined Davis Wright Tremaine LLP
 Jul. 1992 Joined Wilmer, Cutler & Pickering
 Jul. 1993 Joined Esso Petroleum Corporation (currently JXTG Nippon Oil & Energy Corporation)
 Jan. 1995 Joined Apple Computer Co., Ltd. (currently Apple Japan, Inc.)
 Jan. 1997 Director, Sun Microsystems, Inc. (currently Oracle Information Systems (Japan) G.K.)
 Mar. 2002 Executive Officer, Fast Retailing Co., Ltd.
 Jan. 2004 Director and Executive Officer, IBM Japan, Ltd.
 Apr. 2010 Executive Officer, IBM Japan, Ltd.
 Feb. 2012 Chief, Natori Law Office (present)
 Apr. 2012 Outside Audit & Supervisory Board Member, the Company
 Mar. 2015 Director, MODEC, INC. (present)
 Apr. 2016 Supervisory Director, Global One Real Estate Investment Corp. (present)
 Jun. 2019 Director, the Company (present)

(Important concurrent positions)
 Chief, Natori Law Office
 Director, MODEC, INC.
 Supervisory Director, Global One Real Estate Investment Corp.

O Outside Director

Jim C. Beasley

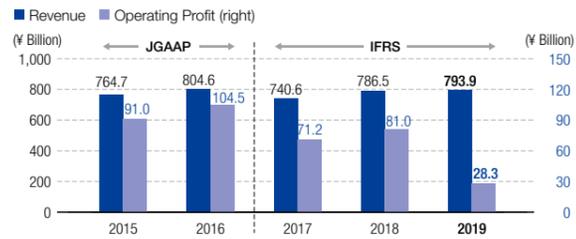
(Date of birth: April 6, 1963)
 Mar. 1986 Territory Manager, Roche Laboratories (Division of Hoffman La Roche)
 Jun. 1989 Various roles of increasing responsibility in sales and marketing including Vice President of Sales and Marketing, Bard Access Systems Division, C.R. Bard Inc.
 Jun. 2003 President, Bard Access Systems Division, C.R. Bard Inc.
 Apr. 2007 President, Bard Peripheral Vascular Division, C.R. Bard Inc.
 May 2009 Group Vice President, C.R. Bard Inc.
 Jun. 2013 Group President, C.R. Bard Inc.
 May 2018 Consultant and Executive Advisor to ValueAct Capital Management L.P.
 Jun. 2019 Director, the Company (present)

FACTS

Financial / Non-Financial Highlights (For the fiscal years as of / ended March 31)

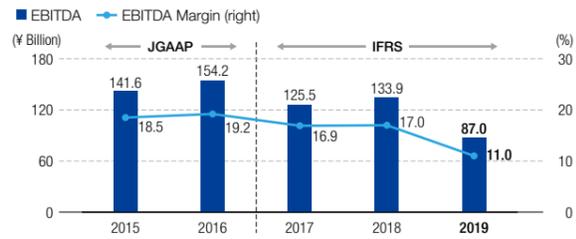
Financial Highlights

Revenue **¥793.9 billion** Operating Profit **¥28.3 billion**



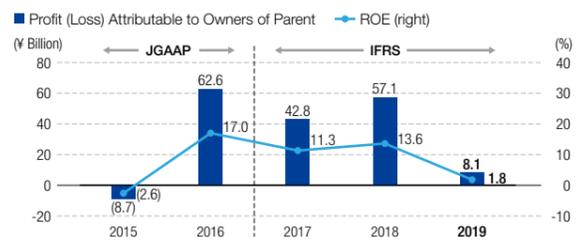
Revenue increased 1% year on year driven by solid performances in the Medical Business and the Scientific Solutions Division. Operating profit declined due to an increase in SG&A expenses and the recording of one-time expenses.

EBITDA **¥87.0 billion**



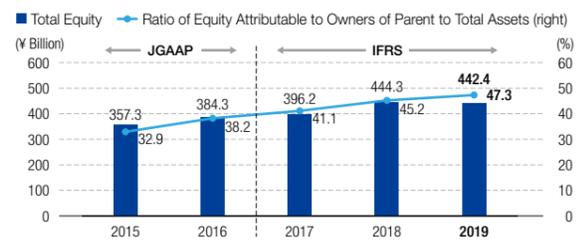
Earnings before interest, taxes, depreciation, and amortization (EBITDA) declined 35% due mainly to the decrease in operating profit. The EBITDA margin was 11.0%.

Profit Attributable to Owners of Parent **¥8.1 billion** ROE **1.8%**



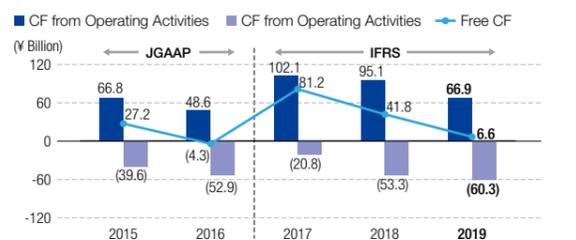
Profit attributable to owners of parent declined 86% due to an increase in finance costs associated with exchange losses. ROE decreased 11.8 percentage points to 1.8%.

Ratio of Equity Attributable to Owners of Parent to Total Assets **47.3%**



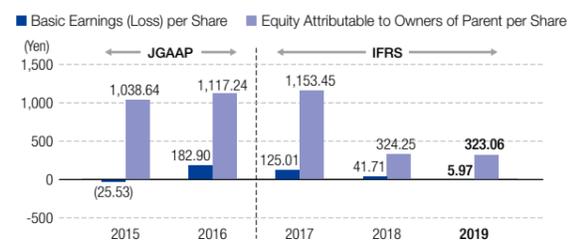
The ratio of equity attributable to owners of parent to total assets improved 2.1 percentage points as a result of the increasing-effect on retained earnings of profit attributable to owners of parent of ¥8.1 billion, the decreasing-effect on retained earnings of dividends of ¥9.6 billion and a decrease in other components of capital of ¥2.4 billion.

Free Cash Flow **¥6.6 billion**



Net cash provided by operating activities amounted to ¥66.9 billion. Free cash flow came to a positive ¥6.6 billion after the payment of securities litigation settlements and other expenses.

Basic Earnings per Share **¥5.97**



Basic earnings per share amounted to ¥5.97 resulting from the recording of profit attributable to owners of parent of ¥8.1 billion. Equity attributable to owners of parent per share declined ¥1.19.

* On April 1, 2019, the Company conducted a four-for-one stock split of common stock.
 "Profit attributable to owners of parent per share" is expressed with the figure after the stock split.
 The figure for fiscal 2018 is recalculated using the same method.
 "Profit attributable to owners of parent per share" is "Total equity per share" under Japanese GAAP.

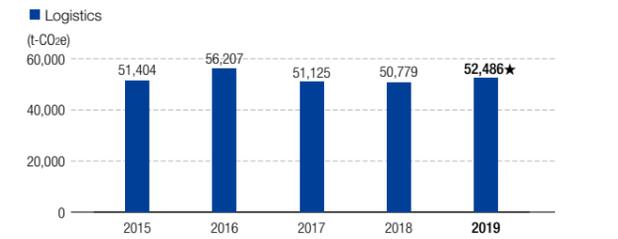
Non-Financial Highlights

Greenhouse Gas Emissions*1, *2, *3 **93,752 t-CO₂e**



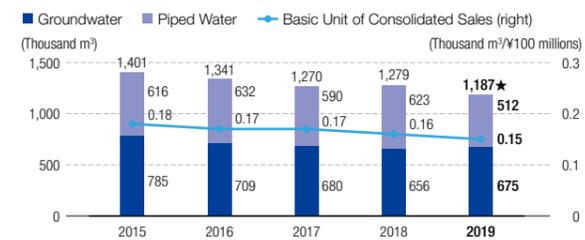
Olympus makes production process improvements, undertakes continuous energy-saving activities, adopts renewable energy, and takes other measures at major sites in Japan and overseas.

Greenhouse Gas Emissions*3 (Scope 3*2, *4) **52,486 t-CO₂e**



The Company continuously promotes a modal shift in international transportation from aircraft to ships while also reducing logistic wastes by revising shipping container sizes and expanding local use of returnable containers.

Water Use*1, *3 **1,187 thousand m³**



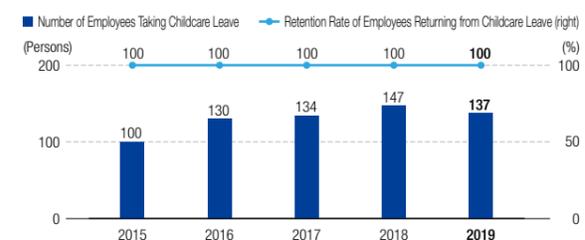
Olympus uses water mainly in production processes, such as for cleaning components and cooling. We implement thorough wastewater control by adopting stricter standards than the legal requirements in each region, and we continue to reduce water consumption and wastewater emissions by setting targets at those sites that have high water consumption.

Waste Discharged and Landfill*1, *3 **6,566 t**



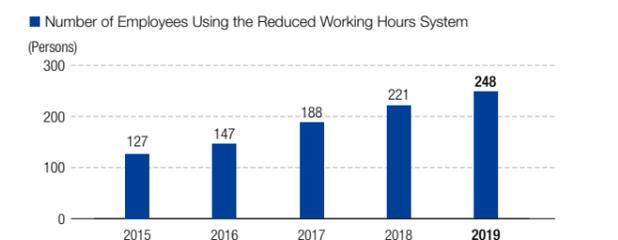
The Company continues working to reduce waste volume and promote recycling, such as by improving production processes to minimize material loss and thorough waste separation.

Number of Employees Taking Childcare Leave*5 **137 persons** Retention Rate of Employees Returning from Childcare Leave*5 **100%**



Olympus is strengthening measures to strike a good balance between work and childcare and is encouraging the use of its childcare leave system. We have achieved a 100% retention rate in employees returning to work from childcare leave for five consecutive years.

Number of Employees Using the Reduced Working Hours System*5 **248 persons**



Olympus introduced a reduced working hours system with the aim of supporting both work and childcare/nursing care, with the number of people using the system growing each year. We provide support as a company that enables diverse human resources to continue with their career irrespective of the different major life events.

*1 Scope: Domestic and overseas business enterprises of the Olympus Group. However, small businesses are excluded.
 *2 Reporting based on the following GHG Protocol scopes.
 Scope 1: Greenhouse gas emissions from direct use of fossil fuels
 Scope 2: Greenhouse gas emissions from secondary use, such as electric power purchase
 Scope 3: Other indirect emissions excluding Scope 1 and Scope 2
 *3 ★Indexes certified by external assurance. Please refer to the CSR Data Book for Independent Assurance Statement.
 *4 Category 4 upstream transportation and distribution
 *5 Scope: Olympus Corporation

Note: "Net income" in this report basically refers to "Profit attributable to owners of parent."
 * "Total equity per share" under Japanese GAAP

10-Year Financial / Non-Financial Data (For the fiscal years as of / ended March 31)

(Millions of yen)

	JGAAP						IFRS				
	2010	2011	2012	2013	2014	2015	2016	2017	2017	2018	2019
Revenue	883,086	847,105	848,548	743,851	713,286	764,671	804,578	748,050	740,557	786,497	793,862
Selling, general and administrative (SG&A) expenses	347,125	349,306	348,287	343,121	367,011	398,889	430,773	414,855	397,697	426,596	437,510
Percentage of revenue (%)	39.3%	41.2%	41.0%	46.1%	51.5%	52.2%	53.5%	55.5%	53.7%	54.2%	55.1%
Operating profit	61,160	38,379	35,518	35,077	73,445	90,962	104,464	76,487	71,192	81,029	28,281
Percentage of revenue (%)	6.9%	4.5%	4.2%	4.7%	10.3%	11.9%	13.0%	10.2%	9.6%	10.3%	3.6%
Profit (loss) before tax	90,703	19,938	(9,495)	19,142	16,425	8,934	70,800	81,686	62,481	76,665	20,117
Net income (loss) (JGAAP) / Profit (loss) attributable to owners of parent (IFRS)	52,527	3,866	(48,985)	8,020	13,627	(8,737)	62,594	78,191	42,783	57,064	8,147
Percentage of revenue (%)	5.9%	0.5%	—	1.1%	1.9%	—	7.8%	10.5%	5.8%	7.3%	1.0%
EBITDA margin*1 (%)	13.3%	9.9%	9.5%	10.6%	16.8%	18.5%	19.2%	17.4%	16.9%	17.0%	11.0%
EBITDA margin (Medical Business)*2 (%)	29.2%	26.9%	26.6%	29.0%	29.7%	29.1%	29.5%	27.4%	27.4%	26.5%	24.9%
R&D expenditures	61,850	67,286	61,356	63,379	66,796	74,101	81,415	79,178	79,178	89,469	93,968
Percentage of revenue (%)	7.0%	7.9%	7.2%	8.5%	9.4%	9.7%	10.1%	10.6%	10.7%	11.4%	11.8%
Capital expenditures	34,323	32,699	37,961	28,109	37,810	47,743	64,445	49,347	60,683	65,255	66,830
Depreciation and amortization	43,099	34,188	33,787	33,899	36,850	41,219	39,912	44,658	54,290	52,913	58,669
Amortization of goodwill	12,918	11,619	11,103	9,683	9,457	9,421	9,867	8,642	—	—	—
Financial indicators											
Total assets*3	1,104,528	1,019,160	966,526	960,239	1,027,475	1,081,551	1,000,614	991,062	960,032	978,663	932,030
Total net assets (JGAAP)*3 / Total equity (IFRS)	163,131	115,579	48,028	151,907	331,284	357,254	384,283	430,880	396,228	444,259	442,387
Equity ratio (JGAAP) / Ratio of equity attributable to owners of parent to total assets (IFRS) (%)	14.1%	11.0%	4.6%	15.5%	32.1%	32.9%	38.2%	43.3%	41.1%	45.2%	47.3%
Interest-bearing debt	661,481	648,787	642,426	560,390	415,831	354,421	321,138	286,357	285,970	247,974	181,335
Net debt	454,698	435,226	442,338	330,780	163,710	144,546	154,584	86,926	86,505	56,735	66,909
Inventories	89,959	92,929	102,493	99,307	98,595	107,387	111,558	124,064	125,319	139,309	153,623
Inventory turnover period (months)	1.3	1.3	1.4	1.6	1.7	1.6	1.6	1.9	2.0	2.1	2.3
Cash and cash equivalents at end of year	203,013	210,385	198,661	225,782	251,344	209,809	166,323	199,431	199,465	191,239	114,563
Cash flows from operating activities	76,245	30,469	30,889	25,233	72,388	66,811	48,621	90,194	102,052	95,146	66,943
Cash flows from investing activities	(20,967)	19,003	(35,735)	33,455	(20,273)	(39,612)	(52,897)	(8,305)	(20,814)	(53,312)	(60,296)
Cash flows from financing activities	17,355	(37,359)	(5,761)	(42,436)	(39,693)	(70,185)	(33,870)	(44,244)	(43,615)	(51,058)	(82,948)
Return on equity (ROE) (%)	40.6%	2.9%	(62.3%)	8.3%	5.7%	(2.6%)	17.0%	19.3%	11.3%	13.6%	1.8%
Return on assets (ROA) (%)	4.9%	0.4%	(4.9%)	0.8%	1.4%	(0.8%)	6.0%	7.9%	4.4%	5.9%	0.9%
Net income (loss) per share*4 (JGAAP) / Profit attributable to owners of parent per share (IFRS) (yen)	194.90	14.39	(183.54)	28.96	41.05	(25.53)	182.90	228.47	125.01	41.71	5.97
Total equity per share*4 (JGAAP) / Equity attributable to owners of parent per share (IFRS) (yen)	576.63	421.37	167.76	493.30	962.83	1,038.64	1,117.24	1,252.96	1,153.45	324.25	323.06
Price earnings ratio (PER)*5 (times)	15.4	160.8	—	76.4	80.2	—	23.9	18.7	34.2	24.2	201.3
Price book-value ratio (PBR) (times)	5.2	5.5	8.1	4.5	3.4	4.3	3.9	3.4	3.7	3.1	3.7
Outstanding market value (billions of yen)	813.8	627.7	367.3	675.8	1,127.4	1,530.0	1,499.2	1,466.6	1,466.6	1,384.5	1,647.8
Cash dividends per share (yen)	30	30	—	—	—	10	17	28	28	28	30
Average exchange rate											
U.S. dollar / Yen	92.85	85.72	79.08	83.10	100.24	109.93	120.14	108.38	108.38	110.85	110.91
Euro / Yen	131.15	113.12	108.98	107.14	134.37	138.77	132.58	118.79	118.79	129.70	128.41
Non-financial indicators											
Number of employees*6	35,376	34,391	34,112	30,697	30,702	31,540	33,336	34,687	34,687	35,933	35,124
(Average number of temporary employees)	(—)	(5,336)	(5,009)	(2,240)	(2,978)	(1,374)	(1,257)	(1,298)	(1,298)	(1,511)	(1,396)
Overseas employees as a percentage of employees (%)	63.3%	62.4%	62.1%	62.4%	62.5%	63.2%	63.3%	63.7%	63.7%	63.7%	61.9%
Percentage of women in management roles*7 (%)	0.9%	0.9%	0.8%	0.9%	1.0%	1.2%	1.4%	1.9%	1.9%	2.3%	2.9%
Percentage of employees with disabilities*8 (%)	1.8%	1.8%	1.9%	1.9%	2.0%	2.1%	1.9%	2.1%	2.1%	2.2%	2.2%

*1 At the Company, EBITDA is calculated using the following assumptions: EBITDA = Operating profit + Depreciation and amortization that is included in cost of sales or SG&A expenses + Amortization of goodwill that is included in SG&A expenses

EBITDA margin = EBITDA / Revenue

*2 At the Company, EBITDA (Medical Business) is calculated using the following assumptions: EBITDA = Segment profit in the Medical Business + Depreciation and amortization that is included in cost of sales or SG&A expenses + Amortization of goodwill that is included in SG&A expenses
EBITDA margin (Medical Business) = EBITDA (Medical Business) / Revenue

*3 In line with the issuance of IAS No. 19 "Employee Benefits" (revised on June 16, 2011) to be applied for fiscal years beginning on or after January 1, 2013, certain overseas subsidiaries adopted IAS No. 19 effective from the fiscal year ended March 31, 2014, and changed their method of recognizing actuarial gain or loss. This change has been applied retroactively to the March 31, 2013.

*4 The Company conducted a stock split at the ratio of four shares for one ordinary share on April 1, 2019. "Profit attributable to owners of parent per share" is expressed with the figure after the stock split. The figure for fiscal 2018 is recalculated using the same method.

*5 Price earnings ratio (PER) for the fiscal years ended March 31, 2012 and 2015 are omitted as Olympus recorded net loss for these fiscal years.

*6 The average number of temporary employees is stated in parentheses from the fiscal year ended March 31, 2011, as the number of temporary employees is over 10% of the total number of employees.

*7 Figures for percentage of women in management roles only include individuals in Japan.

*8 Figures for percentage of employees with disabilities are as of June 1 of the respective year and only include individuals in Japan.

Risk Information (As of June 25, 2019)

The business performances of the Olympus Group may be materially influenced by various factors which may occur in the future. Olympus has established the internal Rules on Risk Management and Crisis Response based on which it develops global risk management systems to mitigate business risks. Specifically, in relation to the single-fiscal-year activity themes defined based on the strategies for that year, the Olympus Group will evaluate risks in line with uniform standards to facilitate the efficient and effective formulation of priority measures. A system is in place to track and periodically monitor progress with regard to priority measures identified as Group-level themes. The Group has also begun efforts to standardize risk management processes to ensure that processes carried out for region-specific activity themes are consistent across the Group. These initiatives make it possible to improve the accuracy of efforts to appropriately control risks on a Groupwide basis by utilizing shared risk assessment and incident information based on uniform standards.

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 future events described below are based on the judgment of the Olympus Group made as of the end of the fiscal year ended March 31, 2019.

Business Risks

(1) Risks Associated with Selling Activities

1. 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.
2. 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.
3. 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.

(2) Risks Associated with Production / Development Activities

1. Certain production bases of the Group are located in overseas countries. 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.
2. 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.

3. 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.
4. 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.
5. 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.

(3) Risks Associated with Business Collaborations and Corporate Acquisitions

1. 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.
2. 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.
3. 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.

(4) Risks Associated with Financing

Since the Olympus Group carries out financing by borrowing from financial institutions, etc. and issuance of bonds, 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.

(5) 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.

(6) 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 is possible 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, changes in the business and social environment that were not envisaged at the time of the internal control system's construction, invalidation of the system due to these changes, or various other factors, could cause the system to fail. If unable to properly address such a situation, 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.

(7) 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.

(8) Risks Relating to Duodenoscopes

Civil litigation has been filed in the United States alleging that plaintiffs have suffered damages with respect to the duodenoscopes that our group manufactures and markets. Due to the current status of these cases, it is not possible to give a significant impact on the Group's business results and financial situation. In addition, a warning letter was issued by the U.S. Food and Drug Administration (FDA) to each of our duodenal endoscopy manufacturers, including our group, in March 2018 because we were not in compliance with the performing post-marketing surveillance studies relating to the cleaning and disinfection of such products.

Although we have since proceeded with post-marketing surveillance research in collaboration with the FDA, further regulatory actions by the FDA may be taken depending on the future progress. The plea agreement, executed on December 3, 2018, with the U.S. Department of Justice required our subsidiary, Olympus Medical Systems, Inc., to "strengthen the process of compliance with laws and regulations and periodically implement confirmations that the Company has reached the level expected under the agreement."

Depending on our future progress, further actions may be taken by the U.S. Department of Justice.

(9) 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.

Consolidated Statements of Financial Position

Olympus Corporation and Consolidated Subsidiaries
As of March 31, 2018 and 2019

	Millions of yen		Thousands of
	2018	2019	U.S. dollars (Note 2)
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents (Notes 7, 35)	¥ 191,239	¥ 114,426	\$ 1,030,865
Trade and other receivables (Notes 8, 35)	157,339	155,321	1,399,288
Other financial assets (Notes 10, 35)	7,442	2,155	19,414
Inventories (Note 9)	139,309	153,623	1,383,991
Income taxes receivable	4,127	7,931	71,450
Other current assets (Note 11)	14,487	16,867	151,956
Subtotal	513,943	450,323	4,056,964
Assets held for sale (Note 12)	348	5,709	51,432
Total current assets	514,291	456,032	4,108,396
NON-CURRENT ASSETS			
Property, plant and equipment (Note 13)	168,243	176,908	1,593,766
Goodwill (Note 14)	97,208	101,188	911,604
Intangible assets (Note 14)	73,371	69,269	624,045
Retirement benefit asset (Note 23)	29,514	30,239	272,423
Investments accounted for using equity method	44	2,440	21,982
Trade and other receivables (Notes 8, 35)	17,971	14,618	131,694
Other financial assets (Notes 10, 35)	39,683	32,808	295,568
Deferred tax assets (Note 37)	37,135	47,267	425,829
Other non-current assets (Note 11)	1,203	1,261	11,360
Total non-current assets	464,372	475,998	4,288,271
Total assets	¥ 978,663	¥ 932,030	\$ 8,396,667

See accompanying notes to consolidated financial statements.

	Millions of yen		Thousands of
	2018	2019	U.S. dollars (Note 2)
LIABILITIES AND EQUITY			
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables (Notes 17, 35)	¥ 57,559	¥ 61,724	\$ 556,072
Bonds and borrowings (Notes 18, 35)	88,791	59,707	537,901
Other financial liabilities (Notes 19, 35)	8,793	9,391	84,604
Income taxes payable	9,467	8,043	72,459
Provisions (Note 20)	6,814	10,803	97,324
Other current liabilities (Note 21)	134,496	133,311	1,201,000
Subtotal	305,920	282,979	2,549,360
Liabilities directly associated with assets held for sale (Note 12)	—	4,532	40,830
Total current liabilities	305,920	287,511	2,590,190
NON-CURRENT LIABILITIES			
Bonds and borrowings (Notes 18, 35)	159,183	121,628	1,095,748
Other financial liabilities (Notes 19, 35)	7,379	7,799	70,261
Retirement benefit liability (Note 23)	39,145	43,116	388,432
Provisions (Note 20)	785	6,468	58,270
Deferred tax liabilities (Note 37)	10,004	12,101	109,018
Other non-current liabilities (Note 21)	11,988	11,020	99,280
Total non-current liabilities	228,484	202,132	1,821,009
Total liabilities	534,404	489,643	4,411,199
EQUITY			
Share capital (Note 24)	124,560	124,606	1,122,577
Capital surplus (Note 24)	91,502	91,310	822,613
Treasury shares (Note 24)	(4,775)	(4,764)	(42,919)
Other components of equity (Note 24)	(5,810)	(8,234)	(74,181)
Retained earnings (Note 24)	237,316	238,275	2,146,622
Total equity attributable to owners of parent	442,793	441,193	3,974,712
Non-controlling interests	1,466	1,194	10,756
Total equity	444,259	442,387	3,985,468
Total liabilities and equity	¥ 978,663	¥ 932,030	\$ 8,396,667

Consolidated Statements of Profit or Loss

Olympus Corporation and Consolidated Subsidiaries
For the years ended March 31, 2018 and 2019

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2018	2019	2019
Revenue (Notes 6, 28)	¥ 786,497	¥ 793,862	\$ 7,151,910
Cost of sales (Notes 9, 13, 14, 23)	276,013	284,297	2,561,234
Gross profit	510,484	509,565	4,590,676
Selling, general and administrative expenses (Notes 13, 14, 23, 29)	426,596	437,510	3,941,532
Share of profit (loss) of investments accounted for using equity method (Note 6)	(47)	603	5,432
Other income (Note 30)	7,905	6,234	56,162
Other expenses (Notes 16, 30)	10,717	50,611	455,954
Operating profit (Note 6)	81,029	28,281	254,784
Finance income (Note 31)	2,685	2,183	19,667
Finance costs (Note 31)	7,049	10,347	93,216
Profit before tax	76,665	20,117	181,235
Income taxes (Note 37)	19,573	12,068	108,721
Profit	¥ 57,092	¥ 8,049	\$ 72,514
Profit (loss) attributable to:			
Owners of parent	¥ 57,064	¥ 8,147	\$ 73,396
Non-controlling interests	¥ 28	¥ (98)	\$ (882)
Profit	¥ 57,092	¥ 8,049	\$ 72,514

	Yen		U.S. dollars (Note 2)
	2018	2019	2019
Earnings per share			
Basic earnings per share (Note 32)	¥ 41.71	¥ 5.97	\$ 0.054
Diluted earnings per share (Note 32)	¥ 41.69	¥ 5.96	\$ 0.054

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

Olympus Corporation and Consolidated Subsidiaries
For the years ended March 31, 2018 and 2019

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2018	2019	2019
Profit	¥ 57,092	¥ 8,049	\$ 72,514
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Financial assets measured at fair value through other comprehensive income (Note 33)	3,562	(3,254)	(29,315)
Remeasurements of defined benefit plans (Note 33)	3,240	858	7,730
Total of items that will not be reclassified to profit or loss (Note 33)	6,802	(2,396)	(21,585)
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations (Note 33)	(3,568)	1,855	16,712
Cash flow hedges (Note 33)	952	491	4,423
Share of other comprehensive income (loss) of associates accounted for using equity method (Note 33)	(12)	(2)	(18)
Total of items that may be reclassified to profit or loss (Note 33)	(2,628)	2,344	21,117
Total other comprehensive income	4,174	(52)	(468)
Comprehensive income	¥ 61,266	¥ 7,997	\$ 72,045
Comprehensive income attributable to:			
Owners of parent	¥ 61,234	¥ 8,094	\$ 72,919
Non-controlling interests	¥ 32	¥ (97)	\$ (874)
Comprehensive income	¥ 61,266	¥ 7,997	\$ 72,045

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

Olympus Corporation and Consolidated Subsidiaries
For the years ended March 31, 2018 and 2019

	Millions of yen							
	Equity attributable to owners of parent						Non-controlling interests	Total equity
	Share capital	Capital surplus	Treasury shares	Other components of equity	Retained earnings	Total		
Balance at April 1, 2017	¥ 124,520	¥ 91,779	¥ (1,122)	¥ (5,652)	¥ 185,226	¥ 394,751	¥ 1,477	¥ 396,228
Profit					57,064	57,064	28	57,092
Other comprehensive income				4,170		4,170	4	4,174
Comprehensive income	—	—	—	4,170	57,064	61,234	32	61,266
Change in scope of consolidation			(3,663)			(3,663)		(3,663)
Purchase of treasury shares (Note 24)		(10)	10			0		0
Disposal of treasury shares (Note 24)					(9,583)	(9,583)	(79)	(9,662)
Dividends from surplus (Note 26)				(4,328)	4,328	—		—
Transfer from other components of equity to retained earnings		(281)			281	—		—
Share-based payment transactions (Note 27)	40	50				90		90
Equity transactions with non-controlling interests		(36)				(36)	36	—
Total transactions with owners	40	(277)	(3,653)	(4,328)	(4,974)	(13,192)	(43)	(13,235)
Balance at March 31, 2018	¥ 124,560	¥ 91,502	¥ (4,775)	¥ (5,810)	¥ 237,316	¥ 442,793	¥ 1,466	¥ 444,259

	Millions of yen							
	Equity attributable to owners of parent						Non-controlling interests	Total equity
	Share capital	Capital surplus	Treasury shares	Other components of equity	Retained earnings	Total		
Balance at April 1, 2018	¥ 124,560	¥ 91,502	¥ (4,775)	¥ (5,810)	¥ 237,316	¥ 442,793	¥ 1,466	¥ 444,259
Profit					8,147	8,147	(98)	8,049
Other comprehensive income				(53)		(53)	1	(52)
Comprehensive income	—	—	—	(53)	8,147	8,094	(97)	7,997
Change in scope of consolidation			(8)			(8)		(8)
Purchase of treasury shares (Note 24)		(20)	19			(1)		(1)
Disposal of treasury shares (Note 24)					(9,559)	(9,559)	(368)	(9,927)
Dividends from surplus (Note 26)				(2,371)	2,371	—		—
Transfer from other components of equity to retained earnings						—		—
Share-based payment transactions (Note 27)	46	21				67		67
Equity transactions with non-controlling interests		(193)				(193)	193	—
Total transactions with owners	46	(192)	11	(2,371)	(7,188)	(9,694)	(175)	(9,869)
Balance at March 31, 2019	¥ 124,606	¥ 91,310	¥ (4,764)	¥ (8,234)	¥ 238,275	¥ 441,193	¥ 1,194	¥ 442,387

	Thousands of U.S. dollars (Note 2)							
	Equity attributable to owners of parent						Non-controlling interests	Total equity
	Share capital	Capital surplus	Treasury shares	Other components of equity	Retained earnings	Total		
Balance at April 1, 2018	\$ 1,122,162	\$ 824,342	\$ (43,018)	\$ (52,344)	\$ 2,137,983	\$ 3,989,125	\$ 13,207	\$ 4,002,332
Profit					73,396	73,396	(882)	72,514
Other comprehensive income				(477)		(477)	8	(469)
Comprehensive income	—	—	—	(477)	73,396	72,919	(874)	72,045
Change in scope of consolidation			(72)			(72)		(72)
Purchase of treasury shares (Note 24)		(180)	171			(9)		(9)
Disposal of treasury shares (Note 24)					(86,117)	(86,117)	(3,316)	(89,433)
Dividends from surplus (Note 26)				(21,360)	21,360	—		—
Transfer from other components of equity to retained earnings						—		—
Share-based payment transactions (Note 27)	415	190				605		605
Equity transactions with non-controlling interests		(1,739)				(1,739)	1,739	—
Total transactions with owners	415	(1,729)	99	(21,360)	(64,757)	(87,332)	(1,577)	(88,909)
Balance at March 31, 2019	\$ 1,122,577	\$ 822,613	\$ (42,919)	\$ (74,181)	\$ 2,146,622	\$ 3,974,712	\$ 10,756	\$ 3,985,468

Note: Details of Share capital, Capital surplus, Retained earnings, Treasury shares and Other components of equity are described in Note 24 "Share capital and other components of equity".

Consolidated Statements of Cash Flows

Olympus Corporation and Consolidated Subsidiaries
For the years ended March 31, 2018 and 2019

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2018	2019	2019
Cash flows from operating activities			
Profit before tax	¥ 76,665	¥ 20,117	\$ 181,234
Depreciation and amortization	52,913	58,669	528,550
Interest and dividend income	(1,774)	(1,901)	(17,126)
Interest expenses	6,669	4,617	41,595
Loss (gain) on sales of investments in subsidiaries (Note 30)	(3,048)	—	—
Loss related to securities litigation (Note 30)	592	19,380	174,595
Loss related to duodenoscopy investigation (Note 30)	—	9,653	86,964
Share of loss (profit) of investments accounted for using equity method	47	(603)	(5,432)
Decrease (increase) in trade and other receivables	1,730	5,584	50,306
Decrease (increase) in inventories	(13,249)	(14,357)	(129,342)
Increase (decrease) in trade and other payables	(13,709)	3,114	28,054
Increase (decrease) in retirement benefit liability	1,167	1,632	14,703
Decrease (increase) in retirement benefit asset	980	(2,391)	(21,541)
Increase (decrease) in provisions	983	9866	88,883
Other	9,871	6,510	58,648
Subtotal	119,837	119,890	1,080,091
Interest received	1,132	1,299	11,703
Dividends received	642	602	5,423
Interest paid	(6,375)	(4,622)	(41,640)
Loss on litigation paid	(809)	(19,380)	(174,595)
Loss related to the duodenoscopy investigation	—	(9,653)	(86,964)
Income taxes paid	(19,281)	(21,193)	(190,928)
Net cash provided by operating activities	95,146	66,943	603,090
Cash flows from investing activities			
Purchase of property, plant and equipment	(48,855)	(47,094)	(424,270)
Proceeds from sales of property, plant and equipment	5,646	4,300	38,739
Purchase of intangible assets	(14,554)	(14,372)	(129,477)
Purchase of investments in associates	—	(2,440)	(21,982)
Payments for loans receivable	(1,134)	(1,564)	(14,090)
Collection of loans receivable	1,485	1,193	10,748
Proceeds from sales of investments	7,047	5,031	45,324
Purchase of investments in subsidiaries resulting in change in scope of consolidation (Notes 34, 40)	(8,636)	—	—
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation (Note 34)	2,400	—	—
Payments for acquisition of business (Notes 34, 40)	—	(3,743)	(33,721)
Proceeds from government subsidies (Note 22)	4,162	—	—
Other	(873)	(1,607)	(14,478)
Net cash used in investing activities	(53,312)	(60,296)	(543,207)
Cash flows from financing activities			
Increase (decrease) in short-term borrowings and commercial papers (Note 34)	(2,608)	647	5,829
Proceeds from long-term borrowings (Note 34)	23,551	9,425	84,910
Repayments of long-term borrowings (Note 34)	(66,307)	(64,302)	(579,297)
Dividends paid (Note 26)	(9,583)	(9,559)	(86,117)
Dividends paid to non-controlling interests	(79)	(368)	(3,315)
Proceeds from issuance of bonds (Notes 18, 34)	9,946	9,947	89,613
Redemption of bonds (Note 34)	—	(25,000)	(225,225)
Payments for purchase of treasury shares	(3,663)	(8)	(72)
Other	(2,315)	(3,730)	(33,605)
Net cash used in financing activities	(51,058)	(82,948)	(747,279)
Effect of exchange rate changes on cash and cash equivalents	998	(375)	(3,379)
Net increase (decrease) in cash and cash equivalents	(8,226)	(76,676)	(690,775)
Cash and cash equivalents at beginning of period	199,465	191,239	1,722,874
Cash and cash equivalents at end of period (Note 7)	¥ 191,239	¥ 114,563	\$ 1,032,099

See accompanying notes to consolidated financial statements.

Notes to the Consolidated Financial Statements

Olympus Corporation and Consolidated Subsidiaries

1. Reporting Entity

Olympus Corporation (hereinafter, the "Company") is a corporation located in Japan. The address of its registered head office is Hachioji-shi, Tokyo. The Company's consolidated financial statements comprise the Company, its subsidiaries (hereinafter, the "Olympus Group") and interests in the Company's associates.

The Olympus Group is principally engaged in the manufacture and sales of medical, scientific, imaging and other products. Details of each business are as described in Note 6 "Segment information."

2. Basis of Preparation

(1) Compliance with IFRS

The accompanying consolidated financial statements of the Olympus Group have been prepared in accordance with International Financial Reporting Standards (hereinafter, "IFRS"). Since the requirements for a "Specified Company of Designated International Accounting Standards" set forth in Article 1-2 of the "Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements" are satisfied, the Olympus Group adopts the provisions of Article 93 of the same Ordinance.

The consolidated financial statements for the fiscal year ended March 31, 2019 were approved by Yasuo Takeuchi, Director, Representative Executive Officer, President and CEO, and Yasushi Sakai, Executive Officer CFO, on June 25, 2019.

(2) Basis of Measurement

The Olympus Group's consolidated financial statements have been prepared on a historical cost basis, except for certain items, such as financial instruments measured at fair value as described in Note 3 "Significant accounting policies."

(3) Functional Currency and Presentation Currency

The Olympus Group's consolidated financial statements are presented in Japanese yen, which is also the Company's functional currency, and figures are rounded off to the nearest million yen. 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 ¥111 to US\$1.00, the approximate rate of exchange prevailing at March 31, 2019. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could be, or could in the future be converted into U.S. dollars at this or any other rate of exchange.

(4) Changes in Presentation

(Consolidated statement of cash flows)

"Increase (decrease) in provisions", which was included in "Other" in cash flows from operating activities for the fiscal year ended March 31, 2018 is separately presented for the fiscal year ended March 31, 2019 since the significance of the amount increased. In order to reflect the change, ¥10,854 million, which was presented as "Other" in cash flows from operating activities in the consolidated statement of cash flows for the fiscal year ended March 31, 2018, is reclassified as ¥983 million of "Increase (decrease) in provisions" and ¥9,871 million of "Other".

"Increase (decrease) in short-term borrowings" which was presented in cash flows from financing activities for the fiscal year ended March 31, 2018, is presented as "Increase (decrease) in short-term borrowings and commercial paper" to appropriately reflect the substance of the transactions for the fiscal year ended March 31, 2019.

3. Significant Accounting Policies

(1) Basis of Consolidation

1) Subsidiaries

A subsidiary is an entity that is controlled by the Olympus Group. The Olympus Group considers that it has control over an entity when it is exposed or has rights, to variable returns arising from its involvement with the entity, while having the ability to affect those returns through the exercise of its power over the entity. Financial statements of a subsidiary are consolidated from the date on which the Olympus Group obtains control over such subsidiary, until the date on which the control is lost.

All intergroup balances, transactions, unrealized profit or loss arising from intergroup transactions are eliminated on consolidation.

Comprehensive income of the subsidiaries is attributed to the owners of parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Company's ownership interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. Any difference between the adjustment to the non-controlling interests and the fair value of the consideration is recognized directly in equity attributable to owners of parent.

If the Olympus Group loses control over a subsidiary, any resulting gains or losses shall be recognized in profit or loss.

2) Associates

An associate is an entity over which the Olympus Group has significant influence on its financial and operating policies but does not have control or joint control. Investments in associates are accounted for by the equity method from the date the Olympus Group gains significant influence until the date it loses that influence.

Investments in associates include goodwill recognized on acquisition.

(2) Business Combinations

Business combinations are accounted for by using the acquisition method. Consideration for an acquisition is measured at the sum of the acquisition-date fair value of the assets transferred, liabilities assumed, and equity instruments issued by the Olympus Group in exchange for the control over the acquiree. Consideration for an acquisition includes contingent consideration. If consideration for an acquisition exceeds the fair value of identifiable assets and liabilities, such excess is recognized as goodwill in the consolidated statements of financial position. If, conversely, the consideration is less than the fair value, the difference shall be directly recognized in profit or loss in the consolidated statements of profit or loss. In addition, acquisition-related costs incurred shall be recognized in profit or loss.

Notes to the Consolidated Financial Statements

For a business combination that is achieved in stages, interest in the acquiree that was previously held by the Olympus Group is remeasured at fair value at the date of acquisition of control, and the resulting gains or losses are recognized in profit or loss.

(3) Foreign Currency Translations

1) Foreign currency transactions

Foreign currency transactions are translated into the functional currency of each Group company using the exchange rate at the transaction date or an exchange rate that approximates it. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated into functional currencies using the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies measured at fair value are translated into functional currencies using the exchange rate at the date when such fair value was measured. Translation differences arising from translations and settlements are recognized in profit or loss for the period; provided, however, that translation differences arising from financial assets measured at fair value through other comprehensive income are recognized in other comprehensive income.

2) Financial statements of foreign operations

Assets and liabilities of foreign operations are translated into Japanese yen using the exchange rates at the end of the reporting period. Income and expenses are translated into Japanese yen using the average exchange rates for the fiscal year unless exchange rates significantly fluctuate during the period. Exchange differences on translation of foreign operations are recognized in other comprehensive income. Such translation differences of foreign operations are recognized in profit or loss for the period in which the foreign operations concerned are disposed of.

(4) Financial Instruments

1) Financial assets

(i) Initial recognition and measurement

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

(ii) Classification and subsequent measurement

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

(Financial assets measured at amortized cost)

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

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

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

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

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

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

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

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

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

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

(iii) Impairment of financial assets

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

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

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

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

(iv) Derecognition

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

2) Financial liabilities

(i) Initial recognition and measurement

The Olympus Group initially recognizes financial liabilities at the transaction date when the Olympus Group becomes a party to the contract for the financial liabilities. All financial liabilities are measured at fair value at initial recognition, whereas financial liabilities measured at amortized cost are measured at the amount less directly attributable transaction costs.

(ii) Classification and subsequent measurement

Financial liabilities are classified into financial liabilities measured at fair value through profit or loss or financial liabilities measured at amortized cost at initial recognition.

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

Financial liabilities measured at amortized cost are measured at amortized cost subsequent to the initial recognition, by using the effective interest method. Amortization by the effective interest method, as well as gains and losses associated with derecognition shall be recognized in profit or loss.

(iii) Derecognition

The Olympus Group derecognizes a financial liability when it is extinguished, namely when the obligation specified in the contract is discharged, cancelled or expires.

3) Offsetting financial instruments

Financial assets and liabilities are offset, with the net amount presented in the consolidated statements of financial position, only if the Olympus Group holds a legal right to offset the recognized amounts, and there is an intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

4) Derivatives and hedge accounting

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

For the application of hedge accounting, at the inception of the hedge the Olympus Group formally designates and documents the hedging relationship as well as the risk management objectives and strategies. Such documentation includes the hedging instruments, hedged items, the nature of the risks to be hedged and the method for evaluating the hedging effectiveness. The Olympus Group continually evaluates whether the hedging relationship is effective prospectively.

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

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

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

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

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

(5) Cash and Cash Equivalents

Cash and cash equivalents comprise cash, readily available deposits, and short-term, highly liquid investments having maturities of three months or less of the date of acquisition that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(6) Inventories

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

(7) Property, Plant and Equipment

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

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

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

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

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

Notes to the Consolidated Financial Statements

(8) Goodwill

Goodwill is carried at cost less any accumulated impairment losses.

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

Goodwill measurements at initial recognition are presented in "(2) Business combinations."

(9) Intangible Assets

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

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

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

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

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

Intangible assets with indefinite useful lives and intangible assets not yet available for use are not amortized and are tested for impairment in each period or whenever there is an indication of impairment.

(10) Leases

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

1) Leases as lessee

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

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

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

2) Leases as lessor

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

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

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

(11) Impairment of Non-Financial Assets

For the carrying amount of non-financial assets (excluding inventories, deferred tax assets, retirement benefit assets and non-current assets held for sale), the Olympus Group assesses at the end of each reporting period whether there is an indication of impairment. If any such indication exists, an impairment test is performed. However, goodwill, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment in each period or whenever there is an indication of impairment.

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

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

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

When there is an indication of reversal in respect of impairment losses recognized in prior periods and the recoverable amount of the asset or cash-generating unit exceeds its carrying amount, impairment losses are reversed. The carrying amount after reversal of impairment losses does not exceed the carrying amount that would have been determined, net of depreciation or amortization had no impairment loss been recognized for the asset. Impairment losses associated with goodwill are not reversed.

(12) Non-Current Assets Held for Sale

Non-current assets or disposal groups whose carrying amount is expected to be recovered principally through a sale transaction rather than through continuing use are classified as non-current assets or disposal groups held for sale if it is highly probable that the assets or disposal groups will be sold within one year and they are available for immediate sale in their present condition, and the Olympus Group's management is committed to a plan to sell.

Non-current assets are not depreciated or amortized while they are classified as held for sale or are part of a disposal group classified as held for sale. Non-current assets or disposal groups classified as held for sale are measured at the lower of the book value and fair value less costs to sell.

(13) Provisions

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

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

(14) Contingent Liabilities

With regard to liabilities held by the Olympus Group as of the end of the reporting period that may be incurred, when it cannot be confirmed whether or not those are liabilities as of the end of the reporting period, or when the liabilities do not meet criteria for recognition of provisions, information on such liabilities is provided in the corresponding note on contingent liabilities, unless it is believed that the possibility of an outflow of economic resources by performance of the liabilities is remote at the end of the reporting period.

(15) Government Grants

Government grants are recognized at fair value, if there is reasonable assurance that the Olympus Group will comply with the conditions attached to them and that will receive the grants. Government grants associated with expenses are recognized in revenue over the period when the expenses, which the grant is intended to compensate, are incurred. Government grants related to the acquisition of assets are recognized as deferred income and then recognized in profit or loss over the expected useful life of the relevant asset on a systematic basis.

(16) Employee Benefits

1) Post-employment benefits

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

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

The discount rate used for discounting to the present value of defined benefit obligations is determined by reference to market yields on high quality corporate bonds in a currency and with maturities consistent with those of the post-employment benefit obligations.

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

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

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

2) Short-term employee benefits

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

3) Other long-term employee benefits

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

(17) Equity

Common shares are recognized in share capital at their issue price. Expenses incidental to issuance of common shares are deducted at the amount net of tax effect from equity.

Treasury shares are recognized at cost and deducted from equity. No gain or loss is recognized associated with the purchase, sale or retirement of treasury shares of the Company. Any difference between the book value and the consideration received from the sale is recognized in equity.

(18) Share-Based Payments

The Company has the following equity-settled share option plans as incentive plans for its directors (excluding outside directors) and executive officers.

Stock option plans

Stock options are measured at fair value at the grant date and recognized as expenses over the vesting periods with corresponding increases to equity and taking into account the estimated number of options to be vested. The fair value of stock options is calculated using the Black-Scholes model.

Restricted Share and Performance-Linked Share-Based Remuneration Plan

The Company has introduced a restricted share and performance-linked share-based remuneration plan for directors (excluding outside directors) and executive officers (excluding non-residents of Japan) with the aim of enhancing awareness toward contributing to sustainable improvement of corporate value, as well as further enhancing value sharing with shareholders. The remuneration calculated by the reference the fair value of shares of the Company is recognized in profit or loss as an expense and the corresponding amount is recognized as an increase in equity.

Notes to the Consolidated Financial Statements

(19) Revenue

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

- Step 1: Identify the contract with the customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

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

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

(20) Finance Income and Finance Costs

Finance income mainly comprises interest income, dividend income, exchange gains and changes in fair value of financial assets and liabilities measured at fair value through profit or loss. Interest income is recognized as incurred using the effective interest method. Dividend income is recognized when the right to receive payment is established.

Finance costs mainly comprise interest expenses, interest on bonds, exchange losses and changes in fair value of financial assets and liabilities measured at fair value through profit or loss. Interest expenses and interest on bonds are recognized as incurred using the effective interest method.

(21) Income Taxes

Income tax costs comprise current taxes and deferred taxes. These taxes are recognized in profit or loss, except in cases where they arise from items that are recognized directly in other comprehensive income or equity, and where they arise from business combinations.

1) Current taxes

Current taxes are measured at an expected amount of taxes to be paid to or refunded from the tax authorities. The tax rates and tax laws used to determine the amount of taxes are tax rates and tax laws that have been enacted, or substantially enacted by the end of the reporting period.

With regard to uncertain tax positions of income taxes, the Olympus Group recognizes the reasonably estimated amount as assets or liabilities, when it is more likely than not, based on interpretations for the purpose of tax laws, that the tax positions will be sustained.

2) Deferred taxes

Deferred taxes are recognized for temporary differences, which are differences between the tax bases of assets and liabilities and their carrying amounts for accounting purposes at the end of the reporting period, tax losses carried forward and tax credits carried forward.

Deferred tax assets or liabilities are not recognized for the following cases:

- Taxable temporary differences arising from the initial recognition of goodwill
- Temporary differences on the initial recognition of assets or liabilities arising from a transaction other than a business combination that affects neither accounting profit nor taxable profit (tax loss).
- Taxable temporary differences associated with investments in subsidiaries and associates when the Olympus Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.
- Deductible temporary differences associated with investments in subsidiaries and associates when it is probable that the temporary difference will not reverse in the foreseeable future, or when it is not probable that there will be sufficient taxable profits against which the deductible temporary differences can be utilized.

Deferred tax assets are recognized to the extent that it is expected that taxable profits will be available against which deductible temporary differences, unused tax credits carried forward and tax losses carried forward can be utilized. In principle, deferred tax liabilities are recognized for all taxable temporary differences.

In recognizing deferred tax assets, the Olympus Group assesses the probability that deductible temporary differences or tax losses carried forward can be utilized against future taxable profits. In assessing the recoverability of deferred tax assets, the scheduled reversal of deferred tax liabilities, projected taxable profits and tax planning are taken into account.

Deferred tax assets and liabilities are measured based on tax rates and tax laws that have been enacted, or substantially enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if the Olympus Group has a legally enforceable right to offset current tax assets against current tax liabilities, and they are related to income taxes levied by the same taxation authority on the same taxable entity, or different taxable entities that intend either to settle on a net basis or to realize the tax asset or settle the liability simultaneously.

The Company and some of its subsidiaries have adopted the consolidated tax system.

Quarterly income taxes are calculated based on the estimated average annual effective tax rate.

(22) Earnings per Share

Basic earnings per share are calculated by dividing profit attributable to owners of parent by the weighted-average number of common shares outstanding, subject to the adjustment to the number of treasury shares for the corresponding period.

Diluted earnings per share are calculated reflecting adjustments for the effect of all potential dilutive common shares.

4. Significant Accounting Estimates and Associated Judgments

In preparing IFRS-based consolidated financial statements, the management is required to make judgments, estimates and assumptions that affect the adoption of accounting policies and the amounts of assets, liabilities, revenues and expenses. Actual results may differ from such estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis and the effect is recognized in the period in which the estimates are revised and in future periods.

Information regarding the judgments made by the Olympus Group that may have material impacts on the consolidated financial statements is as follows:

- Scope of subsidiaries and associates (Note 3 "Significant accounting policies (1) Basis of consolidation")
- Accounting for arrangements containing leases (Note 3 "Significant accounting policies (10) Leases," Note 36 "Leases")
- Revenue (Note 3 "Significant accounting policies (19) Revenue," Note 28 "Revenue")

Information on accounting estimates and assumptions that may have material impacts on the consolidated financial statements is as follows:

- Evaluation of inventories (Note 3 "Significant accounting policies (6) Inventories," Note 9 "Inventories")
Inventories are measured at cost. However, if net realizable value falls below the cost as of the end of the reporting period, inventories are measured at the net realizable value and any difference is recognized in cost of sales in principle. For inventories that are not used in the normal operating cycle process and remain unused, the net realizable value are calculated reflecting future demand and market trends. If the net realizable value decreased significantly due to a worse than expected market environment, losses may be incurred.
- Impairment of non-financial assets (Note 3 "Significant accounting policies (11) Impairment of non-financial assets," Note 16 "Impairment of non-financial assets")
The Olympus Group performs impairment tests on property, plant and equipment, goodwill, and intangible assets in accordance with the accounting treatment described in Note 3 "Significant accounting policies." Assumptions concerning future cash flows, discount rates, etc., are set to calculate recoverable amounts in testing for impairment. Although these assumptions are determined based on management's best estimates and judgment, they may be affected as a result of changes in uncertain future economic conditions. Should those assumptions require change, the consolidated financial statements may be significantly affected.
- Measurement of provisions (Note 3 "Significant accounting policies (13) Provisions," Note 20 "Provisions")
Provisions are measured based on best estimates of expenditures required to settle obligations in the future at the end of the fiscal period. The amount of expenditures required to settle obligations in the future is calculated, comprehensively taking into account future possible outcomes. Assumptions used in the measurement of these provisions may be affected by changes in uncertain future economic conditions, and have risk of causing a material adjustment to the measurement of provisions in the future.
- Contingent liabilities (Note 3 "Significant accounting policies (14) Contingent liabilities," Note 41 "Contingent liabilities")
Contingent liabilities are disclosed whenever any item exists that may have significant impacts on future businesses after all evidence available on the reporting date is examined and the probability and impact in terms of the amount are taken into consideration.
- Measurement of defined benefit obligation (Note 3 "Significant accounting policies (16) Employee benefits," Note 23 "Employee benefits")
For defined benefit corporate pension plans, the net amount of defined benefit obligations and fair value of plan assets is recognized as a liability or asset. Defined benefit obligations are determined based on actuarial calculation, and assumptions for actuarial calculation include estimates of the discount rate, retirement rate, mortality, salary increase rate and others. These assumptions are determined by comprehensively assessing various available information such as the market trend of interest rate fluctuations. The assumptions for actuarial calculation may be affected by changes in uncertain future economic circumstances or social situations, etc., and have risk of causing a material adjustment to the measurement of defined benefit obligations in the future.
- Recoverability of deferred tax assets (Note 3 "Significant accounting policies (21) Income taxes," Note 37 "Income taxes")
Deferred tax assets are recognized to the extent that it is likely that taxable profit will be available against which the deductible temporary differences can be utilized. In determining the probability that taxable profit will be available, the Olympus Group estimates the timing and the amount of the taxable profit based on the business plan. Although these estimates are management's best estimates, the actual results may differ as a result of changes in uncertain future economic conditions.

5. New or Amended Standards or Interpretations Not Yet Adopted

The following new or amended standards and interpretations were issued by the date of approval of the consolidated financial statements, but were not yet early adopted by the Olympus Group.

Standard	Title	Mandatory application (from fiscal years beginning on or after)	Fiscal year in which the Olympus Group will apply standard	Summary of new or revised standard
IFRS 16	Leases	January 1, 2019	Year ending March 31, 2020	Amendments of lease accounting

IFRS 16 does not require that a lessee classifies its leases into finance lease or operating leases, and introduces a single lessee accounting model. A lessee recognizes, for all leases, a right-of-use asset representing its right of use of the underlying leased asset and a lease liability representing its obligation to make lease payments. However, a lessee may elect not to apply the above requirement to short-term and low-value leases. After the initial recognition of a right-of-use asset and a lease liability, an entity recognizes depreciation cost of the right-of-use asset and interest expense of the lease liability.

The Olympus Group plans to apply IFRS 16 retrospectively with the cumulative effect of applying IFRS 16 recognized on the date of initial application. While the effects on the consolidated financial statements of the Olympus Group due to application of IFRS 16 are still being evaluated at this time, assets and liabilities are expected to increase by approximately ¥38.0 billion (\$342,342 thousand), respectively, as of April 1, 2019.

The effects of the application of IFRS 16 on the consolidated statements of profit or loss will be immaterial.

Notes to the Consolidated Financial Statements

6. Segment Information

(1) Overview of Reportable Segments

The reportable segments of the Olympus Group are components of the Company for which separate financial information is available. These segments are regularly evaluated by the Board of Directors in determining the allocation of management resources and in assessing the performance.

The Olympus Group, based on the four businesses, Medical Business, Scientific Solutions Business, Imaging Business and Others, formulates comprehensive strategies for Japan and abroad with respect to products and services handled and deploys business activities.

Accordingly, the Olympus Group has the abovementioned four businesses as reportable segments. The principal products and services of each reportable segment are as follows.

Reportable Segment	Principal products and services
Medical Business	Gastrointestinal endoscopes, surgical endoscopes, endo-therapy devices, ultrasound endoscopes
Scientific Solutions Business	Biological microscopes, industrial microscopes, industrial endoscopes, non-destructive testing equipment
Imaging Business	Digital cameras, voice recorders
Others	Biomedical materials

(2) Revenue, Operating Profit or Loss, Finance Income, Finance Costs and Other Items by Reportable Segment

Revenue, operating profit or loss, finance income, finance costs and other items of each reportable segment of the Olympus Group were as follows. The accounting treatment of each reportable segment is the same as described in Note 3 "Significant accounting policies."

	Millions of yen						
	For the year ended March 31, 2018						
	Reportable Segment					Adjustment (Notes 2, 3, 4, 5)	Amount on consolidated financial statements
Medical	Scientific Solutions	Imaging	Others	Total			
Revenue							
Revenue from outside customers	¥ 616,331	¥ 100,016	¥ 60,298	¥ 9,852	¥ 786,497	¥ —	¥ 786,497
Intersegment revenue (Note 1)	—	72	10	666	748	(748)	—
Total	616,331	100,088	60,308	10,518	787,245	(748)	786,497
Operating profit (loss)	121,784	6,425	(1,200)	(4,966)	122,043	(41,014)	81,029
Finance income							2,685
Finance costs							7,049
Profit before tax							76,665
Other items							
Share of profit (loss) of investments accounted for using equity method	(52)	5	—	—	(47)	—	(47)
Depreciation and amortization	41,557	5,747	1,702	561	49,567	3,346	52,913
Impairment losses (non-financial assets)	5	67	963	249	1,284	402	1,686
Segment assets	616,541	90,338	53,739	8,748	769,366	209,297	978,663
Investments accounted for using equity method	—	44	—	—	44	—	44
Capital expenditures	¥ 44,194	¥ 9,006	¥ 4,471	¥ 1,041	¥ 58,712	¥ 6,543	¥ 65,255

Notes:

1. Intersegment revenue is based on actual market prices.
2. Adjustment for operating profit (loss) represents corporate assets that consist of elimination of transactions among segments as well as general and administrative expenses and fundamental research expenses, etc., that are not attributable to reportable segments.
3. Adjustment for segment assets represents corporate assets that are not attributable to reportable segments.
4. Adjustment for depreciation and amortization represents corporate depreciation and amortization that are not attributable to reportable segments.
5. Adjustment for capital expenditures represents the increase in corporate assets that is not attributable to reportable segments.

	Millions of yen						
	For the year ended March 31, 2019						
	Reportable Segment					Adjustment (Notes 2, 3, 4, 5)	Amount on consolidated financial statements
Medical	Scientific Solutions	Imaging	Others	Total			
Revenue							
Revenue from outside customers	¥ 634,301	¥ 104,225	¥ 48,679	¥ 6,657	¥ 793,862	¥ —	¥ 793,862
Intersegment revenue (Note 1)	—	79	1	581	661	(661)	—
Total	634,301	104,304	48,680	7,238	794,523	(661)	793,862
Operating profit (loss)	111,934	8,135	(18,268)	(3,521)	98,280	(69,999)	28,281
Finance income							2,183
Finance costs							10,347
Profit before tax							20,117
Other items							
Share of profit (loss) of investments accounted for using equity method	603	0	—	—	603	—	603
Depreciation and amortization	46,092	6,842	1,654	491	55,079	3,590	58,669
Impairment losses (non-financial assets)	1,341	—	1,990	73	3,404	214	3,618
Segment assets	618,006	97,191	47,283	5,813	768,293	163,737	932,030
Investments accounted for using equity method	2,440	—	—	—	2,440	—	2,440
Capital expenditures	¥ 51,002	¥ 6,688	¥ 4,027	¥ 553	¥ 62,270	¥ 4,560	¥ 66,830

Notes:

1. Intersegment revenue is based on actual market prices.
2. Adjustment for operating profit (loss) represents corporate assets that consist of elimination of transactions among segments as well as general and administrative expenses and fundamental research expenses, etc., that are not attributable to reportable segments.
3. Adjustment for segment assets represents corporate assets that are not attributable to reportable segments.
4. Adjustment for depreciation and amortization represents corporate depreciation and amortization that are not attributable to reportable segments.
5. Adjustment for capital expenditures represents the increase of corporate assets that is not attributable to reportable segments.

	Thousands of U.S. dollars						
	For the year ended March 31, 2019						
	Reportable Segment					Adjustment (Notes 2, 3, 4, 5)	Amount on consolidated financial statements
Medical	Scientific Solutions	Imaging	Others	Total			
Revenue							
Revenue from outside customers	\$ 5,714,423	\$ 938,964	\$ 438,550	\$ 59,973	\$ 7,151,910	\$ —	\$ 7,151,910
Intersegment revenue (Note 1)	—	712	9	5,234	5,955	(5,955)	—
Total	5,714,423	939,676	438,559	65,207	7,157,865	(5,955)	7,151,910
Operating profit (loss)	1,008,414	73,288	(164,577)	(31,721)	885,404	(630,620)	254,784
Finance income							19,667
Finance costs							93,216
Profit before tax							181,235
Other items							
Share of profit (loss) of investments accounted for using equity method	5,432	0	—	—	5,432	—	5,432
Depreciation and amortization	415,243	61,640	14,901	4,423	496,207	32,343	528,550
Impairment losses (non-financial assets)	12,081	—	17,928	658	30,667	1,928	32,595
Segment assets	5,567,622	875,595	425,973	52,369	6,921,559	1,475,108	8,396,667
Investments accounted for using equity method	21,982	—	—	—	21,982	—	21,982
Capital expenditures	\$ 459,477	\$ 60,252	\$ 36,279	\$ 4,983	\$ 560,991	\$ 41,081	\$ 602,072

(3) Information about Products and Services

This information is omitted as similar information has been disclosed in the above tables.

(4) Geographical Information

Revenue and non-current assets of the Olympus Group by country or region were as follows.

Revenue by country or region

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Japan	¥ 153,764	¥ 146,344	\$ 1,318,414
North America	262,454	267,411	2,409,108
Europe	191,143	191,965	1,729,414
Asia and Oceania	160,475	168,513	1,518,135
Others	18,661	19,629	176,839
Total	¥ 786,497	¥ 793,862	\$ 7,151,910

Notes:

1. Revenue is based on the location of customers, classified by country or region.
2. Major countries or regions other than Japan were as follows:
 - (1) North America United States, Canada
 - (2) Europe Germany, United Kingdom, France, etc.
 - (3) Asia and Oceania Singapore, China, South Korea, Australia, etc.
 - (4) Others Central and South America, Africa, etc.

For the years ended March 31, 2018 and 2019, revenue from external customers in the United States was ¥245,487 million and ¥251,765 million (\$2,268,153 thousand), respectively, and revenue from external customers in China was ¥81,619 million and ¥91,328 million (\$822,775 thousand), respectively. In no single country or region other than Japan, the United States, and China was revenue from external customers significant in the years ended March 31, 2018 and 2019.

Notes to the Consolidated Financial Statements

Non-current assets (excluding financial instruments, deferred tax assets, and retirement benefit assets)

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Japan	¥ 135,189	¥ 140,968	\$ 1,269,982
America	142,307	145,770	1,313,243
Europe and Middle East	43,440	43,726	393,928
Asia and Oceania	19,089	18,162	163,622
Total	¥ 340,025	¥ 348,626	\$ 3,140,775

Notes:

- Each geographic location is determined on the basis of geographic proximity.
- Major countries and regions other than Japan were as follows:
 - America United States, Canada, Mexico, and Brazil
 - Europe and Middle East Germany, United Kingdom, France, etc.
 - Asia and Oceania Singapore, China, South Korea, Australia, etc.

The balances of non-current assets (except financial instruments, deferred tax assets, and retirement benefit assets) in the United States were ¥133,625 million and ¥139,657 million (\$1,258,171 thousand) as of March 31, 2018 and 2019, respectively. The balances of non-current assets (except financial instruments, deferred tax assets, and retirement benefit assets) in any individual country and region other than Japan and the United States were not material as of March 31, 2018 and 2019, respectively.

(5) Major Customers

Information on revenue attributable to major customers for the years ended March 31, 2018, and 2019 was omitted because no single customer accounted for 10% or more of consolidated revenue.

7. Cash and Cash Equivalents

The breakdown of cash and cash equivalents in the consolidated statements of financial position and the relationship between the cash and cash equivalents in the consolidated statements of financial position and the cash and cash equivalents in the consolidated statements of cash flows as of March 31, 2018 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Cash and deposits	¥ 147,874	¥ 108,025	\$ 973,198
Short-term investments	43,365	6,401	57,667
Cash and cash equivalents in the consolidated statements of financial position	¥ 191,239	¥ 114,426	\$ 1,030,865
Cash and cash equivalents included in assets held for sale	—	137	1,234
Cash and cash equivalents in the consolidated statements of cash flows	¥ 191,239	¥ 114,563	\$ 1,032,099

8. Trade and Other Receivables

The breakdown of trade and other receivables as of March 31, 2018 and 2019 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Trade notes receivable and trade accounts receivable	¥ 142,598	¥ 141,679	\$ 1,276,387
Other receivables	12,523	12,584	113,369
Contract assets	535	754	6,793
Lease receivables	35,463	29,824	268,685
Allowance for doubtful accounts	(15,809)	(14,902)	(134,252)
Total	¥ 175,310	¥ 169,939	\$ 1,530,982
Current	157,339	155,321	1,399,288
Non-current	17,971	14,618	131,694
Total	¥ 175,310	¥ 169,939	\$ 1,530,982

Trade and other receivables are presented net of allowance for doubtful accounts in the consolidated statements of financial position.

9. Inventories

The breakdown of inventories as of March 31, 2018 and 2019 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Merchandise and finished goods	¥ 54,656	¥ 64,063	\$ 577,144
Work in progress	29,919	30,940	278,739
Raw materials and supplies	54,734	58,620	528,108
Total	¥ 139,309	¥ 153,623	\$ 1,383,991

The amounts of inventories recorded as cost of sales for the years ended March 31, 2018 and 2019 were ¥237,115 million and ¥250,125 million (\$2,253,378 thousand), respectively.

Write-downs of inventories recognized as expenses for the years ended March 31, 2018 and 2019 were ¥10,445 million and ¥12,129 million (\$109,270 thousand), respectively.

Inventories include materials not expected to be used or sold within 12 months from the end of each fiscal year, but all of them are held within the

Olympus Group's normal operating cycle. The corresponding carrying amounts at March 31, 2018 and 2019 were ¥6,849 million and ¥6,186 million (\$55,730 thousand), respectively.

10. Other Financial Assets

The breakdown of other financial assets as of March 31, 2018 and 2019 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Financial assets measured at fair value through profit or loss			
Derivative assets	¥ 2,335	¥ 599	\$ 5,396
Equity securities	809	787	7,090
Financial assets measured at amortized cost			
Deposits with withdrawal restrictions	4,725	—	—
Lease and guarantee deposits	4,648	5,207	46,910
Other	7,023	8,800	79,280
Financial assets measured at fair value through other comprehensive income			
Equity securities	27,585	19,570	176,306
Total	¥ 47,125	¥ 34,963	\$ 314,982
Current	7,442	2,155	19,414
Non-current	39,683	32,808	295,568
Total	¥ 47,125	¥ 34,963	\$ 314,982

Deposits with withdrawal restrictions are deposits subject to withdrawal restrictions pursuant to judicial decisions related to litigation involving the Olympus Group. These were reclassified to assets held for sale during the year ended March 31, 2019.

11. Other Current Assets and Other Non-Current Assets

The breakdown of other current assets and other non-current assets as of March 31, 2018 and 2019 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Prepaid expenses	¥ 6,474	¥ 7,019	\$ 63,234
Consumption tax receivables	4,072	4,665	42,027
Other	5,144	6,444	58,055
Total	¥ 15,690	¥ 18,128	\$ 163,316
Current	14,487	16,867	151,956
Non-current	1,203	1,261	11,360
Total	¥ 15,690	¥ 18,128	\$ 163,316

12. Assets Held for Sale and Liabilities Directly Associated with Assets Held for Sale

The breakdown of assets held for sale and liabilities directly associated with assets held for sale as of March 31, 2018 and 2019 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Assets			
Land	¥ 182	—	—
Buildings and structures	166	—	—
Cash and cash equivalents	—	¥ 137	\$ 1,234
Other financial assets	—	4,771	42,982
Other current assets	—	801	7,216
Total	¥ 348	¥ 5,709	\$ 51,432
Liabilities			
Trade and other payables	—	35	\$315
Provisions	—	4,477	40,333
Other current liabilities	—	20	182
Total	—	¥ 4,532	\$ 40,830

Transactions involving the sale of assets classified as non-current assets held for sale as of March 31, 2018 were completed during the year ended March 31, 2019.

Assets held for sale and liabilities directly associated with assets held for sale as of March 31, 2019 were recognized because an equity transfer agreement was entered into for Olympus (Shenzhen) Industrial Ltd. (OSZ), which is located in China and is owned by the Company's consolidated subsidiary, Olympus (China) Co., Ltd. The transaction is expected to be completed within one year from March 31, 2019.

Notes to the Consolidated Financial Statements

13. Property, Plant and Equipment

(1) Changes in Property, Plant and Equipment

The changes in carrying amount, acquisition cost, and accumulated depreciation and accumulated impairment losses of property, plant and equipment were as follows:

Carrying amount

Millions of yen						
	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
Balance at April 1, 2017	¥ 58,161	¥ 13,392	¥ 59,222	¥ 24,199	¥ 4,761	¥ 159,735
Additions	9,959	4,918	27,086	283	8,681	50,927
Additions through business combinations	12	—	20	—	—	32
Depreciation	(5,260)	(3,192)	(24,608)	—	—	(33,060)
Impairment losses	(671)	(236)	(117)	(402)	(110)	(1,536)
Sales and disposals	(222)	(38)	(3,297)	(1,970)	(754)	(6,281)
Reclassification to assets held for sale	(166)	—	—	(182)	—	(348)
Reclassification	3,651	452	1,924	—	(6,942)	(915)
Exchange differences on translation of foreign operations	157	(178)	(912)	216	190	(527)
Other	(157)	314	62	42	(45)	216
Balance at March 31, 2018	¥ 65,464	¥ 15,432	¥ 59,380	¥ 22,186	¥ 5,781	¥ 168,243
Additions	4,118	5,706	33,605	393	8,636	52,458
Depreciation	(5,527)	(3,475)	(28,071)	—	—	(37,073)
Impairment losses	(320)	(917)	(648)	(105)	—	(1,990)
Sales and disposals	(1,878)	(72)	(4,127)	(147)	—	(6,224)
Reclassification	2,582	1,072	1,537	79	(5,200)	70
Exchange differences on translation of foreign operations	(20)	(237)	1,827	(59)	(237)	1,274
Other	1	76	79	(6)	—	150
Balance at March 31, 2019	¥ 64,420	¥ 17,585	¥ 63,582	¥ 22,341	¥ 8,980	¥ 176,908

Thousands of U.S. dollars						
	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
Balance at March 31, 2018	\$ 589,766	\$ 139,027	\$ 534,955	\$ 199,874	\$ 52,081	\$ 1,515,703
Additions	37,099	51,405	302,748	3,541	77,802	472,595
Depreciation	(49,793)	(31,306)	(252,892)	—	—	(333,991)
Impairment losses	(2,883)	(8,261)	(5,838)	(946)	—	(17,928)
Sales and disposals	(16,919)	(649)	(37,180)	(1,324)	—	(56,072)
Reclassification	23,261	9,658	13,847	712	(46,847)	631
Exchange differences on translation of foreign operations	(180)	(2,135)	16,459	(532)	(2,135)	11,477
Other	9	684	712	(54)	—	1,351
Balance at March 31, 2019	\$ 580,360	\$ 158,423	\$ 572,811	\$ 201,271	\$ 80,901	\$ 1,593,766

Notes:

- No borrowing costs were capitalized for the years ended March 31, 2018 and 2019.
- Depreciation of property, plant and equipment is included in "Cost of sales" and "Selling, general and administrative expenses" on the consolidated statements of profit or loss.

Acquisition cost

Millions of yen						
	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
Balance at April 1, 2017	¥ 145,101	¥ 55,973	¥ 231,598	¥ 24,199	¥ 4,761	¥ 461,632
Balance at March 31, 2018	151,521	59,469	243,583	22,186	5,781	482,540
Balance at March 31, 2019	¥ 156,436	¥ 56,634	¥ 260,876	¥ 22,341	¥ 8,980	¥ 505,267

Thousands of U.S. dollars						
	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
Balance at March 31, 2019	\$ 1,409,333	\$ 510,216	\$ 2,350,234	\$ 201,271	\$ 80,901	\$ 4,551,955

Accumulated depreciation and accumulated impairment losses

Millions of yen						
	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
Balance at April 1, 2017	¥ 86,940	¥ 42,581	¥ 172,376	¥ —	¥ —	¥ 301,897
Balance at March 31, 2018	86,057	44,037	184,203	—	—	314,297
Balance at March 31, 2019	¥ 92,016	¥ 39,049	¥ 197,294	¥ —	¥ —	¥ 328,359

Thousands of U.S. dollars						
	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
Balance at March 31, 2019	\$ 828,973	\$ 351,793	\$ 1,777,423	\$ —	\$ —	\$ 2,958,189

(2) Leased Assets

The carrying amount of leased assets from finance leases included in property, plant and equipment was as follows:

Millions of yen				
	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Total
Balance at April 1, 2017	¥ 240	¥ 196	¥ 8,313	¥ 8,749
Balance at March 31, 2018	181	221	7,447	7,849
Balance at March 31, 2019	¥ 195	¥ 168	¥ 8,127	¥ 8,490

Thousands of U.S. dollars				
	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Total
Balance at March 31, 2019	\$ 1,757	\$ 1,514	\$ 73,215	\$ 76,486

14. Goodwill and Intangible Assets

(1) The Changes in Carrying Amount, Acquisition Cost, and Accumulated Amortization and Accumulated Impairment Losses of Goodwill and Intangible Assets were as follows:

Carrying amount

Millions of yen					
	Goodwill	Intangible assets			Total
		Capitalized development costs	Software	Other	
Balance at April 1, 2017	¥ 95,568	¥ 28,346	¥ 12,790	¥ 34,722	¥ 75,858
Additions	—	—	3,873	162	4,035
Additions through internal development	—	10,228	57	8	10,293
Additions through business combinations	6,131	167	3	3,314	3,484
Amortization	—	(6,580)	(4,599)	(8,674)	(19,853)
Impairment losses	—	(72)	(8)	(70)	(150)
Sales and disposals	—	—	(182)	(138)	(320)
Reclassification	—	—	776	—	776
Exchange differences on translation of foreign operations	(4,491)	293	122	(1,169)	(754)
Other	—	115	(75)	(38)	2
Balance at March 31, 2018	¥ 97,208	¥ 32,497	¥ 12,757	¥ 28,117	¥ 73,371
Additions	—	—	4,808	161	4,969
Additions through internal development	—	9,398	5	—	9,403
Additions through business combinations	98	—	—	3,815	3,815
Amortization	—	(7,421)	(4,934)	(9,241)	(21,596)
Impairment losses	—	(919)	(126)	(437)	(1,482)
Sales and disposals	—	—	(543)	(155)	(698)
Reclassification	—	—	(26)	—	(26)
Exchange differences on translation of foreign operations	3,860	(147)	268	1,005	1,126
Other	22	(79)	307	159	387
Balance at March 31, 2019	¥ 101,188	¥ 33,329	¥ 12,516	¥ 23,424	¥ 69,269

Thousands of U.S. dollars					
	Goodwill	Intangible assets			Total
		Capitalized development costs	Software	Other	
Balance at March 31, 2018	\$ 875,748	\$ 292,766	\$ 114,928	\$ 253,306	\$ 661,000
Additions	—	—	43,315	1,450	44,765
Additions through internal development	—	84,667	45	—	84,712
Additions through business combinations	883	—	—	34,369	34,369
Amortization	—	(66,857)	(44,450)	(83,252)	(194,559)
Impairment losses	—	(8,279)	(1,135)	(3,937)	(13,351)
Sales and disposals	—	—	(4,892)	(1,396)	(6,288)
Reclassification	—	—	(234)	—	(234)
Exchange differences on translation of foreign operations	34,775	(1,324)	2,414	9,054	10,144
Other	198	(712)	2,766	1,433	3,487
Balance at March 31, 2019	\$ 911,604	\$ 300,261	\$ 112,757	\$ 211,027	\$ 624,045

Amortization of capitalized development costs is recorded as "Cost of sales" on the consolidated statements of profit or loss. Amortization cost excluding capitalized development costs is recorded in "Cost of sales" and "Selling, general and administrative expenses" on the consolidated statements of profit or loss.

Notes to the Consolidated Financial Statements

Acquisition cost

	Millions of yen				
	Goodwill	Intangible assets			
		Capitalized development costs	Software	Other	Total
Balance at April 1, 2017	¥ 95,568	¥ 44,082	¥ 43,818	¥ 117,080	¥ 204,980
Balance at March 31, 2018	97,208	53,318	47,790	114,625	215,733
Balance at March 31, 2019	¥ 101,188	¥ 58,229	¥ 51,683	¥ 123,580	¥ 233,492

	Thousands of U.S. dollars				
	Goodwill	Intangible assets			
		Capitalized development costs	Software	Other	Total
Balance at March 31, 2019	\$ 911,604	\$ 524,586	\$ 465,613	\$ 1,113,333	\$ 2,103,532

Accumulated amortization and accumulated impairment losses

	Millions of yen				
	Goodwill	Intangible assets			
		Capitalized development costs	Software	Other	Total
Balance at April 1, 2017	¥ —	¥ 15,736	¥ 31,028	¥ 82,358	¥ 129,122
Balance at March 31, 2018	—	20,821	35,033	86,508	142,362
Balance at March 31, 2019	¥ —	¥ 24,900	¥ 39,167	¥ 100,156	¥ 164,223

	Thousands of U.S. dollars				
	Goodwill	Intangible assets			
		Capitalized development costs	Software	Other	Total
Balance at March 31, 2019	\$ —	\$ 224,325	\$ 352,856	\$ 902,306	\$ 1,479,487

(2) Significant Intangible Assets

Intangible assets comprise capitalized development costs, software and other intangible assets. Of these assets, individually significant intangible assets are customer-related assets acquired through the acquisition of Gyrus Group PLC by the Company in February 2008. The corresponding carrying amounts at March 31, 2018 and 2019 were ¥9,094 million and ¥4,294 million (\$38,685 thousand), respectively. They are being amortized by the straight-line method and have a remaining amortization period of one year.

(3) Research and Development Expenditures Recognized as Expenses

Research expenses and development costs that do not meet asset recognition criteria are recognized as expenses when incurred. Research and development expenditures recognized as expenses in the years ended March 31, 2018 and 2019 were ¥79,241 million and ¥84,570 million (\$761,892 thousand), respectively.

15. Commitments

Commitments to acquire property, plant and equipment and intangible assets subsequent to March 31, 2018 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Property, plant and equipment	¥ 16,448	¥ 5,004	\$ 45,081
Intangible assets	1,295	1,699	15,306
Total	¥ 17,743	¥ 6,703	\$ 60,387

16. Impairment of Non-Financial Assets

(1) Impairment losses

The Olympus Group recognizes impairment losses when an asset's recoverable value is less than its carrying amount. Impairment losses on non-financial assets are included in "Other expenses" on the consolidated statements of profit or loss.

Business assets are mainly grouped according to business segment, assets scheduled for disposal are grouped according to the assets to be disposed, and idle assets are grouped individually.

The breakdown of impairment losses by asset type was as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Property, plant and equipment			
Buildings and structures	¥ 671	¥ 320	\$ 2,883
Machinery and vehicles	236	917	8,261
Tools, furniture and fixtures	117	648	5,838
Land	402	105	946
Construction in progress	110	—	—
Intangible assets			
Capitalized development	72	919	8,279
Software	8	126	1,135
Other	70	437	3,937
Other			
Long-term prepaid expenses	—	146	1,316
Total	¥ 1,686	¥ 3,618	\$ 32,595

Major impairment losses recognized in the year ended March 31, 2018 were as follows.

In the Imaging Business, a decision was made to relocate a Chinese manufacturing facility to Vietnam. The carrying amount of production equipment and other fixed assets not being relocated was written down to the recoverable amount, resulting in ¥963 million of impairment losses. The recoverable amount was measured at the value in use, which was zero.

In certain other businesses, investments were deemed unrecoverable. Consequently, domestically held production equipment and other fixed assets' carrying amount was written down to the recoverable amount, resulting in ¥245 million of impairment losses. The recoverable amount was measured at the value in use, which was zero.

The Company plans to sell domestically held fixed assets (corporate housing) not allocated to any reportable segment within one year of the end of the reporting period. The Company measured the assets' fair value less costs to sell at ¥301 million and booked ¥402 million of impairment losses. The assets' fair value was determined based on a third-party appraisal and on sales prices based on sales agreements. It was classified as level-3 in the fair value hierarchy.

Major impairment losses recognized in the year ended March 31, 2019 were as follows.

In the Medical Business, as the investments were deemed unrecoverable due to changes in the market environment, the carrying amount of capitalized development costs and other fixed assets related to gynecological products was written down to the recoverable amount, resulting in ¥1,332 million (\$12,000 thousand) of impairment losses. The recoverable amount was measured at the value in use, which was zero.

In the Imaging Business, as the investments were deemed unrecoverable due to changes in the market environment, the carrying amount of production equipment and other fixed assets located in Japan and overseas was written down to the recoverable amount, resulting in ¥1,990 million (\$17,928 thousand) of impairment losses. The recoverable amount was the fair value less costs of disposal and was measured at ¥5,523 million (\$49,757 thousand) based on third-party appraisals such as cost approach. It was classified as level-3 in the fair value hierarchy. The fair value hierarchy is described in greater detail in Note 35 "Financial Instruments (4) Fair value."

(2) Impairment Test for Goodwill

The breakdown of the carrying amount of goodwill corresponding to cash generating units was as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Medical segment			
Surgical business	¥ 91,877	¥ 95,557	\$ 860,874
Other	3,428	3,659	32,964
Scientific solutions segment	1,903	1,972	17,766
Total	¥ 97,208	¥ 101,188	\$ 911,604

The Olympus Group tested goodwill for impairment on March 31, 2018 and 2019.

Individually significant goodwill carried on the consolidated statements of financial position is mainly the goodwill attributable to the Surgical Business Unit within the Medical segment arising on the 2008 acquisition of Gyrus Group PLC.

For goodwill testing involving the Surgical Business Unit, the recoverable amount is measured based on value in use.

Value in use is measured mainly by estimating cash flows based on a business plan and growth rate approved by the management and discounting the estimated cash flows to present value.

Business plans have a maximum term of five years as a general rule. Business plans reflect the management's assessment of future industry trends as well as historical data, and are prepared through reconciliation of external and internal information.

The growth rate is set based on the long-term expected growth rate of the market in which the cash-generating unit (CGU) operates (2.5% as of March 31, 2018 and 1.5% - 2.5% as of March 31, 2019).

The discount rate is calculated based on CGUs' pretax weighted average cost of capital (12.1% as of March 31, 2018 and 10.0% as of March 31, 2019).

Value in use measured using the above rates amply exceeds the carrying amount of the CGU in question. The Company deems that there is a low probability of significant impairment even if the key assumptions used in impairment testing were to change within a range of reasonable foreseeability.

Notes to the Consolidated Financial Statements

17. Trade and Other Payables

The breakdown of trade and other payables as of March 31, 2018 and 2019 was as follows:

	Millions of yen		Thousands of U.S. dollars	
	2018	2019	2018	2019
Notes and account payable	¥ 40,726	¥ 42,261	\$ 380,730	
Other payable	16,833	19,463	175,342	
Total	¥ 57,559	¥ 61,724	\$ 556,072	

18. Bonds and Borrowings

The breakdown of bonds and borrowings as of March 31, 2018 and 2019 was as follows:

	Millions of yen		Thousands of U.S. dollars		Average interest rate (%)	Maturity
	2018	2019	2018	2019		
Short-term borrowings	¥ —	¥ 629	\$ 5,667		2.68	
Current portion of bonds	24,991	—	—		—	—
Current portion of long-term borrowings	63,800	59,078	532,234		1.91	May 2019 to March 2020
Bonds (excluding current portion)	9,951	19,909	179,360		0.25	September 2022 to March 2024
Long-term borrowings (excluding current portion)	149,232	101,719	916,388		1.76	February 2021 to September 2029
Total	¥ 247,974	¥ 181,335	\$ 1,633,649			
Current	88,791	59,707	537,901			
Non-current	159,183	121,628	1,095,748			
Total	¥ 247,974	¥ 181,335	\$ 1,633,649			

Notes:

- The average interest rate is the weighted average interest rate on the balance of borrowings as of March 31, 2019.
- Bonds and borrowings are classified as financial liabilities measured at amortized cost.

The breakdown of bonds as of March 31, 2018 and 2019 was as follows:

Company	Bond name	Issue date	Millions of yen		Thousands of U.S. dollars		Interest (%)	Maturity date
			2018	2019	2018	2019		
Olympus Corporation	21st unsecured bonds	July 16, 2008	¥ 24,991	¥ —	\$ —	—	2.15	July 2018
Olympus Corporation	22nd unsecured bonds	September 20, 2017	9,951	9,962	89,748	0.22	0.22	September 2022
Olympus Corporation	23rd unsecured bonds	March 7, 2019	—	9,947	89,612	2.17	2.17	March 2024
Total			¥ 34,942	¥ 19,909	\$ 179,360			

The breakdown of long-term borrowings, including current portion, as of March 31, 2018 and 2019 was as follows:

Financial institution	Millions of yen		Thousands of U.S. dollars		Interest rate (%)	Maturity date
	2018	2019	2018	2019		
Japanese Bank	¥ 19,982	¥ —	\$ —	—	2.40	September 2018
Japanese Bank	33,087	—	—	—	2.45	July 2018
Japanese Bank (Foreign Currency)	7,437	—	—	—	2.78	March 2019
Japanese Bank (Foreign Currency)	3,187	—	—	—	2.80	March 2019
Japanese Bank	17,965	17,997	162,135	—	1.78	May 2019
Japanese Bank	12,841	12,894	116,162	—	0.86	September 2029
Japanese Bank	1,439	1,446	13,027	—	0.73	September 2027
Japanese Bank	10,000	10,000	90,090	—	1.38	September 2025
Japanese Bank	19,948	19,983	180,027	—	1.75	September 2019
Japanese Bank	9,334	9,401	84,694	—	0.53	August 2027
Japanese Bank	10,000	10,000	90,090	—	1.39	September 2025
Japanese Bank	15,000	15,000	135,135	—	2.04	May 2021
Japanese Bank	9,987	9,999	90,081	—	1.50	May 2019
Japanese Bank (Foreign Currency)	7,437	7,769	69,991	—	2.78	March 2020
Japanese Bank (Foreign Currency)	15,936	16,650	150,000	—	2.91	February 2023
Japanese Bank (Foreign Currency)	3,187	3,330	30,000	—	2.80	March 2020
Japanese Bank (Foreign Currency)	15,936	16,650	150,000	—	2.92	March 2023
Japanese Bank	—	9,469	85,306	—	0.55	June 2028
Other	329	209	1,884	—		
Total	¥ 213,032	¥ 160,797	\$ 1,448,622			

19. Other Financial Liabilities

The breakdown of other financial liabilities as of March 31, 2018 and 2019 was as follows:

	Millions of yen		Thousands of U.S. dollars	
	2018	2019	2018	2019
Financial liabilities measured at fair value through profit and loss				
Derivative liabilities	¥ 2,405	¥ 3,031	\$ 27,306	
Other	663	584	5,261	
Financial liabilities measured at amortized cost				
Lease payments	8,507	9,035	81,396	
Other	4,597	4,540	40,902	
Total	¥ 16,172	¥ 17,190	\$ 154,865	
Current	8,793	9,391	84,604	
Non-current	7,379	7,799	70,261	
Total	¥ 16,172	¥ 17,190	\$ 154,865	

20. Provisions

The changes in provisions during the year ended March 31, 2019 were as follows:

	Millions of yen			
	Provision for product warranties	Provision for loss on litigation	Other	Total
Balance at April 1, 2018	¥ 5,790	¥ 697	¥ 1,112	¥ 7,599
Increase during the year	915	24,331	21,790	47,036
Decrease (Provisions used)	(1,971)	(19,380)	(10,709)	(32,060)
Decrease (Provisions reversed)	(981)	—	(3)	(984)
Classification to liabilities directly associated with assets held for sale	—	(3,817)	(660)	(4,477)
Exchange differences on translation of foreign operations	245	(13)	(75)	157
Balance at March 31, 2019	¥ 3,998	¥ 1,818	¥ 11,455	¥ 17,271
Current	¥ 3,881	¥ 1,818	¥ 5,104	¥ 10,803
Non-current	117	—	6,351	6,468
Total	¥ 3,998	¥ 1,818	¥ 11,455	¥ 17,271

	Thousands of U.S. dollars			
	Provision for product warranties	Provision for loss on litigation	Other	Total
Balance at April 1, 2018	\$ 52,162	\$ 6,279	\$ 10,018	\$ 68,459
Increase during the year	8,244	219,198	196,306	423,748
Decrease (provisions used)	(17,757)	(174,595)	(96,477)	(288,829)
Decrease (provisions reversed)	(8,838)	—	(27)	(8,865)
Classification to liabilities directly associated with assets held for sale	—	(34,387)	(5,946)	(40,333)
Exchange differences on translation of foreign operations	2,207	(117)	(676)	1,414
Balance at March 31, 2019	\$ 36,018	\$ 16,378	\$ 103,198	\$ 155,594
Current	\$ 34,964	\$ 16,378	\$ 45,982	\$ 97,324
Non-current	1,054	—	57,216	58,270
Total	\$ 36,018	\$ 16,378	\$ 103,198	\$ 155,594

Notes:

The provision for expected additional taxes payable of ¥5,328 million (\$48,000 thousand) anticipated in relation to a voluntary inspection regarding indirect taxation conducted by the Company's overseas subsidiary was included in the balance of Other provision as of March 31, 2019.

(1) Provision for Product Warranties

For products sold subject to a quality assurance warranty, the Company accrues after service cost expected to be incurred within the guarantee period. The provision for product warranties is calculated using the prescribed standards, based on after service cost actually incurred in the past. These warranty provisions are expected to be expended during the guarantee period (mostly within three years).

(2) Provision for Loss on Litigation

To provide for losses related to lawsuits or other litigation, in light of progress of the lawsuits, the expected amount of these losses is accounted for based on a reasonable estimate of the amount deemed necessary. These loss provisions are expected to be expended mostly within one year.

Notes to the Consolidated Financial Statements

21. Other Current Liabilities and Other Non-Current Liabilities

The breakdown of other current liabilities and other non-current liabilities as of March 31, 2018 and 2019 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Accrued expenses	¥ 96,971	¥ 93,928	\$ 846,198
Contract liabilities	28,537	31,295	281,937
Other	20,976	19,108	172,145
Total	¥ 146,484	¥ 144,331	\$ 1,300,280
Current	134,496	133,311	1,201,000
Non-current	11,988	11,020	99,280
Total	¥ 146,484	¥ 144,331	\$ 1,300,280

22. Government Grants

Government grants included other current liabilities and other non-current liabilities as of March 31, 2018 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Other current liabilities	¥ 528	¥ 470	\$ 4,234
Other non-current liabilities	3,558	3,088	27,820

Government grants were conditioned on acquiring equipment in a specific medical field in Japan and they are amortized over the useful life of their related assets on a straight-line basis.

There are no unfulfilled conditions or contingencies related to these grants.

23. Employee Benefits

The Company and some of its consolidated subsidiaries have established defined benefit corporate pension plans, defined contribution pension plans and lump sum payment plans to fund employees' retirement benefits.

The defined benefit corporate pension plans are cash balance plans that use a point system. In these plans, points are awarded to the plan participants based on their job performance and interest points calculated using an interest crediting rate based on trends in market interest rates accumulate in the participants' hypothetical individual accounts.

The Olympus Group, its pension funds and institutions that manage its plan assets are legally required to faithfully administer and manage plan assets in the aim of providing reliable pension benefits to plan participants into the indefinite future. They fulfill their management responsibilities in accord with basic policies prepared by the funds.

The Olympus Group's retirement benefit plans are exposed to multiple risks, including investment risks associated with plan assets and interest rate risk associated with defined benefit obligations.

Some of the subsidiaries transferred their pension plans from defined benefit plans to defined contribution plans in the year ended March 31, 2019.

(1) Defined Benefit Plans

1) Defined benefit obligations

The changes in defined benefit obligations were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Balance at April 1	¥201,409	¥201,985	\$1,819,685
Current service cost	7,820	7,651	68,928
Past service cost	—	(1,936)	(17,441)
Interest cost	3,853	3,779	34,045
Remeasurements			
Actuarial gains and losses arising from changes in demographic assumptions	(590)	(69)	(622)
Actuarial gains and losses arising from changes in financial assumptions	1,600	2,742	24,703
Other	(1,213)	11	99
Contributions by employees	169	132	1,189
Benefits paid	(10,122)	(8,682)	(78,216)
Exchange differences on translation of foreign operations	(775)	1,547	13,937
Other	(166)	(151)	(1,361)
Balance at March 31	¥201,985	¥207,009	\$1,864,946

2) Reconciliation of fair value of plan assets

The change in the fair value of plan assets during the year ended March 31, 2019 is presented below.

The Olympus Group conducts a financial verification at the end of every fiscal year to ascertain the extent of any funding deficit and determine whether contributions need to be recalculated.

In the fiscal year ending March 31, 2020, the Olympus Group plans to contribute ¥6,521 million (\$58,748 thousand) to the plan.

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Balance at April 1	¥ 188,081	¥ 192,354	\$ 1,732,919
Interest income	3,283	3,301	29,739
Remeasurements			
Return on plan assets	3,442	262	2,360
Contributions by employer	5,760	6,074	54,721
Contributions by employees	156	131	1,180
Benefits paid	(9,525)	(8,024)	(72,288)
Exchange differences on translation of foreign operations	1,228	160	1,441
Other	(71)	(126)	(1,135)
Balance at March 31	¥ 192,354	¥ 194,132	\$ 1,748,937

3) Reconciliation of defined benefit obligations and plan assets

The reconciliation between the defined benefit obligations and plan assets and the retirement benefit liability and asset recognized in the consolidated statement of financial position was as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Present value of the funded defined benefit obligations	¥ 186,969	¥ 190,387	\$ 1,715,198
Fair value of plan assets	(192,354)	(194,132)	(1,748,937)
subtotal	(5,385)	(3,745)	(33,739)
Present value of the unfunded defined benefit obligations	15,016	16,622	149,748
Net defined benefit liabilities (assets)	¥ 9,631	¥ 12,877	\$ 116,009
Amounts recognized in the consolidated statement of financial position			
Retirement benefit liability	39,145	43,116	388,432
Retirement benefit asset	(29,514)	(30,239)	(272,423)
Net defined benefit liabilities (assets)	¥ 9,631	¥ 12,877	\$ 116,009

4) Components of plan assets

The breakdown of plan assets by category was as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Assets with quoted market prices in an active market			
Japanese equity securities	¥ 4,836	¥ 1,515	\$ 13,649
Overseas equity securities	8,981	10,536	94,919
Overseas debt securities	48,449	49,315	444,279
Cash and cash equivalents	3,235	2,657	23,937
Other	2,908	1,195	10,766
Total	¥ 68,409	¥ 65,218	\$ 587,550
Assets without quoted market prices in an active market			
Overseas equity securities	¥ 10,800	¥ 11,198	\$ 100,883
Overseas debt securities	4,115	4,130	37,207
General account for life insurance companies	59,046	57,187	515,198
Jointly managed money trust	48,381	54,282	489,027
Other	1,603	2,117	19,072
Total	¥ 123,945	¥ 128,914	\$ 1,161,387
Total of plan assets	¥ 192,354	¥ 194,132	\$ 1,748,937

To reliably pay defined benefit obligations into the indefinite future, plan assets in the Olympus Group's corporate pension funds are managed safely and efficiently in the aim of generating medium- to long-term investment returns in excess of the minimum rate of return required to maintain the plans. To do so, the pension funds carefully ascertain their risk tolerance, determine an optimal asset allocation within those risk constraints and invest in a diversified portfolio of assets.

5) Matters related to actuarial assumptions

The significant actuarial assumptions used to measure present value of defined benefit obligations were as follows:

	2018	2019
Discount rate	0.59%	0.47%

Notes to the Consolidated Financial Statements

6) Sensitivity analysis

In the event of a 0.5 percentage point change in the discount rate used in the actuarial calculation, the present value of the defined benefit obligations would be affected as shown below. This analysis assumes that all other variables remain constant. In actuality, however, the sensitivity analysis may be affected by changes in other assumptions.

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Discount rate			
0.5 percentage point increase (decrease in obligations)	¥ (13,724)	¥ (13,661)	\$ (123,072)
0.5 percentage point decrease (increase in obligations)	16,013	15,614	140,667

7) Weighted average duration

The weighted average durations of the defined benefit obligations of the benefit obligation were 15.3 years and 14.4 years as of March 31, 2018 and 2019, respectively.

(2) Defined Contribution Plans

The amounts recognized as expenses related to the defined contribution plan were ¥16,304 million and ¥17,425 million (\$156,982 thousand) for the years ended March 31, 2018 and 2019, respectively, and included expenses recognized in relation to the public pension system.

24. Share Capital and Other Components of Equity

(1) Number of Authorized Shares, Issued Shares and Treasury Shares

The changes in the number of authorized shares, issued shares and treasury shares were as follows:

	Number of shares	
	2018	2019
Authorized shares	1,000,000,000	1,000,000,000
Issued shares (Note 1)		
As of April 1	342,671,508	342,691,224
Increase or decrease (Note 3)	19,716	22,125
As of March 31 (Note 5)	342,691,224	342,713,349
Treasury shares (Note 2)		
As of April 1	435,289	1,295,351
Increase or decrease (Note 4)	860,062	(2,831)
As of March 31 (Note 5)	1,295,351	1,292,520

Note

- All of the shares of the Company are ordinary shares that have no par value and no limitations on the rights. Issued shares are fully paid.
- The Company has adopted stock option plans and utilizes treasury shares for delivery of shares due to exercise. Contract conditions and amounts are described in Note 27 "Share-based payments".
- The major reasons of changes in the number of issued shares were issuing shares under the "Restricted Share-Based Remuneration Plan" described in Note 27 "Share-based payments".
- The major reasons for changes in the number of prior treasury shares were purchases of shares determined at the Board of Directors' meeting held on November 24, 2017.
- On April 1, 2019, the Company conducted a four-for-one stock split of common stock. As a result, the total number of issued shares increased by 1,028,140,047 shares to 1,370,853,396 shares, and the total number of shares of treasury stock increased by 3,877,560 shares to 5,170,080 shares.

(2) Capital Surplus

Japan's Companies Act provides that at least one-half of capital paid in or contributed in exchange for newly issued shares is to be classified as share capital and any amount not classified as share capital is to be classified as legal capital surplus included in capital surplus.

Additionally, legal capital surplus may be reclassified as share capital pursuant to a shareholder resolution at a General Meeting of Shareholders.

(3) Retained Earnings

Japan's Companies Act provides that one-tenth of the amount of reductions in surplus due to dividend distributions funded by the surplus is to be accumulated as legal capital surplus or legal retained earnings until the total of legal capital surplus and legal retained earnings equals one-quarter of share capital.

Accumulated legal retained earnings may be appropriated to reduce a capital deficits. They may also be utilized pursuant to a shareholder resolution at a General Meeting of Shareholders.

The amount of the Company's retained earnings distributable as dividends is measured based on the amount of retained earnings carried on the Company's accounting books prepared in accordance with accounting principles generally accepted in Japan.

Additionally, the Companies Act imposes certain restrictions on how the amount of retained earnings distributable as dividends is measured. The Company distributes retained earnings within the constraints stipulated by those restrictions.

(4) Other Components of Equity

The changes in other components of equity were as follows:

	Millions of yen					
	Exchange difference on translation of foreign operations	Cash flow hedges	Financial assets measured at fair value through other comprehensive income	Remeasurement of defined benefit plans	Share of other comprehensive income (loss) of associates accounted for using equity method	Total
Balance at March 31, 2017	¥ (12,772)	¥ (2,296)	¥ 9,402	¥ —	¥ 14	¥ (5,652)
Other comprehensive income	(3,572)	952	3,562	3,240	(12)	4,170
Reclassification to retained earnings	—	—	(1,088)	(3,240)	—	(4,328)
Balance at March 31, 2018	(16,344)	(1,344)	11,876	¥—	2	(5,810)
Other comprehensive income	1,854	491	(3,254)	858	(2)	(53)
Reclassification to retained earnings	—	—	(1,513)	(858)	—	(2,371)
Balance at March 31, 2019	¥ (14,490)	¥ (853)	¥ 7,109	¥ —	¥ —	¥ (8,234)

	Thousands of U.S. dollars					
	Exchange difference on translation of foreign operations	Cash flow hedges	Financial assets measured at fair value through other comprehensive income	Remeasurement of defined benefit plans	Share of other comprehensive income (loss) of associates accounted for using equity method	Total
Balance at March 31, 2018	\$ (147,244)	\$ (12,108)	\$ 106,991	\$ —	\$ 18	\$ (52,343)
Other comprehensive income	16,703	4,423	(29,315)	7,730	(18)	(477)
Reclassification to retained earnings	—	—	(13,630)	(7,730)	—	(21,360)
Balance at March 31, 2019	\$ (130,541)	\$ (7,685)	\$ 64,046	\$ —	\$ —	\$ (74,180)

1) Exchange differences on translation of foreign operations

Exchange differences that arise when foreign operations' financial statements prepared in a foreign currency are consolidated

2) Cash flow hedges

The Company hedges to avert the risk of changes in future cash flows. Changes in the fair value of derivatives designated as cash flow hedges are recognized in other comprehensive income to the extent the hedges are deemed effective.

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

Valuation gains/losses on financial assets measured at fair value through other comprehensive income

4) Remeasurements of defined benefit plans

Changes in defined benefit obligations due to actuarial gains/losses and the effects of changes in actuarial assumptions; they are recognized in other comprehensive income when they occur and immediately transferred from other components of equity to retained earnings.

5) Share of other comprehensive income (loss) of associates accounted for using equity method

The Company's share of the exchange differences on translation of the financial statements of foreign operations of associates accounted for using equity method

25. Capital Policy

To enhance its corporate value, the Olympus Group has adopted a basic policy, premised on maintaining a stable financial foundation, of continually returning value to shareholders while placing priority on investing in growth businesses, mainly the Medical Business.

The Olympus Group manages all of its equity and interest-bearing debt as components of its capital cost. Cognizant of financial stability and capital efficiency, the Olympus Group aims to improve its credit ratings issued by rating agencies to more readily procure funding globally. The Olympus Group is not subject to any significant capital restrictions (except for general provisions stipulated in Japan's Companies Act).

To fulfill its basic policy, the Olympus Group has designated its equity ratio (ratio of total equity attributable to owners of parent to total assets) and return on equity (ROE) as equity-related key performance indicators. These indicators as of or for the years ended March 31, 2018 and 2019 were as follows.

	2018	2019
Equity ratio ⁽¹⁾	45.2%	47.3%
Return on equity (ROE) ⁽²⁾	13.6%	1.8%

⁽¹⁾ Total equity attributable to owners of parent / Total assets

⁽²⁾ Profit attributable to owners of parent / Total equity attributable to owners of parent (Average)

26. Dividends

Dividends paid during the years ended March 31, 2018 and 2019 were as follows:

Resolution	Class of shares	Amount of dividends paid (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
General Shareholders' Meeting (June 28, 2017)	Common stock	¥9,583	¥28.00	March 31, 2017	June 29, 2017
General Shareholders' Meeting (June 26, 2018)	Common stock	¥9,559 (\$86,117 thousand)	¥28.00 (\$0.252)	March 31, 2018	June 27, 2018

Notes to the Consolidated Financial Statements

Dividends resolved during the year ended March 31, 2019, that will be effective after March 31, 2019

Resolution	Class of shares	Amount of dividends paid (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
General Shareholders' Meeting (June 25, 2019)	Common stock	¥10,243 (\$92,279 thousand)	¥30.00 (\$0.270)	March 31, 2019	June 26, 2019

Note: On April 1, 2019, the Company conducted a four-for-one stock split of common stock. The above-mentioned amount of dividend per share is the actual amount before the share split.

27. Share-Based Payments

The Olympus Group has adopted equity-settled stock option plans for the Company's directors (excluding outside directors) and executive officers with the aim of enhancing awareness toward contributing to sustainable improvement of corporate value as well as further enhancing value sharing with shareholders.

(1) Stock Options

1) Overview of stock options

Under the stock options, grantees are granted 100 shares of common stock per subscription right to shares.

The grants are not subject to vesting conditions, but holders of subscription rights to shares may exercise their subscription rights to shares only during a 10-year period beginning one year from the day after the date on which they vacate their position as a director or executive officer of the Company (or the date on which they vacate their position as an audit & supervisory board member if they were appointed to the Audit & Supervisory Board after vacating their position as a director or executive officer). If not exercised within the exercise period, the options become null and void. The Company introduced a Restricted Share-Based Remuneration Plan and Performance-Linked Share-Based Remuneration Plan from the year ended March 31, 2018, and the stock options plan was terminated. No stock options have been granted since such time. The exercise period for stock options already granted ends on July 13, 2046.

2) Outline of stock options

	Grant date	Number of shares granted	Exercise price (Yen)	Exercise period
First series of stock subscription rights	August 26, 2013	40,100	1	From August 27, 2013 to August 26, 2043
Second series of stock subscription rights	July 11, 2014	41,000	1	From July 12, 2014 to July 11, 2044
Third series of stock subscription rights	July 13, 2015	38,700	1	From July 14, 2015 to July 13, 2045
Fourth series of stock subscription rights	July 13, 2016	39,500	1	From July 14, 2016 to July 13, 2046

Notes:

- The number of share options is presented as the number of underlying shares.
- On April 1, 2019, the Company conducted a four-for-one stock split of common stock. The effect of this stock split has not been reflected in the above table.

3) Movement in number of stock options and weighted average exercise price

	2018		2019	
	Number of shares	Weighted average exercise price (Yen)	Number of shares	Weighted average exercise price (Yen)
Outstanding at beginning of year	151,800	1	148,300	1
Granted	—	—	—	—
Exercised	(3,500)	1	(5,200)	1
Expired	—	—	—	—
Outstanding at end of year	148,300	1	143,100	1
Exercisable at end of year	17,100	1	47,300	1

Notes:

- The number of stock options is presented as the number of underlying shares.
- The weighted average share prices of stock options at the time of exercise were ¥4,446 and ¥4,165 (\$37.52) for the years ended March 31, 2018 and 2019, respectively.
- The weighted average remaining lives of unexercised stock options year were 26.9 years and 25.9 years as of March 31, 2018 and 2019, respectively.
- On April 1, 2019, the Company conducted a four-for-one stock split of common stock. The effect of this stock split has not been reflected in the above table.

(2) Restricted Share-Based Remuneration Plan

1) Overview of Restricted Share-Based Remuneration Plan

Under the Restricted Share-Based Remuneration Plan, the Company's directors and other executives serving in qualifying positions wholly transfer their rights to monetary remuneration receivable from the Company as in-kind property contributions to the plan and receive newly issued shares of the Company's common stock, conditional upon their meeting a specified continuous-tenure requirement.

Issuance of the Company's common shares as restricted share-based remuneration is contingent on the Company and the eligible directors and other executives serving in qualifying positions entering into an agreement that includes provisions (1) prohibiting the shares from being transferred or pledged to a third party or otherwise disposed of in any manner during a certain specified period and (2) allowing the Company to reclaim the shares at no cost under certain specified circumstances.

2) Number of shares granted during the year and fair value at grant date

	2018	2019
Grant date	July 28, 2017	Jun 26, 2018
Number of shares	19,716	22,125
Fair value at grant date	¥4,065	¥4,135 (\$37.25)

Note: On April 1, 2019, the Company conducted a four-for-one stock split of common stock. The effect of this stock split has not been reflected in the above table.

(3) Performance-Linked Share-Based Remuneration Plan

1) Overview of Performance-Linked Share-Based Remuneration Plan

Under the Performance-Linked Share-Based Remuneration Plan, the Company's directors and other executives serving in qualifying positions wholly transfer their rights to monetary remuneration receivable from the Company as in-kind property contributions to the plan and receive newly issued shares of the Company's common stock, conditional upon their meeting a specified continuous-tenure requirement and upon attainment of predetermined performance targets set by the Company's Board of Directors.

The performance-linked share-based remuneration has a term of three fiscal years. It will deliver a certain number of shares of the Company's common stock to eligible directors in accordance with the directors' standard variable remuneration calculated based on their position and adjusted within a 0-150% range based on the degree of attainment, as of the end of the three fiscal years, of predetermined performance targets set by the Board of Directors.

2) Number of shares granted during the year and fair value at grant date

The weighted average fair value at the grant date under this plan for the year ended March 31, 2018 and 2019 were ¥4,177 and ¥4,022 (\$36.23), respectively.

The number of shares delivered correspond to the directors' standard variable remuneration calculated based on their position and adjusted within a 0-150% range based on the degree of attainment, as of the end of the three fiscal years, of predetermined performance targets set by the Board of Directors as described above in(3) 1).

(4) Share-Based Payment Expenses

	Millions of yen		Thousands of U.S. dollars	
	2018	2019	2018	2019
Selling, general and administrative expenses	¥ 88	¥ 53	\$ 0.77	\$ 0.47

28. Revenue

(1) Disaggregation of Revenue

The Olympus Group is fundamentally organized into Medical Business, Scientific Solutions Business Imaging Business, and "Others" segments. The Company presents revenue under these business segments because the Board of Directors regularly monitors them to evaluate in determining the allocation management resources and in assessing performance. Revenue is geographically disaggregated based on customer location. Geographically disaggregated revenue attributable to the reportable segments was as follows.

	Millions of yen				
	For the year ended March 31, 2018				
	Medical	Scientific Solutions	Imaging	Others	Total
Japan	¥ 112,061	¥ 16,816	¥ 18,372	¥ 6,515	¥ 153,764
North America	223,527	28,310	9,688	929	262,454
Europe	149,828	21,111	19,237	967	191,143
Asia and Oceania	117,940	28,288	12,822	1,425	160,475
Others	12,975	5,491	179	16	18,661
Total	¥ 616,331	¥ 100,016	¥ 60,298	¥ 9,852	¥ 786,497
Revenue from contracts with customers	569,066	99,999	60,298	9,852	739,215
Revenue from other sources	47,265	17	—	—	47,282

Revenue from other sources includes revenue from lease contracts as defined under IAS17.

	Millions of yen				
	For the year ended March 31, 2019				
	Medical	Scientific Solutions	Imaging	Others	Total
Japan	¥ 108,923	¥ 17,021	¥ 14,325	¥ 6,075	¥ 146,344
North America	230,062	29,754	7,410	185	267,411
Europe	154,026	20,883	16,983	73	191,965
Asia and Oceania	127,521	30,846	9,822	324	168,513
Others	13,769	5,721	139	—	19,629
Total	¥ 634,301	¥ 104,225	¥ 48,679	¥ 6,657	¥ 793,862
Revenue from contracts with customers	581,758	104,207	48,679	6,657	741,301
Revenue from other sources	52,543	18	—	—	52,561

	Thousands of U.S. dollars				
	For the year ended March 31, 2019				
	Medical	Scientific Solutions	Imaging	Others	Total
Japan	\$ 981,288	\$ 153,342	\$ 129,054	\$ 54,730	\$ 1,318,414
North America	2,072,631	268,054	66,757	1,667	2,409,109
Europe	1,387,622	188,135	153,000	657	1,729,414
Asia and Oceania	1,148,838	277,892	88,486	2,919	1,518,135
Others	124,044	51,541	1,253	—	176,838
Total	\$ 5,714,423	\$ 938,964	\$ 438,550	\$ 59,973	\$ 7,151,910
Revenue from contracts with customers	5,241,063	938,802	438,550	59,973	6,678,388
Revenue from other sources	473,360	162	—	—	473,522

Revenue from other sources includes revenue from lease contracts as defined under IAS17.

Notes to the Consolidated Financial Statements

1) Medical Business

The Medical Business sells and leases medical equipment, including gastrointestinal endoscopes, surgical endoscopes, endo-therapy devices and ultrasound endoscopes. Its main customers are domestic and overseas medical institutions.

The Company recognizes related product sales as revenue once control of the product has transferred to the customer—i.e., when the product is delivered to the customer—because that is when legal title to and physical possession of the product and the significant risks and rewards of ownership of the product transfer to the customer and also when the Company gains the right to receipt of payment from the customer. Revenue from these product sales is measured at the transaction price contractually agreed upon with the customer. The transaction consideration is mostly received within one year from the fulfillment of the specific performance obligations. Such product sales do not involve a significant financing component. For transactions comprising multiple components such as products and maintenance services, the Company treats each constituent component as a separate performance obligation if every product sold, service provided and other component individually has independent value. In such cases, the total transaction consideration is allocated proportionally to the transaction's constituent components based on their standalone sales prices.

For maintenance contracts related to medical equipment, since performance obligations are satisfied over time, the transaction amount associated with the contract with the customer is recognized as revenue evenly over the contract's term. In such cases, transaction consideration is generally received as a single prepayment at the contract's inception.

Leasing transactions as lessor involving medical equipment are accounted for in the manner described in Note 3 "Significant accounting policies (10) Leases." Lease payments associated with lease contracts are received in accord with payment terms stipulated in individual contracts.

2) Scientific Solutions Business

The Scientific Solutions Business sells microscopes, industrial videoscopes and ultrasonic flaw detectors, among other products. Its main customers include domestic and overseas research and medical institutions.

The Company recognizes related product sales as revenue once control of the product has transferred to the customer—i.e., when the product is delivered to the customer—because that is when legal title to and physical possession of the product and the significant risks and rewards of ownership of the product transfer to the customer and also when the Company gains the right to receipt of payment from the customer. Revenue from these product sales is measured at the transaction price contractually agreed upon with the customer. Transaction consideration is mostly received within one year from performance obligations' fulfillment. Such product sales do not involve a significant financing component.

For maintenance contracts for the Scientific Solutions Business products, since performance obligations are satisfied over time, the transaction amount associated with the contract with the customer is recognized as revenue evenly over the contract's term. In such cases, the transaction consideration is generally received as a single prepayment at the contract's inception.

3) Imaging Business

The Imaging Business sells digital cameras, centered on mirrorless cameras. Its customers are mainly domestic and overseas retailers.

The Company recognizes related product sales as revenue once control of the product has transferred to the customer—i.e., when the product is sold to the customer—because that is when legal title to and physical possession of the product and the significant risks and rewards of ownership of the product transfer to the customer and also when the Company gains the right to receive payment from the customer. Revenue from these product sales is measured at the transaction price contractually agreed upon with the customer. For sales contracts that include variable consideration such as rebates and/or retrospective discounts, transaction prices are determined using the most-likely-amount method based largely on historical data, factoring in variable prices within a range that does not cause significant deviation between estimates and historical data. The transaction consideration is mostly received within one year from performance obligations' fulfillment. Such product sales do not involve a significant financing component.

4) Others

"Others" includes R&D and discovery activities related to new businesses, in addition to sales of biomedical materials, etc.

(2) Contract Balances

The balances of receivables from contracts with customers, and contract assets and contract liabilities were as follows:

	Millions of yen		Thousands of U.S. dollars
	April 1, 2018	March 31, 2019	March 31, 2019
Receivables from contracts with customers	¥ 136,164	¥ 136,252	\$ 1,227,495
Contract assets	535	754	6,793
Contract liabilities	28,537	31,295	281,937

On the consolidated statements of financial position, receivables from contracts with customers and assets from contracts with customers are recognized in trade and other receivables, and liabilities from contracts with customers are recognized in other current assets and other non-current assets. For revenue recognized for the years ended March 31, 2018 and 2019, amounts corresponding to liabilities from contracts with customers at the beginning of each fiscal year were ¥18,146 million and ¥14,416 million (\$129,874 thousand), respectively. For the years ended March 31, 2018 and 2019, revenue recognized from performance obligations satisfied (or partially satisfied) in past periods was not material.

(3) Transaction Price Allocated to Remaining Performance Obligations

The breakdown of transaction price allocated to the remaining performance obligations was as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Within 1 Year	¥ 4,814	¥ 4,058	\$ 36,559
Over 1 Year	4,412	3,590	32,342
Total	¥ 9,226	¥ 7,648	\$ 68,901

The transactions for which individual estimated contract terms are within one year were excluded.

29. Selling, General and Administrative Expenses

Major items of selling, general and administrative expenses for the years ended March 31, 2018 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Personnel expenses (Note)	¥ 220,349	¥ 224,087	\$ 2,018,802
Depreciation	29,373	29,866	269,063
Advertising and promotion expenses	26,021	27,745	249,955

Note: Personnel expenses mainly include wages, bonuses, legal welfare expenses, expenses related to post-employment benefits, and personnel expenses incurred by the development division.

30. Other Income and Other Expenses

(1) Other Income

Major items of other income are as follows.

Fiscal year ended March 31, 2018 (April 1, 2017 - March 31, 2018)

(Gain on sale of investments in subsidiaries)

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

(Gain on sale of fixed assets)

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

Fiscal year ended March 31, 2019 (April 1, 2018 - March 31, 2019)

(Gain on revision of retirement benefit plan)

The Company recorded gain on revision of retirement benefit plan in Europe of ¥1,883 million (\$16,964 thousand) in "Other income."

(Gain on sale of fixed assets)

The Company recorded gain on sale of fixed assets of ¥1,059 million (\$9,541 thousand) in "Other income."

(2) Other Expenses

Major items of other expenses are as follows.

Fiscal year ended March 31, 2018 (April 1, 2017 - March 31, 2018)

(Business restructuring expenses)

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

(Impairment losses)

The Company recorded ¥1,686 million of impairment losses because the recoverable amount of fixed assets fell below the carrying amount primarily due to a decrease in forecasted income. Impairment losses are described in Note 16 "Impairment of non-financial assets."

Fiscal year ended March 31, 2019 (April 1, 2018 - March 31, 2019)

(Loss related to securities litigation)

The Company received claims for compensation for damages from several individual and institutional investors for losses sustained as a result of the Company's false statements for the purpose of postponing recognition of losses in the Annual Securities Reports, Semi-Annual Securities Reports and Quarterly Securities Reports for the period from the fiscal year ended March 31, 2001 through the first quarter of the fiscal year ended March 31, 2012. The Company recorded a monetary settlement of ¥19,380 million (\$174,595 thousand), which is the amount of settlements paid for the claims for damages, in "Other expenses."

(Restructuring costs for Imaging Business's manufacturing locations)

In May 2018, the Company resolved to restructure manufacturing locations of Imaging Business, and decided to discontinue operations of Olympus (Shenzhen) Industrial Ltd., a consolidated subsidiary of the Company, and to concentrate this production at Olympus Vietnam Co., Ltd. The Company recorded ¥6,174 million (\$55,622 thousand) in "Other expenses" as restructuring expenses for manufacturing locations in the Imaging Business, including economic compensation incurred with a series of restructuring.

(Loss related to litigation of consolidated subsidiary)

Regarding the lawsuit filed by Shenzhen Anping Tai Investment and Development Co., Ltd. against the Company's consolidated subsidiary Olympus (Shenzhen) Industrial Ltd. (OSZ), the Shenzhen Intermediate People's Court issued a verdict on July 30, 2018, which was sent to OSZ on August 3, 2018. While the verdict recognized some of the claims of the subsidiary's, it was ordered to pay damages. To prepare for losses associated with the lawsuit, the Company recorded ¥3,817 million (\$34,387 thousand) in "Other expenses" as a reasonable estimate of the required amount.

(Costs related to litigation of consolidated subsidiary)

Regarding costs associated with a lawsuit between the Company's consolidated subsidiary KeyMed(Medical & Industrial Equipment) Ltd., and certain former officers, the Company recorded ¥1,197 million (\$10,784 thousand) in "Other expenses" as a reasonable estimate of the required amount.

Notes to the Consolidated Financial Statements

(Investigation on duodenoscopes in the United States)

In March and August 2015, subpoenas were issued to Olympus Medical Systems Corp. (OMSC), a subsidiary of the Company, by the U.S. Department of Justice (DOJ), seeking information relating to duodenoscopes that the Olympus Group manufactures and sells, and the DOJ had continued an investigation relating to the U.S. Federal Food, Drug and Cosmetic Act (FDCA). On December 3, 2018, OMSC entered into a plea agreement with the DOJ regarding this matter, and the agreement was approved by a U.S. federal court and thus became final on December 10, 2018. OMSC paid a criminal fine and criminal forfeiture in the amount of ¥9,653 million (\$86,964 thousand).

(Impairment losses)

Regarding business assets in the Imaging Business and development assets in the Medical Business, as the revenue projected at the time the assets were acquired is now not expected due to changes in the market environment, carrying values have been written down to the recoverable amount, and impairment losses of ¥1,990 million (\$17,928 thousand) and ¥1,332 million (\$12,000 thousand) have been recognized, respectively, as "Other expenses."

(Additional taxes at consolidated subsidiaries)

The Company recorded a loss as a provision for expected additional taxes of ¥5,328 million (\$48,000 thousand) anticipated in relation to a voluntary inspection regarding indirect taxation conducted by the Company's overseas subsidiary. Of this amount, ¥3,882 million (\$34,973 thousand) was recorded as "Other expenses."

31. Finance Income and Finance Costs

The breakdown of finance income and finance costs for the years ended March 31, 2018 and 2019 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Finance income			
Interest income			
Financial assets measured at amortized cost	¥ 1,132	¥ 1,299	\$ 11,703
Dividends received			
Financial assets measured through other comprehensive income	642	602	5,423
Foreign exchange gain (Note 1)	840	—	—
Other	71	282	2,541
Total	¥ 2,685	¥ 2,183	\$ 19,667
Finance costs			
Interest expense			
Financial liabilities measured at amortized cost	6,102	4,420	39,820
Bond interest			
Financial liabilities measured at amortized cost	567	197	1,775
Foreign exchange loss (Note 1)	—	5,313	47,865
Other	380	417	3,756
Total	¥ 7,049	¥ 10,347	\$ 93,216

Notes:

- Valuation gains or losses on currency derivatives that are not designated as hedges are included in foreign exchange gain or loss.
- Fee income and expenses arising financial assets measured at amortized cost are immaterial.

32. Earnings per Share

(1) Basic Earnings per Share and Diluted Earnings per Share

	Yen		U.S. dollars
	2018	2019	2019
Basic earnings per share	¥ 41.71	¥ 5.97	\$ 0.054
Diluted earnings per share	¥ 41.69	¥ 5.96	\$ 0.054

(2) Basis for Calculating Basic Earnings per Share and Diluted Earnings per Share

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Profit used to calculate basic earnings per share and diluted earnings per share			
Profit attributable to owners of parent	¥57,064	¥8,147	\$73,396
Profit not attributable to owners of parent	—	—	—
Profit used to calculate basic earnings per share	57,064	8,147	73,396
Adjustment to profit	—	—	—
Profit used to calculate diluted earnings per share	¥57,064	¥8,147	\$73,396

Weighted average number of shares of common stock used to calculate basic earnings per share and diluted earnings per share

	Thousand shares	
	2018	2019
Average number of shares during the period	1,368,097	1,365,659
Increase in number of shares of common stock		
Increase due to exercise of subscription rights to shares	601	578
Increase due to Performance-Linked Share-Based Remuneration Plan	70	73
Average number of shares of diluted common stock during the period	1,368,768	1,366,310

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

33. Other Comprehensive Income

The breakdown of each component of other comprehensive income (including non-controlling interests) for the years ended March 31, 2018 and 2019 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Items that will not be reclassified to profit or loss			
Financial instruments measured at fair value through other comprehensive income			
Amount arising during the year	¥ 5,098	¥ (3,831)	\$ (34,513)
Tax effect	(1,536)	577	5,198
Financial instruments measured at fair value through other comprehensive income	¥ 3,562	¥ (3,254)	\$ (29,315)
Remeasurements of defined benefit plans			
Amount arising during the year	¥ 3,645	¥ (2,422)	\$ (21,820)
Tax effect	(405)	3,280	29,550
Remeasurements of defined benefit plans	¥ 3,240	¥ 858	\$ 7,730
Total of items that will not be reclassified to profit or loss	¥ 6,802	¥ (2,396)	\$ (21,585)
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations			
Amount arising during the year	¥ (3,587)	¥ 1,854	\$ 16,703
Reclassification adjustments	19	1	9
Before tax effect	(3,568)	1,855	16,712
Tax effect	—	—	—
Exchange differences on translation of foreign operations	¥ (3,568)	¥ 1,855	\$ 16,712
Cash flow hedges			
Amount arising during the year	¥ (72)	¥ (134)	\$ (1,208)
Reclassification adjustments	1,456	843	7,595
Before tax effect	1,384	709	6,387
Tax effect	(432)	(218)	(1,964)
Cash flow hedges	¥ 952	¥ 491	\$ 4,423
Share of other comprehensive income (loss) of associates accounted for using equity method			
Amount arising during the year	¥ (12)	¥ (2)	\$ (18)
Reclassification adjustments	—	—	—
Before tax effect	¥ (12)	¥ (2)	\$ (18)
Tax effect	—	—	—
Share of other comprehensive income (loss) of associates accounted for using equity method	¥ (12)	¥ (2)	\$ (18)
Total of items that may be reclassified to profit or loss	¥ (2,628)	¥ 2,344	\$ 21,117
Total of other comprehensive income	¥ 4,174	¥ (52)	\$ (468)

34. Cash Flow Information

(1) Non-Cash Transactions

The major non-cash transactions are follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Tangible assets acquired through finance lease transactions	¥ 2,607	¥ 4,208	\$ 37,910

(2) Liabilities Arising from Financing Activities

The changes in liabilities arising from financing activities were as follows:

	Millions of yen				
	For the year ended March 31, 2018				
	Beginning balance	Movement due to cash inflows/outflows from financing activities	Non-cash items	Other	Ending balance
Short-term borrowings	¥ 2,409	¥ (2,608)	Effect of exchange rate changes on cash and cash equivalents ¥ 199	¥ —	¥ —
Bonds (Note)	24,977	9,946	—	19	34,942
Long-term borrowings (Note)	¥ 285,584	¥ (42,756)	¥ (3,100)	¥ 304	¥ 213,032

Note: Balances redeemable within one year are included.

	Millions of yen				
	For the year ended March 31, 2019				
	Beginning balance	Movement due to cash inflows/outflows from financing activities	Non-cash items	Other	Ending balance
Short-term borrowings	¥ —	¥ 647	Effect of exchange rate changes on cash and cash equivalents ¥ (18)	¥ —	¥ 629
Bonds (Note)	34,942	(15,053)	—	20	19,909
Long-term borrowings (Note)	¥ 213,032	¥ (54,877)	¥ 2,362	¥ 280	¥ 160,797

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Thousands of U.S. dollars					
For the year ended March 31, 2019					
	Beginning balance	Movement due to cash inflows/outflows from financing activities	Non-cash items		Ending balance
			Effect of exchange rate changes on cash and cash equivalents	Other	
Short-term borrowings	\$ —	\$ 5,829	\$ (162)	\$ —	\$ 5,667
Bonds (Note)	314,793	(135,612)	—	180	179,360
Long-term borrowings (Note)	\$ 1,919,207	\$ (494,387)	\$ 21,279	\$ 2,523	\$ 1,448,622

Note: Balances redeemable within one year are included.

(3) Proceeds from Sales of Investments in Subsidiaries and Proceeds from Sales of Business

A reconciliation of the consideration received for the sales of investments in subsidiaries or business and proceeds from such sale was as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Consideration for sales received in cash	¥ 2,400	—	—
Proceeds from sales of subsidiaries	¥ 2,400	—	—

(4) Payments for Acquisition of Subsidiaries or Business

A reconciliation of the consideration paid for the acquisition of subsidiaries or business and payments for acquisition was as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Consideration for acquisitions paid in cash	¥ 8,745	¥ 3,743	\$ 33,721
Cash and cash equivalents of assets acquired, at the time the Group obtained control of the subsidiaries	(109)	—	—
Payments for acquisition of subsidiaries or business	¥ 8,636	¥ 3,743	\$ 33,721

35. Financial Instruments

(1) Credit Risk

Credit risk is the risk that a counterparty may default on its contractual obligations resulting in a financial loss for the Olympus Group.

The Olympus Group is mainly exposed to the credit risk of customers and business counterparts on financial assets measured at amortized cost and of financial institutions that are counterparties to derivatives held for hedging foreign currency fluctuations and other financial risks.

The Olympus Group manages credit risk pertaining to financial assets measured at amortized cost by conducting credit investigations on major external customers and controls of due dates and outstanding balances by customers in accordance with internal regulations, while promptly identifying doubtful accounts caused by deteriorated financial conditions, etc., to reduce risks. Credit risk associated with derivatives is reduced by limiting transactions to highly creditworthy financial institutions.

Financial assets measured at amortized cost are mainly classified into "trade receivables" that consist of notes receivable, accounts receivable and lease receivables and "receivables other than trade receivables." The Olympus Group provides allowance for doubtful accounts for each receivable as follows.

"Trade receivables" are classified into three categories: receivables to "debtors that are not facing serious problems in their management conditions," receivables to "debtors that are facing serious problems in repaying their debts," and receivables to "debtors that are bankrupt," according to the debtors' management and financial conditions at the end of the reporting period. Allowance for doubtful accounts is always recognized at an amount equal to expected credit losses for the remaining life of the assets for each category.

"Debtors that are not facing serious problems in their management conditions" refer to those that have no indication of problems in repaying their debts and no problems in ability to repay their debts. Allowance for doubtful accounts on receivables from the debtors in this category is recorded collectively using a provision ratio based on a historical loan loss ratio and future estimates.

"Debtors that are facing serious problems in repaying their debts" refer to those that are not in a state of bankrupt but are facing, or will likely face, serious problems in repaying their debts. Allowance for doubtful accounts on receivables from the debtors in this category is recorded based on the estimated collectable amount of the respective assets on an individual basis.

"Debtors that are bankrupt" refer to those that are legally or substantially bankrupt or in a state of serious financial difficulty with no prospect of revitalization. Allowance for doubtful accounts on receivables from the debtors in this category is recorded for all receivables excluding assets received as collateral or for credit enhancement.

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

"A significant increase in credit risk" refers to a situation in which there are serious problems in collectibility of receivables at the end of the reporting period compared to that at the initial recognition. When evaluating whether or not there is a significant increase in credit risk, the Olympus Group takes into consideration reasonably available and supportable information, such as a debtor's results of operations for past periods and management improvement plan, as well as past due information.

Allowance for doubtful accounts on "receivables other than trade receivables" is recognized using a method to estimate credit losses collectively or individually according to the extent of the debtor's credit risk. However, when the debtors are in serious financial difficulty or legally or substantially bankrupt, allowance for doubtful accounts is recognized using a method to estimate credit losses individually by considering the receivables as credit-impaired financial assets.

Irrespective of the above classification, when it is clear that a financial asset in its entirety or a portion thereof cannot be recovered, such as a legal extinguishment of receivables, the carrying amount of the financial asset is directly amortized.

Information on allowance for doubtful accounts

The carrying amounts of financial assets subject to allowance for doubtful accounts were as follows:

These carrying amounts represent the maximum amount of exposure to credit risk.

Trade receivables	Millions of yen			Total
	Debtors that are not facing serious problems in their management conditions	Debtors that are facing serious problems in repaying their debts	Debtors that are bankrupt	
Balance at March 31, 2018	¥ 172,825	¥ 6,642	¥ 336	¥ 179,803
Balance at March 31, 2019	¥ 167,314	¥ 5,737	¥ 173	¥ 173,224

Thousands of U.S. dollars				
Trade receivables	Debtors that are facing serious problems in repaying their debts			Total
	Debtors that are not facing serious problems in their management conditions	Debtors that are facing serious problems in repaying their debts	Debtors that are bankrupt	
Balance at March 31, 2019	\$ 1,507,333	\$ 51,685	\$ 1,559	\$ 1,560,577

There was no significant change that had a material impact on allowance for doubtful accounts for "Trade receivables" as of March 31, 2018 and March 31, 2019.

Receivables other than trade receivables	Millions of yen			Total
	No significant increase in credit risk	Significant increase in credit risk		
		Non-credit-impaired financial assets	Credit-impaired financial assets	
Balance at March 31, 2018	¥ 14,178	¥ 8,203	¥ 587	¥ 22,968
Balance at March 31, 2019	¥ 16,677	¥ 8,246	¥ 575	¥ 25,498

Thousands of U.S. dollars				
Receivables other than trade receivables	Significant increase in credit risk			Total
	No significant increase in credit risk	Non-credit-impaired financial assets	Credit-impaired financial assets	
Balance at March 31, 2019	\$ 150,243	\$ 74,288	\$ 5,180	\$ 229,711

There was no significant change that had material impacts on allowance for doubtful accounts for "Receivables other than trade receivables" as of March 31, 2018 and March 31, 2019.

The changes in allowance for doubtful accounts related to above financial assets were as follows:

	Millions of yen			
	Trade receivables	Receivables other than trade receivables		
		No significant increase in credit risk	Significant increase in credit risk	
		Non-credit-impaired financial assets	Credit-impaired financial assets	
Balance at March 31, 2017	¥ 6,605	¥ —	¥ 8,257	¥ 654
Increase	698	16	2	7
Decrease	(173)	—	(56)	(71)
Other	(116)	0	—	(3)
Balance at March 31, 2018	¥ 7,014	¥ 16	¥ 8,203	¥ 587
Increase	897	—	44	0
Decrease	(1,411)	(15)	—	(2)
Other	(388)	(1)	(2)	(10)
Balance at March 31, 2019	¥ 6,112	—	¥ 8,245	¥ 575

Thousands of U.S. dollars				
	Trade receivables	Receivables other than trade receivables		
		No significant increase in credit risk	Significant increase in credit risk	
		Non-credit-impaired financial assets	Credit-impaired financial assets	
Balance at March 31, 2018	\$ 63,189	\$ 144	\$ 73,901	\$ 5,288
Increase	8,081	—	396	0
Decrease	(12,712)	(135)	—	(18)
Other	(3,495)	(9)	(18)	(90)
Balance at March 31, 2019	\$ 55,063	—	\$ 74,279	\$ 5,180

(2) Liquidity Risk

Liquidity risk is the risk that the Olympus Group may not be able to repay borrowings or settle other financial liabilities on their due dates.

Borrowings, bonds and other financial liabilities held by the Olympus Group are exposed to liquidity risk. Based on the report from each division, the finance division of the Olympus Group prepares and updates its cash flow plans on a timely basis and keeps its liquidity in hand over a certain ratio of consolidated revenue in order to manage liquidity risk.

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Major financial liabilities by maturity date are as follows. Trade and other payables are not included in the tables below as they are settled within one year and their contractual cash flows are nearly equal to the carrying amount.

As of March 31, 2018

	Millions of yen			
	Carrying amount	Contractual cash flows		
		Total	Within 1 year	Over 1 year
Non-derivative financial liabilities				
Bonds and borrowings	¥ 247,974	¥ 259,571	¥ 92,042	¥ 167,529
Lease obligations	8,507	8,926	3,409	5,517
Derivative financial liabilities				
Currency derivatives	469	469	406	63
Interest rate derivatives	¥ 1,936	¥ 1,938	¥ 878	¥ 1,060

As of March 31, 2019

	Millions of yen			
	Carrying amount	Contractual cash flows		
		Total	Within 1 year	Over 1 year
Non-derivative financial liabilities				
Bonds and borrowings	¥ 181,335	¥ 192,149	¥ 62,479	¥ 129,670
Lease obligations	9,035	9,407	3,478	5,929
Derivative financial liabilities				
Currency derivatives	1,803	1,803	1,568	235
Interest rate derivatives	¥ 1,228	¥ 1,226	¥ 507	¥ 719

	Thousands of U.S. dollars			
	Carrying amount	Contractual cash flows		
		Total	Within 1 year	Over 1 year
Non-derivative financial liabilities				
Bonds and borrowings	\$ 1,633,649	\$ 1,731,072	\$ 562,874	\$ 1,168,198
Lease obligations	81,396	84,748	31,333	53,414
Derivative financial liabilities				
Currency derivatives	16,243	16,243	14,126	2,117
Interest rate derivatives	\$ 11,063	\$ 11,045	\$ 4,568	\$ 6,477

The Olympus Group does not expect the cash flows included in the maturity analysis to occur much earlier than anticipated or to differ significantly from the anticipated monetary amounts.

(3) Market Risk

Market risk is the risk of fluctuations in fair value or future cash flows of financial instruments because of changes in market prices. Market risk includes foreign exchange risk which arises from changes in foreign exchange rates, interest rate risk which arises from changes in market interest rates and market price fluctuation risk which arises from changes in market prices of listed shares.

1) Foreign exchange risk

The Olympus Group operates business activities worldwide. Accordingly, financial assets and liabilities arising from transactions denominated in currencies other than the functional currency are exposed to foreign exchange rate fluctuation risk. The Olympus Group mainly uses forward foreign exchange contracts to reduce the foreign exchange fluctuation risk.

(i) Foreign exchange forward contracts, currency options and currency swaps

The details of foreign exchange forward contracts, currency options and currency swaps were as follows:

	Millions of yen				Thousands of U.S. dollars	
	2018		2019		2019	
	Contract amount	Fair value	Contract amount	Fair value	Contract amount	Fair value
Foreign exchange forward contracts:						
U.S. dollar	¥ 81,970	¥ 1,752	¥ 91,643	¥ (1,224)	\$ 825,613	\$ (11,027)
Other currency	46,046	1,828	25,598	(742)	230,613	(6,685)
Currency options	35,924	(76)	66,045	(482)	595,000	(4,342)
Other currency	9,496	57	14,865	20	133,919	180
Currency swaps	9,496	57	14,865	20	133,919	180
Receive British pounds / pay euro	9,625	57	—	—	—	—
Receive other currencies / pay other currencies	2,896	6	—	—	—	—
Total	¥ 101,091	¥ 1,866	¥ 106,508	¥ (1,204)	\$ 959,532	\$ (10,847)

(ii) Sensitivity analysis of currency fluctuation risk

The following table illustrates the impact on profit before tax in the consolidated statements of profit or loss from financial instruments held by the Olympus Group at the end of each fiscal year if the Japanese yen appreciated by 1 Japanese yen against the U.S. dollar and the Euro. This analysis assumes that all other variables are held constant.

	Millions of yen		Thousands of U.S. dollars	
	2018	2019	2019	2019
U.S. dollar	¥107	¥ (87)	\$ (784)	\$ (784)
Euro	¥48	¥ (50)	\$ (450)	\$ (450)

2) Interest rate risk

Interest rate risk to which the Olympus Group is exposed arises from cash equivalents and interest-bearing debts. Borrowings with variable interest rates may be affected by future cash flow fluctuations because of changes in market interest rates.

The Olympus Group uses interest rate swaps to control the interest rate changes; therefore, borrowings with variable interest rates substantially have a nature equivalent to that of fixed interest rate contracts. The result of interest rate sensitivity analysis has been omitted because the effect of changes in interest rates on profit or loss is insignificant.

3) Market price risk

The Olympus Group holds listed shares for investment purposes, including facilitating business alliances. Market prices of listed shares may fluctuate depending on market economy trends as the prices are determined based on market principles. For listed shares, the Olympus Group regularly checks market prices and the financial status of business counterparts issuing shares, etc., while reviewing holding positions continuously in consideration of relationships with business counterparts.

Sensitivity analysis of market price risk

With regard to listed shares held by the Olympus Group at the end of each fiscal year, the following table shows the impact on other comprehensive income (before tax effect) in the consolidated statements of comprehensive income that would result from 1% decline in market prices at the end of each fiscal year. The impact was calculated by multiplying listed shares at the end of each fiscal year by 1% for this analysis.

	Millions of yen		Thousands of U.S. dollars	
	2018	2019	2019	2019
Other comprehensive income (before tax effect)	¥ (268)	¥ (186)	\$ (1,676)	\$ (1,676)

(4) Fair Value

1) Fair value hierarchy

Fair value hierarchy is categorized into the following three levels depending on the observability of inputs used in the valuation technique for the measurement.

Level 1: Fair value measured at market prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Fair value measured using observable prices other than those categorized within level 1, either directly or indirectly

Level 3: Fair value measured using a valuation technique which includes inputs that are not based on observable market data

The Olympus Group recognizes transfers of financial instruments between the levels of the fair value hierarchy as if they occurred at the end of each fiscal year. There were no significant financial instruments transferred between the levels for the fiscal years ended March 31, 2018 and 2019.

2) Financial instruments measured at fair value

The methods for measuring major financial instruments measured at fair value are as follows.

(Other financial assets and other financial liabilities)

Listed shares are classified as level 1 and stated at market prices valued at the end of each fiscal year.

Unlisted shares are classified as level 2 or level 3 and stated at the value obtained by using valuation techniques such as the comparable company analysis method.

Derivative assets and liabilities are classified as level 2. Currency derivatives are stated at the value based on forward exchange rates, and interest-rate derivatives are stated at the value obtained based on observable data such as market interest rates, credit risks, and the period up to maturity. The contingent consideration for business combinations is classified as level 3 and stated at the estimates of future payability.

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The fair value hierarchy of financial instruments measured at fair value is as follows:

As of March 31, 2018

	Millions of yen			
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets measured at fair value through profit and loss				
Derivative assets	¥ —	¥ 2,335	¥ —	¥ 2,335
Equity securities	—	—	809	809
Financial assets measured at fair value through other comprehensive income				
Equity securities	26,799	—	786	27,585
Financial liabilities				
Financial liabilities measured at fair value through profit and loss				
Derivative liabilities	—	2,405	—	2,405
Contingent consideration	¥ —	¥ —	¥ 662	¥ 662

As of March 31, 2019

	Millions of yen			
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets measured at fair value through profit and loss				
Derivative assets	¥ —	¥ 599	¥ —	¥ 599
Equity securities	—	—	787	787
Financial assets measured at fair value through other comprehensive income				
Equity securities	18,583	—	987	19,570
Financial liabilities				
Financial liabilities measured at fair value through profit and loss				
Derivative liabilities	—	3,031	—	3,031
Contingent consideration	¥ —	¥ —	¥ 584	¥ 584

	Thousands of U.S. dollars			
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets measured at fair value through profit and loss				
Derivative assets	\$ —	\$ 5,396	\$ —	\$ 5,396
Equity securities	—	—	7,090	7,090
Financial assets measured at fair value through other comprehensive income				
Equity securities	167,414	—	8,892	176,306
Financial liabilities				
Financial liabilities measured at fair value through profit and loss				
Derivative liabilities	—	27,306	—	27,306
Contingent consideration	\$ —	\$ —	\$ 5,261	\$ 5,261

The changes in financial assets categorized within level 3 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Balance at April 1	¥ 1,355	¥ 1,595	\$ 14,369
Gains and losses (Note)			
Profit or loss	160	77	694
Other comprehensive income	65	(607)	(5,468)
Purchases	—	1,030	9,279
Sales	—	—	—
Other	15	(321)	(2,892)
Balance at March 31	¥ 1,595	¥ 1,774	\$ 15,982

Note: Gains and losses recognized in profit or loss are included in "Finance income" or "Finance costs" in the consolidated statements of profit or loss. Gains and losses recognized in other comprehensive income are included in "Financial assets measured at fair value through other comprehensive income" in the consolidated statements of comprehensive income.

Total losses recognized in profit or loss included losses of ¥160 million and ¥67 million (\$604 thousand) on financial instruments held as of the years ended March 31, 2018 and 2019, respectively.

The changes in financial liabilities categorized within level 3 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Balance at April 1	¥ —	¥ 662	\$ 5,964
Business combinations	750	489	4,405
Settlement	(222)	(693)	(6,243)
Change in fair value	170	85	766
Other	(36)	41	369
Balance at March 31	¥ 662	¥ 584	\$ 5,261

Note: The changes in financial liabilities categorized within level 3 were disclosed for the year ended March 31, 2019.

The fair value of contingent consideration for business combinations is described in the changes in financial liabilities categorized within level 3 and the fair value hierarchy of financial instruments measured at fair value which were described in Note 40 "Business combinations" for the year ended March 31, 2018.

3) Financial instruments measured at amortized cost

The measurement techniques for measuring the fair value of major financial instruments measured at amortized cost are as follows. These financial instruments are mainly classified into level 2.

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

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

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

(Other financial assets and other financial liabilities)

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

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

(Bonds and borrowings)

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

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

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

The carrying amount and fair value of major financial instruments measured at amortized cost were as follows. Financial instruments whose carrying amounts approximate fair value are not included in the following table.

	Millions of yen		Millions of yen		Thousands of U.S. dollars	
	2018		2019		2019	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets						
Lease receivables	¥ 35,463	¥ 35,430	¥ 29,824	¥ 29,803	\$ 268,685	\$ 268,495
Financial liabilities						
Bonds	34,942	34,905	19,909	19,897	179,360	179,252
Borrowings	130,024	128,599	97,811	98,218	881,180	884,847
Lease obligations	¥ 8,507	¥ 8,666	¥ 9,035	¥ 9,140	\$ 81,396	\$ 82,342

4) Equity instruments

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

The fair values of major equity instruments were as follows:

Issuer	Millions of yen
	2018
CASIO COMPUTER CO., LTD.	¥ 3,788
ASAHI INTECC CO., LTD.	2,846
Fuji Machine Manufacturing Co., Ltd.	1,820
USHIO INC.	1,602
Mitsubishi UFJ Financial Group, Inc.	¥ 1,461

Issuer	Millions of yen
	2019
ASAHI INTECC CO., LTD.	¥ 3,511
CASIO COMPUTER CO., LTD.	3,451
USHIO INC.	1,449
Sumitomo Realty & Development Co., Ltd.	1,307
FUJI CORPORATION	¥ 1,287

Issuer	Thousands of U.S. dollars
	2019
ASAHI INTECC CO., LTD.	\$ 31,631
CASIO COMPUTER CO., LTD.	31,090
USHIO INC.	13,054
Sumitomo Realty & Development Co., Ltd.	11,775
FUJI CORPORATION	\$ 11,595

Notes to the Consolidated Financial Statements

The fair value at the date of sale and cumulative gains or losses on sales of equity instruments sold during the year were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Fair value at the date of sale	¥ 7,011	¥ 4,998	\$ 45,027
Cumulative gains or losses on sale	¥ 1,578	¥ 2,486	\$ 22,396

The breakdown of dividends received recognized from equity instruments was as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Equity instruments derecognized during the year	¥ 194	¥ 114	\$ 1,027
Equity instruments held at the end of year	448	488	4,396
Total	¥ 642	¥ 602	\$ 5,423

(5) Hedge Accounting

The Olympus Group uses interest rate swaps to receive variable interest rates and pay fixed interest rates in order to hedge interest rate risk, and applies hedge accounting by designating the interest rate swaps as cash flow hedges.

For interest rate swaps, the notional amount, term (maturity) and the hedging instrument and the hedged item are to be matched, in principle. No ineffective portion was recognized as of March 31, 2018 and 2019.

A summary of interest rate swaps designated as cash flow hedge was as follows:

As of March 31, 2018

	Millions of yen				Interest rate
	Notional amount	Over 1 year	Carrying amount (Note)		
			Assets	Liabilities	
Interest rate swaps	¥ 83,000	¥ 63,000	¥ —	¥ 1,936	Variable rate receipt: 6-month Japanese yen TIBOR Fixed rate payment: 1.3815% to 2.145%

As of March 31, 2019

	Millions of yen				Interest rate
	Notional amount	Over 1 year	Carrying amount (Note)		
			Assets	Liabilities	
Interest rate swaps	¥ 63,000	¥ 25,000	¥ —	¥ 1,228	Variable rate receipt: 6-month Japanese yen TIBOR Fixed rate payment: 1.3815% to 2.040%

	Thousands of U.S. dollars				Interest rate
	Notional amount	Over 1 year	Carrying amount (Note)		
			Assets	Liabilities	
Interest rate swaps	\$ 567,568	\$ 225,225	\$ —	\$ 11,063	Variable rate receipt: 6-month Japanese yen TIBOR Fixed rate payment: 1.3815% to 2.040%

Note: The amount in the consolidated statements of financial position are recorded in "Other financial assets" or "Other financial liabilities" of each current and non-current based on their maturity date.

The cash flow hedge reserve regarding the above table was as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Interest rate swaps	¥ (1,936)	¥ (1,228)	\$ (11,063)

Cash flow hedges recognized in the consolidated statements of comprehensive income and other comprehensive income (before tax effect) were as follows:

As of March 31, 2018

	Millions of yen	
	Changes in the fair value recognized in other comprehensive income	Amount of reclassification adjustment from cash flow hedge to profit or loss (Note)
Interest rate swaps	¥ (72)	¥ 1,456

As of March 31, 2019

	Millions of yen	
	Changes in the fair value recognized in other comprehensive income	Amount of reclassification adjustment from cash flow hedge to profit or loss (Note)
Interest rate swaps	¥ (134)	¥ 843

	Thousands of U.S. dollars	
	Changes in the fair value recognized in other comprehensive income	Amount of reclassification adjustment from cash flow hedge to profit or loss (Note)
Interest rate swaps	\$ (1,207)	\$ 7,595

Note: The amounts included in the consolidated statements of profit or loss are recorded in "Finance income" or "Finance costs."

(6) Transfer of Financial Assets

Transferred financial assets that are not derecognized in their entirety

The Olympus Group transfers a part of trade receivables to a third party in order to diversify fund-raising channels and conduct stable fund procurement. The third party has recourse only to the transferred assets upon the debtors' default and cannot claim other assets of the Olympus Group. While the Olympus Group does not bear bad debt risk on a certain portion of the transferred receivables due to a contract with the third party, the full amount in has been recognized in the consolidated statements of financial position because the financial assets in their entirety do not qualify for derecognition. The proceeds which arising on the transfer of the assets have been recorded as the associated liabilities and are settled when a payment is made for the transferred assets. The Olympus Group cannot use the transferred assets until the payment is made.

The carrying amounts of transferred assets and the associated liabilities when the Olympus Group continues to recognize all of the transferred assets as of March 31, 2018 and 2019 are as follows. They are recognized in "Trade and other receivables" and "Other financial liabilities," respectively, in the consolidated statements of financial position.

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Transferred financial assets	¥ 3,324	¥ 3,253	\$ 29,306
Related liabilities	2,427	2,518	22,685
Net position of transferred financial assets	¥ 897	¥ 735	\$ 6,621

The fair values are equivalent to the carrying amounts in the above table.

36. Leases

(1) Lessor

1) Finance leases

The Olympus Group leases endoscopes and other equipment under finance leases.

The gross investment in the lease and present value of minimum lease receivables were as follows:

	Millions of yen		Thousands of U.S. dollars	Millions of yen		Thousands of U.S. dollars
	Gross investment in the lease			Present value of minimum lease receivables		
	2018	2019	2019	2018	2019	2019
Within 1 year	¥ 17,605	¥ 14,647	\$ 131,955	¥ 16,257	¥ 13,752	\$ 123,892
More than 1 year, but within 5	20,252	17,250	155,405	18,669	15,603	140,568
More than 5 years	110	121	1,090	102	115	1,035
Total	¥ 37,967	¥ 32,018	\$ 288,450	¥ 35,028	¥ 29,470	\$ 265,495
Unguaranteed residual values	435	354	3,189			
Unearned finance income	2,504	2,194	19,766			
Present value of minimum lease receivables	¥ 35,028	¥ 29,470	\$ 265,495			

The amount of the allowance for uncollectable minimum lease receivables as of March 31, 2018 and March, 2019 were ¥1,505 million and ¥1,466 million (\$13,207 thousand), respectively.

2) Operating leases

The Olympus Group leases endoscopes and other equipment under operating leases.

The breakdown of future minimum lease receivables under non-cancelable operating leases by maturity was as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Within 1 year	¥ 16,197	¥ 18,870	\$ 170,000
More than 1 year, but within 5	18,494	20,177	181,775
More than 5 years	263	112	1,009
Total	¥ 34,954	¥ 39,159	\$ 352,784

The total of contingent rents recognized as revenue for each fiscal year was as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Total of contingent rents	¥ 11,405	¥ 11,696	\$ 105,369

Notes to the Consolidated Financial Statements

(2) Lessee

1) Finance leases

The Olympus Group rents endoscopes and other equipment under finance leases. There are no variable lease payments, significant renew/purchase options, escalation clauses or restrictions on dividends, additional borrowing and additional leases provided by the lease contracts.

The total of future minimum lease payments and the present value under finance lease were as follows:

	Millions of yen		Thousands of U.S. dollars		Millions of yen		Thousands of U.S. dollars	
	Minimum lease payments		Present value of minimum lease payments		2018		2019	
	2018	2019	2019	2019	2018	2019	2019	2019
Within 1 year	¥ 3,409	¥ 3,478	\$ 31,333	¥ 3,201	¥ 3,319	\$ 29,901		
More than 1 year, but within 5	5,472	5,859	52,784	5,267	5,658	50,973		
More than 5 years	39	69	622	39	58	522		
Total	¥ 8,920	¥ 9,406	\$ 84,739	¥ 8,507	¥ 9,035	\$ 81,396		
Future finance costs	413	371	3,342					
Present value	¥ 8,507	¥ 9,035	\$ 81,396					

2) Operating leases

The Olympus Group rents mainly property under operating leases. Certain of the lease transactions have renew/purchase options or escalation clauses, but there is no significant restrictions on dividends, additional borrowings and additional leases provided by the lease contracts.

The breakdown of future minimum lease payments under non-cancelable operating leases by maturity was as follows:

	Millions of yen		Thousands of U.S. dollars	
	2018	2019	2019	2019
Within 1 year	¥ 5,512	¥ 6,430	\$ 57,928	
More than 1 year, but within 5	13,344	17,394	156,703	
More than 5 years	23,003	20,438	184,126	
Total	¥ 41,859	¥ 44,262	\$ 398,757	

The total of minimum lease payments of operating leases recognized in profit or loss was as follows:

	Millions of yen		Thousands of U.S. dollars	
	2018	2019	2019	2019
Total of minimum lease payments	¥ 7,273	¥ 6,505	\$ 58,604	

37. Income Taxes

(1) Deferred Tax Assets and Liabilities

The breakdown of major deferred tax assets and liabilities by cause was as follows:

	Millions of yen		Thousands of U.S. dollars	
	2018	2019	2019	2019
Deferred tax assets				
Inventories	¥ 8,647	¥ 9,348	\$ 84,216	
Prepaid expenses	7,165	8,794	79,225	
Accrued bonuses	5,789	5,900	53,153	
Accrued expenses	4,054	4,450	40,090	
Unrealized intercompany profits	4,555	5,276	47,532	
Depreciation of property, plant and equipment	7,447	6,745	60,766	
Amortization of intangible assets	3,568	4,029	36,297	
Interest rate swaps	593	376	3,387	
Retirement benefit liabilities	5,032	6,471	58,297	
Loss carryforwards	11,266	9,844	88,685	
Other	4,462	8,187	73,757	
Total	¥ 62,578	¥ 69,420	\$ 625,406	
Deferred tax liabilities				
Depreciation of property, plant and equipment	¥ (6,408)	¥ (8,122)	\$ (73,171)	
Financial liabilities measured at fair value through other comprehensive income	(3,304)	(2,027)	(18,261)	
Retirement benefit assets	(10,183)	(6,524)	(58,775)	
Fair value differences on acquisition	(5,287)	(3,888)	(35,027)	
Capitalized development costs	(8,478)	(9,363)	(84,351)	
Other	(612)	(4,330)	(39,009)	
Total	¥ (35,447)	¥ (34,254)	\$ (308,595)	
Net deferred tax assets	¥ 27,131	¥ 35,166	\$ 316,811	

Loss carryforwards, deductible temporary differences and tax credits carried forward for which deferred tax assets have not been recognized were as follows. The tax base is presented.

	Millions of yen		Thousands of U.S. dollars	
	2018	2019	2019	2019
Loss carryforwards	¥ 26,322	¥ 21,238	\$ 191,333	
Deductible temporary differences	26,108	29,135	262,477	
Tax credits carried forward	3,190	1,096	9,874	
Total	¥ 55,620	¥ 51,469	\$ 463,685	

Loss carryforwards for which deferred tax assets have not been recognized and expires as follows:

	Millions of yen		Thousands of U.S. dollars	
	2018	2019	2019	2019
Within 4th year	¥ 8,363	¥ 13,787	\$ 124,207	
5th year and thereafter	17,959	7,451	67,126	
Total	¥ 26,322	¥ 21,238	\$ 191,333	

The Company does not recognize deferred tax liabilities for the temporary differences associated with undistributed profits of subsidiaries when the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Total temporary differences associated with the undistributed profits of subsidiaries which have not been recognized as deferred tax liabilities (income base) were ¥225,972 million and ¥194,077million (\$1,748,441 thousand) as of March 31, 2018 and 2019, respectively.

(2) Income Tax Expenses

The breakdown of income tax expenses was as follows:

	Millions of yen		Thousands of U.S. dollars	
	2018	2019	2019	2019
Current tax expenses (Notes 1, 5)	¥ 18,988	¥ 15,827	\$ 142,586	
Deferred tax expenses (Notes 2, 3, 4, 5)	585	(3,759)	(33,865)	
Total of income tax expenses	¥ 19,573	¥ 12,068	\$ 108,721	

Notes:

- The current tax expense includes tax losses which were previously not recorded, tax credits or benefits resulting from temporary differences for prior periods. Consequently, the current tax expense for the fiscal years ended March 31, 2018 and 2019 decreased by ¥1,288 million and ¥1,255 million (\$11,306 thousand), respectively. In addition, the current tax expense for the fiscal year ended March 31, 2019 includes the corporation tax for the previous fiscal year of ¥(385) million (\$3,468 thousand).
- The deferred tax expense includes tax losses which were previously not recorded, tax credits, or benefits resulting from temporary differences for prior periods. Consequently, the deferred tax expense for the fiscal years ended March 31, 2018 and 2019 decreased by ¥111 million and ¥4,799 million (\$43,234 thousand), respectively.
- The deferred tax expense includes the reversal of devaluation of deferred tax assets which was previously recorded. Consequently, the deferred tax expense for the fiscal year ended March 31, 2018 and 2019 by ¥1,792 million and ¥1,329 million (\$11,972 thousand), respectively.
- The deferred tax expense decreased by ¥2,298 million for the fiscal year ended March 31, 2018 and decreased by ¥266 million (\$2,396 thousand) for the fiscal year ended March 31, 2019 due to the effect of changes in tax rates in Japan and overseas.
- Income taxes were recognized based on the "Tax Cuts and Jobs Act of 2017," which was enacted on December 22, 2017 in the United States. As a result, income taxes for the fiscal year ended March 31, 2018 decreased by ¥3,257 million. The amount in Note 4 includes the effect of adopting this tax system.

(3) Income Taxes Recognized in Other Comprehensive Income

Income taxes recognized in other comprehensive income are presented in Note 33 "Other Comprehensive Income."

(4) Reconciliation of Effective Tax Rate

Reconciliation of the effective statutory tax rate and the average effective tax rate for the fiscal years ended March 31, 2018 and 2019 is as follows.

The Company's income taxes mainly include corporation tax, inhabitant tax and enterprise tax. The effective statutory tax rates calculated based on these taxes were 30.9% and 30.6% for the fiscal years ended March 31, 2018 and 2019, respectively. Overseas subsidiaries are subject to income taxes of the countries in which they operate.

	2018	2019
Effective statutory tax rate	30.90%	30.60%
Non-deductible expense, such as entertainment expenses	5.3	40.5
Non-taxable income, such as dividend income	(0.1)	(6.9)
Tax credit for experimental research cost and others	(6.3)	(4.7)
Different tax rates applied to subsidiaries	(3.5)	(9.2)
Subsidiaries reserve	—	5.5
Change in unrecognized deferred tax assets and liabilities	0.5	4.2
Change in deferred tax assets at the end of fiscal year due to changes in tax rates	(3.0)	(1.3)
Other	1.9	1.3
Average actual tax rate	25.5%	60.0%

Notes to the Consolidated Financial Statements

38. Major Subsidiaries

(1) Structured Entities

Major subsidiaries as of March 31, 2019 were as follows:

Company name	Location	Main business	Voting rights held by the Company (%) (Note 1)
<i>(Consolidated subsidiaries)</i>			
Olympus Medical Systems Corp.	Shibuya-ku, Tokyo	Manufacturing medical products	100
Aizu Olympus Co., Ltd.	Aizu-Wakamatsu-shi, Fukushima	Manufacturing medical products and optical products	100
Aomori Olympus Co., Ltd.	Kuroishi-shi, Aomori	Manufacturing medical products	100
Nagano Olympus Co., Ltd.	Tatsuno-machi, Kamiina-gun, Nagano	Manufacturing medical products and parts of optical products	100
Shirakawa Olympus Co., Ltd.	Nishigo-mura, Nishishirakawa-gun, Fukushima	Manufacturing medical products and optical products	100
Olympus Medical Science Sales Corp.	Shinjuku-ku, Tokyo	Sales of medical products, optical products and electric products	100
Olympus Logitex Co., Ltd.	Minami-ku, Sagami-hara-shi, Kanagawa	Logistics	100
Olympus Systems Co., Ltd.	Shibuya-ku, Tokyo	Information services	100
Olympus Terumo Biomaterials Corp.	Shibuya-ku, Tokyo	Research and development and manufacture and sales in the biomaterials field	66.6
Tmedix Corporation	Shinjuku-ku, Tokyo	Leasing of specially controlled medical devices	100
Olympus Corporation of the Americas	Pennsylvania, U.S.A.	Holding company of corporate planning and financial support to affiliated companies in Americas region	100
Olympus America Inc.	Pennsylvania, U.S.A.	Sales of medical products and optical products	100 (100)
Olympus Latin America, Inc.	Florida, U.S.A.	Sales of medical products and optical products	100 (100)
Gyrus ACMI, Inc.	Massachusetts, U.S.A.	Manufacturing medical products	100 (100)
Gyrus ACMI LP	Minnesota, U.S.A.	Manufacturing medical products	100 (100)
Olympus Scientific Solutions Americas Corp.	Massachusetts, U.S.A.	Manufacturing non-destructive testing devices	100 (100)
Olympus Scientific Solutions Technologies Inc.	Massachusetts, U.S.A.	Manufacturing non-destructive testing devices	100 (100)
Olympus NDT Canada Inc.	Québec, Canada	Manufacturing non-destructive testing devices	100 (100)
Olympus Europa Holding SE	Hamburg, Germany	Holding company of corporate planning to affiliated companies in Europe region	100
Olympus Europa SE & Co. KG	Hamburg, Germany	Holding company and sales of medical products, optical products and electric products	100 (100)
Olympus Soft Imaging Solutions GmbH	Munster, Germany	Information services and system development	100 (100)
Olympus Deutschland GmbH	Hamburg, Germany	Sales of medical products, optical products and electric products	100 (100)
Olympus France S.A.S.	Rungis Cedex, France	Sales of medical products, optical products and electric products	100 (100)
Olympus Winter & Ibe GmbH	Hamburg, Germany	Manufacturing and sales of medical products	100 (100)
KeyMed (Medical & Industrial Equipment) Ltd.	Essex, U.K.	Manufacturing medical products and optical products	100 (100)
Gyrus Group Limited	London, U.K.	Fund management of subsidiary companies outside Europe	100 (100)
Olympus Finance UK Limited	London, U.K.	Fund management of subsidiary companies in Europe	100
Olympus Corporation of Asia Pacific Limited	Hong Kong	Holding company of corporate planning to affiliated companies in Asia region	100
Olympus Hong Kong and China Limited	Hong Kong	Manufacturing and sales of optical products and electric products	100 (100)
Olympus (China) Co., Ltd.	Beijing, P.R.C.	Holding company of corporate planning to affiliated companies in China	100 (100)
Olympus (Guangzhou) Industrial Ltd.	Guangzhou, P.R.C.	Manufacturing medical products and optical products	100 (100)
Olympus (Beijing) Sales & Service Co., Ltd.	Beijing, P.R.C.	Sales of medical products	100 (100)
Olympus Trading (Shanghai) Limited	Shanghai, P.R.C.	Sales of medical products and optical products	100 (100)
Olympus Korea Co., Ltd.	Seoul, Republic of Korea	Sales of medical products, optical products and electric products	100
Olympus Singapore Pte Ltd.	Singapore	Sales of medical products and optical products	100 (100)
Olympus Vietnam Co., Ltd.	Vietnam	Manufacturing medical endoscopes and imaging products	100 (100)
Olympus Australia Pty Ltd.	Victoria, Australia	Sales of medical products and optical products	100 (100)
54 others	—	—	—
<i>(Equity method affiliated companies)</i>			
Sony Olympus Medical Solutions Inc.	Hachioji-shi, Tokyo	Development of medical products	49
1 other	—	—	—

Note: Figures disclosed in parentheses in the "Voting rights held by the Company" column represent voting rights held indirectly by the Company.

(2) Significant Subsidiaries Having Non-Controlling Interests.

During the years ended March 31, 2018 and 2019, there was no individually significant subsidiary having non-controlling interests.

39. Related-Party Transactions

(1) Related-Party Transactions

There were no material related-party transactions (except for transactions that were offset in the consolidated financial statements) for the years ended March 31, 2018 and 2019.

(2) Remuneration for Management Executives

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Remuneration and bonuses	¥ 567	¥ 522	\$ 4,703
Share-based payments	29	20	180
Total	¥ 596	¥ 542	\$ 4,883

40. Business Combinations

For the year ended March 31, 2018

(Business combination through acquisition)

(1) Overview of Business Combination

① Name of company acquired and description of business

Name of company acquired: Image Stream Medical, Inc. (hereinafter "ISM")

Description of business: Proposal, sale, delivery and maintenance services for video management equipment and system integration solutions for operating rooms

② Primary reason for business combination

In the 2016 Corporate Strategic Plan ("16CSP") released on March 30, 2016, the Company set forth a goal of formulating aggressive business portfolios with a firm business base and improving its corporate value toward sustainable growth down the road.

With this acquisition, the Company has obtained the technology for internet protocol (IP)-based image delivery, which ISM has cultivated through medical practices, and a business base for system integration. Given this advantage, the Company will work to strengthen the "Operating Room System Integration" business set forth in 16CSP and offer a better medical environment, thereby contributing to a society where people in the world have a healthy, peaceful, and fulfilling life.

③ Acquired ratio of holding capital with voting rights

100%

④ Acquisition date

June 1, 2017

⑤ Acquisition method to govern the acquired company

Cash consideration for the acquisition of shares

(2) Acquisition-Related Expense

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

(3) Fair Value of Consideration Paid, Assets Acquired, and Liabilities Assumed as of the Acquisition Date

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

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

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

Notes to the Consolidated Financial Statements

(4) Contingent Consideration

Contingent consideration represents milestone payments to be made to old ISM shareholders in response to the Company's obtaining of licenses on the ISM development, and is the amount calculated in consideration of the possibility of acquiring licenses on the targeted development and time value of money. The maximum amount of milestone payments is \$9 million before discounting.

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

There were no significant fluctuations in the fair value of the above contingent consideration in the year ended March 31, 2018.

(5) Impacts on the Olympus Group

The Company omits disclosure of profit and loss information from the acquisition date and pro forma profit and loss information assuming the business combination was conducted at the beginning of the year ended March 31, 2018 because of its immateriality for the consolidated statements of profit or loss. Such pro forma information has not been audited by the Company's independent auditor.

For the year ended March 31, 2019

(Business combination through acquisition)

(1) Overview of Business Combination

① Name of company acquired and description of business

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

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

② Primary reason for business combination

In the 2016 Corporate Strategic Plan ("16CSP") released on March 30, 2016, the Company set forth a goal of formulating aggressive business portfolios with a firm business base and improving its corporate value toward sustainable growth down the road.

With regard to urinary tract stone management in the urology business, the Company will enhance its competitiveness in the urology business through the in-house development and manufacture of lithotripsy systems.

③ Acquisition date

May 15, 2018

④ Acquisition method to govern the acquired company

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

(2) Acquisition-Related Expense

The acquisition-related expense of ¥116 million (\$1,045 thousand) has been booked in "selling, general and administrative expenses."

(3) Fair Value of Consideration Paid, Assets Acquired, and Liabilities Assumed as of the Acquisition Date

	Millions of yen	Thousands of U.S. dollars
	Amount	
Fair value of consideration paid		
Cash	¥ 3,424	\$ 30,847
Contingent consideration	489	4,405
Total	3,913	35,252
Fair value of assets acquired, and liabilities undertaken		
Intangible assets	3,815	34,369
Fair value of assets acquired and liabilities undertaken (net amount)	3,815	34,369
Goodwill	98	883
Total	¥ 3,913	\$ 35,252

The fair value of the acquired assets in the relevant business combination as of the acquisition date was measured in the fiscal year ended March 31, 2019 and intangible assets decreased by ¥98 million (\$883 thousand) resulting in goodwill increasing by the same amount compared with the initial provisional amount.

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

(4) Contingent Consideration

The consideration will be paid on condition that knowledge is transferred from Cybersonics to the Company and that business assets are put into operation within a certain period of time, and the amount was calculated in consideration of the possibility of the said conditions being fulfilled and taking into account the time value of money. The maximum amount of payments is \$4.5 million before discounting.

The fair value of consideration with conditions will fluctuate along with changes in interest rates. However, the impacts on measuring fair value are not material.

(5) Impacts on the Olympus Group

The Company omits disclosure of profit and loss information from the acquisition date and pro forma profit and loss information assuming the business combination was conducted at the beginning of the year ended March 31, 2019 because of its immateriality for the consolidated statements of profit or loss. Such pro forma information has not been audited by the Company's independent auditor.

41. Contingent Liabilities

Liabilities for guarantees

The Olympus Group has the following guarantees:

	Millions of yen		Thousands of U.S. dollars	
	2018	2019	2019	
Employees (mortgages)	¥ 13	¥ 8	\$ 72	
Total	¥ 13	¥ 8	\$ 72	

(Guarantee obligations of employees' mortgages)

The maximum term of the guarantee obligations extends to 2023. As a guarantor, the Olympus Group is liable for any defaults of the mortgages in scope of the obligations and has an obligation to settle the mortgages on behalf of the employees.

Those obligations are collateralized by the homes of the employees.

42. Significant Subsequent Event

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

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

(1) Purpose of Share Split

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

(2) Overview of Share Split

① Method of share split

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

② Number of shares to be increased by share split

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

③ Schedule of the share split

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

(3) Partial Amendments to the Articles of Incorporation

① Reason for the amendments

In connection with this share split, pursuant to the provisions of Article 184, Paragraph 2 of the Companies Act, the total number of shares authorized to be issued stipulated in Article 6 of the Company's Articles of Incorporation was amended effective April 1, 2019.

② Details of the amendment

The details of the amendment are as follows.

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

③ Schedule

Effective date for the amendments to the Articles of Incorporation: April 1, 2019

(4) Others

① Change in amount of share capital

The amount of the Company's share capital will not change as a result of the share split.

② Dividends

As the share split will be conducted with an effective date of April 1, 2019, the year-end dividend for the fiscal year ended March 31, 2019 will be commenced based on the number of shares held prior to the share split.

Information disclosed in Note "32.Earning per share" has been calculated as if the Company's stock split was conducted at the beginning of the previous fiscal year.

Independent Auditor's Report



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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 statement of financial position as at March 31, 2019, and the consolidated statements of profit or loss, comprehensive income, changes in equity, 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 International Financial Reporting Standards, 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 not 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, 2019, and their consolidated financial performance and cash flows for the year then ended in conformity with International Financial Reporting Standards.

Our opinion is not qualified in respect of this matter.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 2(3).

Ernst & Young ShinNihon LLC

June 25, 2019
Tokyo, Japan

A member firm of Ernst & Young Global Limited

Olympus Group Companies (As of March 31, 2019)

Total Number of Companies: 94 (Head Office, 91 Subsidiaries, and 2 Affiliates)

Principal Business Bases

Olympus Corporation

Shinjuku Monolith,
3-1 Nishi-Shinjuku 2-chome,
Shinjuku-ku, Tokyo 163-0914, Japan
Tel: +81-3-3340-2111
Fax: +81-3-3340-2062
<https://www.olympus-global.com/en/>

Olympus Corporation of the Americas Olympus America Inc.

3500 Corporate Parkway,
Center Valley,
PA 18034-0610, U.S.A.
Tel: +1-484-896-5000
<https://www.olympusamerica.com/>

Olympus Europa SE & Co. KG

Amsinckstrasse 63,
20097 Hamburg, Germany
Tel: +49-40-23-77-30
<https://www.olympus-europa.com/>

Olympus Corporation of Asia Pacific Limited

L43, Office Tower, Langham Place,
8 Argyle Street, Mongkok, Kowloon, Hong Kong
Tel: +852-2481-7812

Head Office, Consolidated Subsidiaries, and Affiliated Companies

Domestic

Olympus Corporation

(Tokyo)
Manufacture and sales of precision machinery
and instruments

Olympus Medical Systems Corp.

(Tokyo)
Some management of medical products

Olympus Medical Science Sales Corp.

(Tokyo)
Manufacture of medical equipment

Nagano Olympus Co., Ltd.

(Nagano)
Development and manufacturing of life science
products and industrial products
Manufacturing of medical products

Aizu Olympus Co., Ltd.

(Fukushima)
Development and manufacture of medical and
industrial endoscopes

Aomori Olympus Co., Ltd.

(Aomori)
Development and manufacture of medical
endoscope-related products

Shirakawa Olympus Co., Ltd.

(Fukushima)
Development and manufacture of medical
endoscopy systems

TmediX 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 Digital System Design Corp.

(Tokyo)
Research and development of sophisticated
digital system design technology

Olympus Terumo Biomaterials Corp.

(Tokyo)
Research and development and manufacture and
sales in the biomaterials field

Olympus Memory Works Corp.

(Tokyo)
Planning, production, and sales of network-
related products and services

Olympus Logitex Co., Ltd.

(Kanagawa, Osaka)
Distribution center

Olympus-Supportmate Corp.

(Tokyo)
Provision of cleaning and other services
Promotion of employment in the Olympus Group
companies for the challenged

AVS Co., Ltd.

(Tokyo)
Domestic and international sales of medical
devices for human and veterinary use

Olympus Systems Co., Ltd.

(Tokyo)
Information system services
Consulting for textile and apparel industries

Sony Olympus Medical Solutions Inc.

(Tokyo)
Development of medical products

Olympus-RMS Corp.

(Tokyo)
Research and development of new medical
technologies in the field of regenerative medicine

(1 other)

Overseas

Olympus Corporation of the Americas

(Pennsylvania, U.S.A.)
Regional business center in the U.S., Canada,
and Latin America

Olympus America Inc.

(Pennsylvania, U.S.A.)
Head office operations in the U.S. and sales of
medical equipment and imaging products

Olympus Latin America, Inc.

(Florida, U.S.A.)
Sales and service of medical endoscopes and
microscopes in Latin America

Gyrus ACMI, Inc.

(Massachusetts, U.S.A.)
Development, manufacture, and sales of medical
devices

Olympus Scientific Solutions Americas Corp.

(Massachusetts, U.S.A.)
Holding company and sales of non-destructive
testing devices

Image Stream Medical, Inc.

(Massachusetts, U.S.A.)
Design, development, sales, installation, and
after-sales maintenance service of the operation
room system integration solutions, including
diagnostic and surgical video imaging.

Olympus Scientific Solutions Technologies Inc.

(Massachusetts, U.S.A.)
Manufacture of non-destructive testing products

Olympus NDT Canada Inc.

(Québec, Canada)
Manufacture and service of advanced UT and
ECT instruments and systems

Olympus Europa SE & Co. KG

(Hamburg, Germany)
Regional business center, and marketing and
sales of all product lines in Europe

Olympus Winter & Ibe GmbH

(Hamburg, Germany)
Development, manufacture, and sales of medical
rigid endoscopes and peripheral instruments

Olympus Soft Imaging Solution GmbH

(Münster, Germany)
Development, manufacture, and sales of
complete microscope system solutions

Olympus Deutschland GmbH

(Hamburg, Germany)
Sales of all product lines in Germany

Olympus KeyMed (Medical & Industrial Equipment) Ltd.

(Essex, U.K.)
Sales of all product lines, and development
and manufacture of endoscopes and related
equipment

Olympus France S.A.S.

(Rungis Cedex, France)
Sales of all product lines in France

Olympus Moscow Limited Liability Company

(Moscow, Russia)
Sales of all product lines and service of digital
cameras and medical endoscopes in Russia
and CIS

Olympus Corporation of Asia Pacific Limited

(Hong Kong)
Regional business center in Asia and Oceania

Olympus Hong Kong and China Limited

(Hong Kong)
Marketing and sales of medical, imaging and
scientific solutions products in Hong Kong region

Olympus (China) Co., Ltd.

(Beijing, China)
Head office operations in China, Micro-Imaging
System Division, Industrial Endoscope Dept.

Olympus (Guangzhou) Industrial Ltd.

(Guangzhou, China)
Manufacture of imaging products

Olympus (Beijing) Sales & Service Co., Ltd.

(Beijing, China)
Sales and service of medical equipment in China

Olympus Trading (Shanghai) Limited

(Shanghai, China)
International trading; distribution center in China;
distribution and after-sales service of medical
equipment

Olympus Korea Co., Ltd.

(Seoul, South Korea)
Sales of imaging products and medical
endoscopes in South Korea

Olympus Singapore Pte. Ltd.

(Singapore)
Sales of all product lines in the ASEAN region,
India, and Pakistan

Olympus (Malaysia) Sdn. Bhd.

(Petaling Jaya, Malaysia)
Marketing, sales of imaging products and medical
equipment in Malaysia

Olympus (Thailand) Co., Ltd.

(Bangkok, Thailand)
Marketing, sales, and service of all product lines
in Thailand

Olympus Vietnam Co.,Ltd.

(Dong Nai, Vietnam)
Manufacture of medical endoscopes and imaging
products

Olympus Medical Systems

Vietnam Co., Ltd.

(Hanoi, Vietnam)
Sales and service of medical endoscope-related
products in Vietnam

Olympus Medical Systems

India Private Limited

(Haryana, India)
Marketing, sales, and service of medical
equipment in India

Olympus Australia Pty Ltd

(Victoria, Australia)
Sales and service of medical and industrial
endoscopes, microscopes, and UT and ECT
instruments in Australia, New Zealand, Papua
New Guinea, Tahiti, and the South Pacific region

Olympus New Zealand Limited

(Auckland, New Zealand)
Sales and service of endoscopes and
microscopes in New Zealand

(46 others)

Corporate Information / Stock Information (As of March 31, 2019)

Company Name:	Olympus Corporation
Established:	October 12, 1919
Head Office:	Shinjuku Monolith, 3-1 Nishi-Shinjuku 2-chome, Shinjuku-ku, Tokyo 163-0914, Japan
Capital:	¥124,606 million
Consolidated Headcount:	35,124 (Excludes temporary employees, average of 1,396 for fiscal 2019)
Non-Consolidated Headcount:	7,024
Website:	https://www.olympus-global.com
Securities Identification Code:	7733
Stock Exchange Listing:	Tokyo Stock Exchange
Fiscal Year-End:	March 31
General Meeting of Shareholders:	June
Share Trading Unit:	100
Number of Shares Issued:	342,713,349
Number of Shareholders:	24,949
Transfer Agent for Common Stock:	Sumitomo Mitsui Trust Bank, Limited 4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8233, Japan

Depository and Transfer Agent for American Depository Receipts:

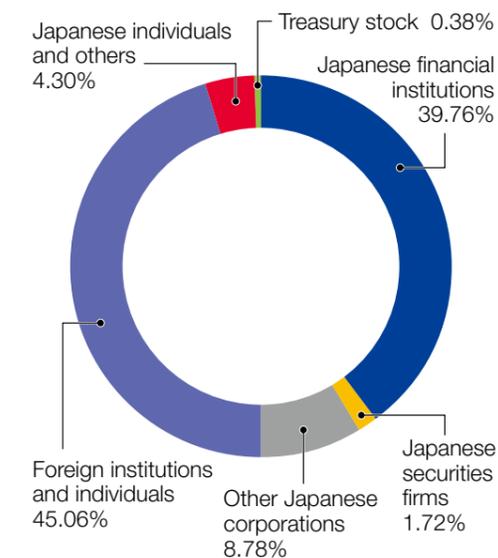
The Bank of New York Mellon
240 Greenwich Street, New York, NY 10286, U.S.A.
International: +1-201-680-6825
U.S. toll free: 888-269-2377 (888-BNY-ADRS)
<https://www.adrbnymellon.com>
Ratio (ADR:ORD): 1:1
Exchange: OTC (Over-the-Counter)
Symbol: OCPNY
CUSIP: 68163W109

Principal Shareholders:

Shareholder name	Number of shares held	Percentage of shares outstanding (%)
The Master Trust Bank of Japan, Ltd. (trust accounts)	35,321,100	10.35
State Street Bank and Trust Company 505010	19,392,800	5.68
Japan Trustee Services Bank, Ltd. (trust accounts)	18,237,500	5.34
Sony Corporation	17,243,950	5.05
Nippon Life Insurance Company	13,286,618	3.89
SMBC Trust Bank Ltd. (Sumitomo Mitsui Banking Corporation Pension Trust)	11,404,000	3.34
MUFG Bank, Ltd.	10,880,586	3.19
State Street Bank and Trust Company 505223	8,958,065	2.62
Japan Trustee Services Bank, Ltd. (trust accounts 5)	5,845,100	1.71
Goldman Sachs & Co. regular account	5,830,751	1.71

Note: The percentage of shares outstanding is calculated after deducting treasury stock (1,292,520 shares).

Composition of Shareholders:



The Role of Integrated Report

This Integrated Report compiles important information that includes non-financial information in addition to financial information and aims to provide an easy-to-understand explanation of the value Olympus creates. For more detailed information, please refer to the following corporate websites and media.

Olympus Global Homepage	CSR DATA BOOK	Olympus Medical Business
Provides information on the Olympus Group such as management information, product information, and non-financial information.	Provides detailed information as an environmental report and social report.	Introduces Olympus' strengths in as well as basic knowledge about the Medical Business.
https://www.olympus-global.com/	https://www.olympus-global.com/csr/download/pdf/csr_db_2019.pdf	https://www.olympus-global.com/ir/data/medical.html

Outside Evaluations / Commitment to External Initiatives

Inclusion in ESG Indexes	ESG
<ul style="list-style-type: none"> · Dow Jones Sustainability Asia Pacific Index · FTSE4Good Index Series · FTSE Blossom Japan Index 	<ul style="list-style-type: none"> · Scored B in climate change by CDP, an international nongovernmental organization promoting the realization of a sustainable economy.
<h4>Financial</h4> <ul style="list-style-type: none"> · Secured an "A" rating from Rating and Investment Information, Inc. (R&I). 	<ul style="list-style-type: none"> · Recognized in 2019 by White 500, the Certified Health and Productivity Management Organization Recognition Program, for the third consecutive year.
<h4>Innovation</h4> <ul style="list-style-type: none"> · Selected as a TOP 100 GLOBAL INNOVATOR, which recognizes the world's most innovative companies and institutions, for the eighth consecutive year. 	<ul style="list-style-type: none"> · Participates in the United Nations Global Compact.